

PRYSMIAN GROUP **2016** YEARLY OVERVIEW

The rewards of innovation

Prysmian
Group

AN ENGINE OF

GROWTH

“I am pleased to present to our shareholders the report for 2016, a record year in terms of profit that reached an all-time high with our target achieved in the top-end of the guidance range. But it was also a year for acceleration of a growth strategy based upon four pillars: continuous innovation and investment in R&D; engaging talent for the company’s future; sustainability as a secular commitment, and acquisition of strategic assets. Behind the jump in profit was the excellent sales performance in higher value-added businesses, which was also fostered by the company’s focus on operational efficiency and manufacturing footprint optimisation.”

“We can now look to the future on an upbeat note with the aim of consolidating our market leadership while further improving profitability. We will also continue to rationalise our activities with the objective of achieving projected cost efficiencies and greater competitiveness in all areas of business, building on the achievements reached in 2016. Our continuous effort in innovation is possibly the strongest factor for such outstanding results, results that prove our constant investment in the development of new technologies reaps rewards.”

“As the global leader in its industry, Prysmian provides the economies of the world with power and communication, it lights up cities, it helps people to move and communicate, and it makes a contribution to lasting and sustainable economic development. Our world is our clients – the main power and telecommunication operators of the globe, and the entire society that benefits from their services. Because we shoulder such a great responsibility, we believe in and respect the importance of sustainability. And we make it happen by continually searching for innovative technological solutions.”

Valerio Battista
CEO of Prysmian Group



EMEA

Ivory Coast

Abidjian

Estonia

Keila

Finland

Pikkala

Oulu

France

Amfreville

Charvieu

Chavanoz

Gron

Paron

Cornimont

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

Emmen

Nieuw Bergen

Czech Republic

Velke Mezirici

Romania

Slatina

Russia

Rybinsk

Slovakia

Presov

Spain

Vilanova y la Geltrú

Santander

Santa Perpetua

Sweden

Nassjo

Tunisia

Grombalia

Turkey

Mudanya

U.A.E.

Fujairah

UK

Aberdare

Bishopstoke

Wrexham

Washington

Hungary

Balassagyarmat

Kistelek

SOUTH AMERICA

Argentina

La Rosa

Brasil

Joinville

Sorocaba (2)

Santo André

Vila Velha

APAC

Australia

Dee Why

Liverpool

China

Tianjin

Wuxi

Yixing

Wuhan

Haixun

Shanghai

Suzhou

Zhongyao

Philippines

Cebu

India

Pune

Chiplun

Indonesia

Cikampek

Malaysia

Kuala Lumpur

Melaka

New Zeland

Auckland

Thailand

Rayong

NORTH AMERICA

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Prescott

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Durango

USA

Abbeville

Lexington

North Dighton

Bridgewater

Rocky Mount

Claremont

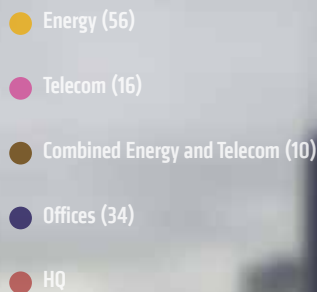
Schuykill Haven

9 plants

North America

6 plants

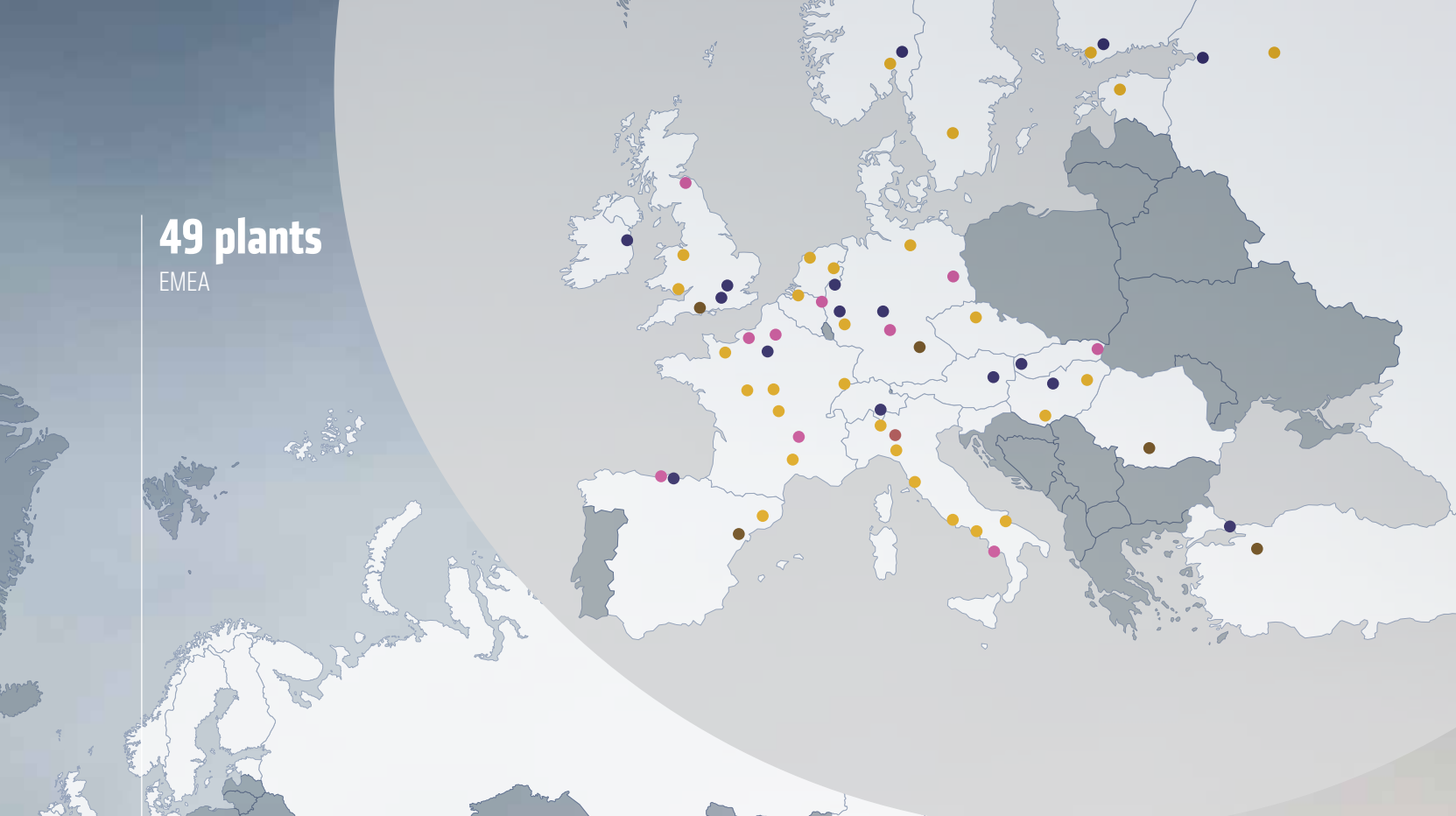
South America



82 PLANTS 50 COUNTRIES 21,000 EMPLOYEES

49 plants

EMEA



18 plants

APAC



17 R&D CENTRES 7.6 BILLIONS SALES IN 2016 OVER 550 R&D PROFESSIONALS

LASTING VALUE

Prysmian Group is the world leader in the global cables market; its excellence in technology and innovation is a plus for the energy and telecom industries.

The Group is organised into the operating segments of Energy Projects, Energy Products, Oil & Gas and Telecom. It designs, manufactures, supplies and installs cables for the widest range of applications, from underground and submarine cables and systems for power transmission and distribution, to specialty cables for a host of industries, to medium and low voltage cables for constructions and infrastructures. It also produces voice, video and data transmission cables and accessories for the telecoms industry.

Its world-class technology and extensive know-how - whatever the industry - is developed in 17 R&D centres, by more than 500 professionals and experts, across Europe, the United States, South America and China.

Prysmian is an independent public company, listed on the Italian Stock Exchange. Over the years it has achieved important milestones and realised projects with ground-breaking solutions that have gone above and beyond the highest customer expectations to create real and lasting value.



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 to develop. That's why it's so important that 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. We view every day as an opportunity 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 to 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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The results for year 2016 reveal that the profit target has been achieved in the high-end of the guidance range, coming in at €711 Million, the highest ever in company history.



SATISFYING CLIENTS BY LISTENING TO THE MARKET

The customer is at the centre of Prysmian's strategic, organisational and business choices. Analysis of customer expectations and their evolution over time allows the Group to deliver fast, efficient and targeted responses.

SUSTAINABILITY. THE CORE OF OUR BUSINESS.

Prysmian Group is pursuing a specific sustainability strategy that aims to create and deliver value to its stakeholders, while also improving the quality and transparency of its business relationships.



FAST AND FORWARD

In 2016, Prysmian Group set out a goal to continuously make its global network of production facilities more effective by investing in higher value-added segments, such as submarine cables and telecom.



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OUR SUCCESS IS ROOTED IN OUR PEOPLE

We develop and spread a shared common identity where everyone feels part of the team, contributing to a common project to believe in.



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THINKING AHEAD

A deep-rooted tradition makes Prysmian Group a hub for technology innovation, an innovation that forms the foundation of its global industrial leadership.



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THE STRENGTH OF BEING A TRUE PUBLIC COMPANY

With no controlling interest, Prysmian is open and transparent in its continuous contacts with the market and investors.



CABLE DEMAND IN LINE WITH STABLE PRICES

Modest growth in the macro environment

In such a context, the Group's expectation for 2017 is that demand in the cyclical businesses of medium voltage and building cables for utilities will be in line with a general stabilisation in prices.

Year 2016 saw modest and mixed growth for Europe's major economies, partially eroded by the uncertainty generated by the outcomes of referenda held in the United Kingdom in June and Italy in December. In the United States, growth was moderate and less intense than in 2015. Among emerging economies, Russia experienced a progressive stabilisation, while Brazil remained challenging. After a slow start, the Chinese economy benefited from the economic stimulus package, and growth targets were achieved.

Sluggish growth amid uncertainties

Eurozone economic growth remained sluggish, even though the expansionary monetary policy promoted by the European Central Bank continued to be in place throughout 2016; as in the second half of the year, the uncertainty ensuing from the Brexit vote undermined confidence in the expected consolidation of the upturn emerging in 2015. While remaining positive, the US growth-rate declined more than expected, especially in the first part of 2016, affected by the inevitable slowdown in the oil industry as well as by the impact on exports of the dollar's appreciation against major world currencies.

A transition that continues

China continued its transition from an export-driven industrial economy to a service economy more oriented to supporting domestic consumption. This involved an inevitable slowdown in industrial activity and investment, thus affecting short-term economic growth and prices of raw materials used in the main industrial processes. Global GDP grew by 3.1% year-on-year, reflecting a sharp slowdown in growth in advanced economies from +2.1% in 2015 to 1.6% in 2016 and a general stabilisation in growth in emerging economies at 4.1%.

Chinese growth went from +6.9% in 2015 to 6.7% in line with government targets, thanks to the government's introduction of a series of important measures to support the housing market and infrastructure investment. India continued to grow rapidly thanks to the renewal of international trade treaties and important reforms deployed by the government. In Brazil the first signs of recovery were glimpsed in the second half of the year thanks to new-found political stability.

Moderate increase both for power and telecom products

Global demand for power cables in 2016 saw a modest increase in volumes from the previous year, mainly driven by a volume recovery in Russia and resilient demand in emerging Asian countries, as partially tempered by a steep drop in demand in Brazil. Telecom cable sales were marginally higher than in 2015, thanks to double-digit growth in optical cable volumes, while the copper cables market continued to shrink – by less than in 2015 however. In fact, the latter benefited from strong recovery of volumes in Russia and emerging Asian countries, mitigated by extremely poor performance in Brazil.

Geographically, Russia offers the largest source of disparity when compared with 2015, in both the power and telecom cables sectors, thanks to stabilisation in its macroeconomic environment following the shock suffered in 2015 from international trade sanctions and the collapse in energy prices.

Emerging Asian countries were the main engines of 2016 growth in global demand for power cables, while in Europe and the US demand stabilised. The optical cables market continued to expand strongly in the US, while remaining largely stable in Western Europe.

Submarine profitability to further improve

With Energy Projects enjoying a growing market, the Group expects to consolidate its market leadership and improve profitability in the Submarine business, with a slight decline in the High Voltage Underground market, primarily due to the phasing out of its manufacturing footprint in China. In Oil & Gas, the gradual strengthening of oil prices should lead to a slight recovery in demand in the second half of 2016. In Telecom, the underlying growth in turnover is expected to remain strong, thanks to North American and European markets, while a gradual stabilisation in volumes is expected in Australia. In 2017 Prysmian Group will continue to rationalise its activities with the objective of achieving projected cost efficiencies and greater competitiveness in all areas of its business.





STRATEGY DEPLOYED, PROFIT HITS HISTORIC HIGH

The results for year 2016 reveal that the profit target has been achieved in the high-end of the guidance range, coming in at €711 Million, the highest ever in company history.



THE REWARDS OF INNOVATION

The innovative technological solutions realised over the year by the Energy Projects division represented milestones for the entire industry.

The all-time high reached in 2016 in terms of Adjusted EBITDA, had risen by 14.1% from the previous year to €711 million, with the target achieved in the high-end of the guidance range, and showed that the strategy of focusing on innovation has been rewarded with strong results.

Year 2016 closed on a note of profitability – the highest ever in the company's history – reflecting the excellent sales performance in higher value-added businesses and the company's constant focus on operational efficiency and manufacturing footprint optimisation.



The innovative technological solutions realised over the year by the Energy Projects division represented milestones for the entire industry.

The technological innovations introduced by the Energy Projects business – such as the new 600 kV P-Laser cable and the 700 kV PPL cable – represented milestones for the entire industry. With a view to providing a turnkey service, significant progress has also been made in developing project engineering and execution capabilities, thanks in particular to expansion of the Group's fleet of cable-laying vessels.



KEY FINANCIALS

+1%
Organic sales growth on 2015

+14%
Adj EBITDA at record high of €711 million

+8.5%
Adj EBITDA margin on sales

+17.6%
Excellent performance by Energy Projects

+10.9%
Adj EBITDA at Energy Products

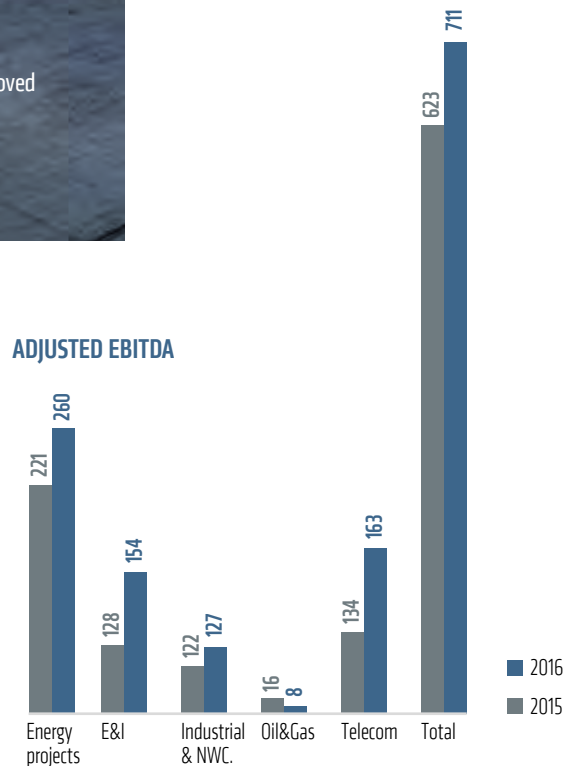
+22.4%
Net profit jumps

€537 million
Financial position markedly improved

SALES 2016 BY BUSINESS AREA



- 22% Energy Projects
- 4% Oil&Gas
- 15% Telecom
- 59% Energy Products
 - 40% of which Energy & Infrastructure
 - 18% of which Industrial & Network Components
 - 1% of which other



Renewed competitiveness

In the Telecom business, performance has been supported by the renewed competitiveness in fibre manufacturing and the creation of manufacturing centres of excellence that have allowed the business to make the most of opportunities in a growing market.

The outlook remains positive, both for Submarine Cables and Systems, where we aim to win new power interconnection and offshore wind farm projects, and for the Telecom business, where optical cable demand remains high.

Strong sales performance and improved profitability have helped to further strengthen the financial structure, with a better net financial position than expected.

ENERGY PROJECTS

Record performance by Submarine, alongside strong growth for High Voltage Underground.

The Energy Projects operating segment encompasses a range of high-tech and high value-added businesses with a focus on projects and their execution, including customisation of products and systems. It includes High Voltage Underground and Submarine cable connections.

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. Prysmian also offers advanced services for the construction of submarine power lines for offshore wind farms, ranging from project management to cable installation.

The Group's execution capability is enhanced thanks to three vessels that represent the largest and most technologically-advanced cable-laying fleet in the world: the Giulio Verne, the Ulisses and the Cable Enterprise.



"In 2016 Energy Projects introduced milestone technological innovations such as the new 600 kV P-Laser cable and the 700 kV PPL cable. Significant progress has also been made in developing project engineering and execution capabilities."

Massimo Battaini
Senior Vice President
Energy Projects Business

SALES 2016



Total segment sales reached **€1,634** million with organic growth of **18.5%** and a major improvement in profitability. Adjusted ebitda came in at **€260** million, surging **17.6%** from **€221** million in 2015.

Solid order book, positive outlook

Energy Projects enjoyed a positive 2016 with sales of Submarine Cables and Systems posting double-digit growth, driven by progress in the completion of several projects already booked, such as Western Link, Dardanelles Strait, Greece-Cyclades, the Panay and Cebu Negros interconnections and the connections for major offshore wind farms like Dolwin3 and 50Hertz in Germany. The Submarine order book stood at a strong €2,050 million as of year-end, with a positive outlook for 2017 both for interconnections and for offshore wind farm connections.

Sales of High Voltage Underground transmission cables also grew, reporting a slowdown only in the last quarter due to the phasing of certain projects. The biggest impetus came from North America and the Asia-Pacific region, while, with the exception of France and Russia, Europe was less contributory. In China the Group has chosen to pursue an independent growth strategy in the high voltage business and therefore divested its stake in Baosheng HV Cable JV, and acquired the assets of Shen Huan Cable. The order book stood at a sound €350 million as of December 31, 2016.

ENERGY PRODUCTS

Improved margins in 2016.
Trade & Installers sales down.
Industrials mixed. Elevators and Network Components positive.

Energy Products operating segment offers a comprehensive and innovative product portfolio designed to meet the widest demands of the market. It includes Energy & Infrastructure, (encompassing Power Distribution and Trade & Installers), and Industrial & Network Components, (comprising Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components).

Energy Products produces medium-voltage cables and systems to connect industrial and residential buildings to primary distribution grids, and low-voltage cables and systems for powering buildings. With this operating segment Prysmian supports utilities and grid operators, industrial companies, electricity installers and wholesalers.

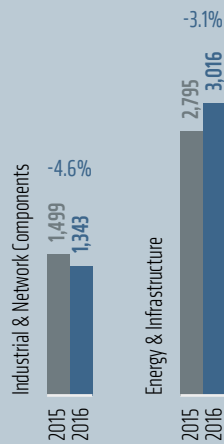
The integrated solutions offered represent the most comprehensive and technologically-advanced response to the needs of a wide variety of industries, while its cable solutions for the Specialties & OEM market serve many different but specific industrial applications such as trains, aircraft, ships, harbours, cranes, mines, nuclear power, defence, electro-medical and renewables.



“The Energy Products segment witnessed an improvement in margins – a major theme of 2016 – both for Energy & Infrastructure (where margins rose to 5.1% from 4.6% in 2015), and Industrial & Network Components, (scoring an increase to 9.5% from 8.1% the previous year).”

Hans Nieman
Senior Vice President
Energy Products business

SALES 2016



Sales by the Energy Products operating segment stood at **€4,469** million with an improvement in profitability both for energy & infrastructure and industrial & network components. Adjusted ebitda climbed **10.9%** to **€280** million from **€252** million in 2015.

Margin improved amid slowing sales

A favourable business mix and Oman Cables Industry consolidation helped the profitability of Energy Products to increase. Trade & Installers sales decreased while those of Power Distribution remained stable. Among Industrials, Specialties & OEM experienced a troubled performance, with a sharp drop by Renewables. Elevators and Network Components performances were positive.

Results for Trade & Installers were adversely affected by the challenging conditions in the South American market and by the slowdown in Central, Eastern and Southern Europe, while positive performances were recorded in Northern Europe and Australia. Close attention to optimisation of the manufacturing footprint and the favourable sales mix sustained margins.

Industrial & Network Components sales amounted to €1,343 million, while profitability took a positive turn, with Adjusted EBITDA improved to €127 million and margins rising from 8.1% to 9.5%. Specialties & OEM had a troubled performance, while Elevators enjoyed significant growth thanks to excellent sales in North America and EMEA. The Automotive business reported stable volumes, accompanied by a good increase in margins.

OIL&GAS

Sales fell along with profitability due to continued adverse market conditions, but stabilisation was also seen.

The recently created Oil & Gas Business Area can boast a well-established market presence in North America, Brazil, Europe and in the Asia-Pacific region, with major production facilities in Brazil, China, Italy, Malaysia, Norway, Spain, Turkey and the US. This business area – which includes the former Oil & Gas and SURF business units – is structured in such a way as to position Prysmian Group as one of the key global suppliers in the Oil & Gas market, from Subsea (Umbilical & Flexible Pipes) and Downhole technology, to the Core Cables products portfolio.

Technology plays a key role in meeting the new industry challenges, supported by strong and multicultural project management. In the difficult 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 offer that the business area is promoting to its customers and partners.



“Prysmian boasts an extremely wide range of solutions that meet the most demanding requirements. We aim at further expanding our share of this strategic market.”

Cristiano Tortelli
Senior Vice President Oil & Gas Business and New Markets

SALES 2016



Sales of the Oil & Gas operating segment stood at **€300 million**, down organically **29.3%** on 2015. profit came out at **€8 million** with margins on sales dropping to **2.7%** from **3.8%** in 2015.

Signs of stabilisation

The impact of the drop in oil prices eased somewhat in the final part of the year while the Oil & Gas operating segment continued to focus on optimising its manufacturing footprint and supply chain efficiency. The segment was hit hard by the oil price trend in 2016, which affected investment decisions, despite signs of stabilisation in the fourth quarter, particularly in the Core Oil & Gas business. Sales came in at €300 million, down organically 29.3% on 2015. Adjusted EBITDA was also down to €8 million from €16 million, with a margin on sales dropped to 2.7% from 3.8% in 2015.

In the Core Oil & Gas Cables business, the collapse in demand particularly concerned drilling activities, offshore projects and the Electrical Submersible Pumps segment, albeit with a stabilisation reported in the fourth quarter. The Group remains strongly focused on optimising its manufacturing footprint and achieving even more cost efficiencies in the supply chain. In the SURF business, the performance of Umbilicals was in line with expectations, reflecting the slowdown in orders from Petrobras in Brazil. The Downhole Technology business reported a slight slowdown in North America, partially offset by the consolidation of Gulf Coast Downhole Technologies (GCDT), acquired in 2015.

TELECOM

Profitability continued to improve along with a healthy 8.5% Australia-driven organic growth in sales.

Prysmian's Telecom operating segment provides cable systems and connectivity to telecommunication networks, with a product portfolio ranging from optical fibre and optical cables, to components and accessories, optical ground wire and copper cables. It boasts centres of excellence in Battipaglia, Italy; Eindhoven, Netherlands, and Douvrin, France, plus five production sites around the world. Prysmian is a global leading manufacturer of the core component for every type of optical cable: optical fibre. The Group also owns 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, including 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.

Prysmian also offers passive connectivity solutions that ensure efficient management of optical fibre within networks. As growing demand for even broader bandwidth has seen the deployment of optical fibre moving closer to the end user, the Group is extremely active in this rapidly growing market, known as FTTx, with an approach based on combining existing technologies with innovative solutions that allows fibres to be deployed in high-rise buildings and multi-dwelling units.



"Profitability increase and solid organic growth were the encouraging outcomes of year 2016 for the Telecom operating segment, as a result of increasing demand for optical cables and positive performance for multimedia solutions. Strong demand for copper cables in Australia also contributed significantly."

Philippe Vanhille
Senior Vice President
Telecom Business

SALES 2016



Sales by the Telecom segment amounted to **€1,164** million with a strong organic growth of **8.5%** on 2015. adjusted ebitda jumped **22.0%** to **€163** million with margins improved to **14%** from **12.1%** in 2015.

Healthy sales growth, profitability climbs

In 2016 the Group's Telecom segment enjoyed a healthy organic growth of 8.5% that brought sales to €1,164 million, along with Adjusted EBITDA climbing 22% to €163 million and sales margins improved to 14.0% from 12.1% in 2015.

The Telecom Solutions segment reported another acceleration in the fourth quarter with excellent results in North America, France and Eastern Europe. The Group successfully managed to offset the decline in optical cable volumes in Brazil by repositioning its offer to OPCW cables for overhead networks. Demand for copper cables was buoyant in Australia, where Prysmian supports the ambitious plan of its customer National Broadband Network. The Group's competitiveness has benefited from investments to improve manufacturing efficiency and create new centres of excellence.

Multimedia Solutions also posted a positive performance in Europe thanks to the capacity increase for copper data transmission cables, with performance in South America also good. The high value-added business of optical connectivity accessories fared well, fostered by the development of new FTTx networks in Europe, namely in France, Spain and the Netherlands.

A year of strong advancement

The four pillars of Prysmian's growth strategy.

Investing strongly in R&D.

Resources employed amounted to around €84 million in 2016, confirming Prysmian's aim to position itself as an energy revolution protagonist, with the development of technologies for efficient and sustainable electricity networks, including the launch of the new P-Laser 600 kV cable. With Fast Forward Operations, the Group launched a major project to improve the competitiveness of its industrial footprint.

Innovative people policies.

In 2016 over 1,000 employees have passed through the doors of the Group Academy and the new Manufacturing Academy. The Graduate Program, now in its sixth year, resulted in the recruitment of 50 new high-potential resources. Equally, a new iteration of the 'Make it' recruitment scheme and the new 'Sell It' programme were launched.

Sustainability, a driver of growth.

The economic value generated by the Group amounted to €1,710 million in 2016, up 8% on 2015. The Group has continued to devote ever more attention to Corporate Social Responsibility, with the adoption of global standards. The Group's scoring in the DJSI improved to 76 points.

Acquisitions in China and Germany.

The acquisition of Shen Huan Cable in China and Corning (copper data cables) in Germany illustrated the willingness to pursue an independent growth strategy. The Group also moved ahead with the integration of past acquisitions, namely Gulf Coast Downhole Technologies (GCDT) in the US and Oman Cables Industry.



LANDMARK PROJECTS

Three important projects marked the year. Prysmian was awarded a €250 million worth contract for a HVDC submarine link between the Netherlands and Denmark. The COBRA cable will benefit the electricity grids in both countries by making Dutch capacity structurally available to Denmark and vice versa. In North Europe the Group will provide cables for the Rentel offshore wind project, which holds a 309 MW offshore wind concession in the Belgian North Sea. Prysmian has also been chosen for the execution of a submarine power lines project in the Venetian Lagoon.

TECHNOLOGY MILESTONES

Major achievements include the launch of the new P-Laser 600 kV cable, which allows increased power transmission capacity at a cost of up to 10% less, and the introduction of 600 HVDC kV XLPE and 700 kV PPL cables, which can boost transmission capacity by up to 15%, while the 66 kV cable allows significant savings in wind farm construction and operation costs. The new Flextube, the optical cable, with the highest density in the world with more than 2,000 fibres, represents a major innovation for broadband networks.

EXTERNAL GROWTH

In 2016, the Group acquired the assets of Shen Huan Cable in China, with the aim of pursuing an independent growth strategy in this country, and the copper data cables business of Corning in Germany. Prysmian Group also moved ahead with the integration of acquisitions made.

OPERATIONAL EXCELLENCE

With Fast Forward Operations, the Group has embarked on a major project to improve the competitiveness of its industrial footprint. The new strategy focuses on a continuous quest for production efficiency in lower value-added sectors and on the creation of centres of excellence with high technological expertise dedicated to the higher value-added business segments. By unveiling its new cable lay vessel, named *Ulisse*, the Group can now rely on a fleet of three world class vessels to support submarine cable installation capability.





SATISFYING CLIENTS BY LISTENING TO THE MARKET

The customer is at the centre of Prysmian's strategic, organisational and business choices. Analysis of customer expectations and their evolution over time allows the Group to deliver fast, efficient and targeted responses.

RESPONDING FAST AND EFFECTIVELY

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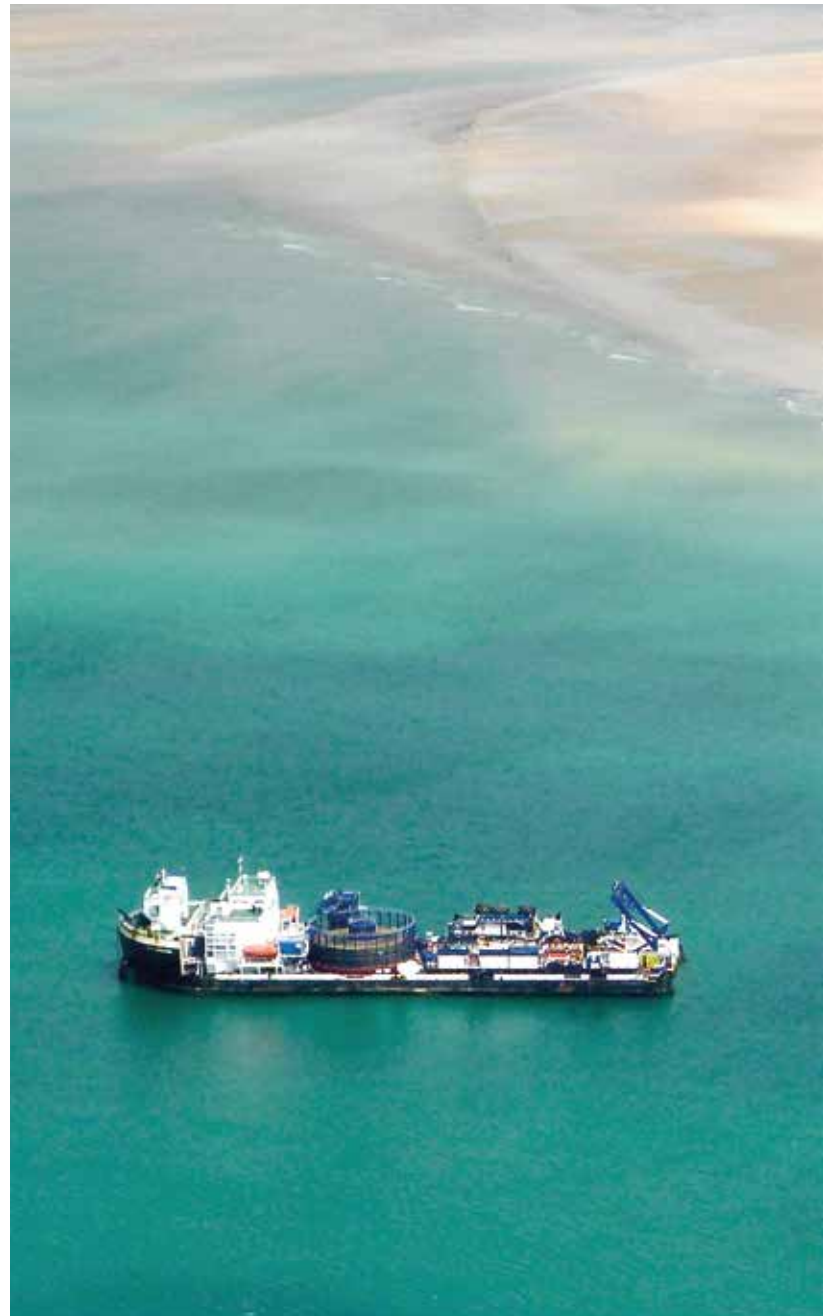
Prysmian has perfected a market approach that puts the customer at the centre of its strategic, organisational and business choices. Its commitment to analysing customer expectations and their evolution over time allows the Group to develop organisational and operating models that translate into fast,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

At the heart of Prysmian's approach to the market is **customer centricity**. This represents 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 specific, agreed parameters.

Prysmian Group solutions not only meet specific standards, but also satisfy precise customer needs. The Group serves very different segments and markets thanks to an ad hoc matrix organisational structure that allows it to have a local presence, even for major global projects.

Markets with high local specificity are served country by country with commercial and development teams, while markets with global products and customers are followed by integrated business unit teams. The customer centricity and satisfaction strategy is implemented successfully thanks to fast, smooth organisation throughout the entire supply chain. This means the Group can expedite decision making and time-to-market by adapting to the needs of the most diverse industries through continuous investment in innovation.

One of the ways the Group implements customer centricity is through the factory reliability process, which improves the reliability



of planning and the execution of manufacturing output in terms of both mix and volumes in ever-faster response times. This also allows stricter control over inventory levels for every type of stock, from raw materials to intermediate and finished goods. The Group can therefore effectively and efficiently deal with upswings and downswings in sales volumes, as well as variations in manufacturing output. On top of that, Prysmian started supply chain Integration projects with their most important global customers with the goal of improving process effectiveness and efficiency throughout the supply chain – from the producers of raw materials and intermediate goods used in manufacturing, through to the end cable user.



**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.**



CUSTOMER EXPERIENCE IMPROVED

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.

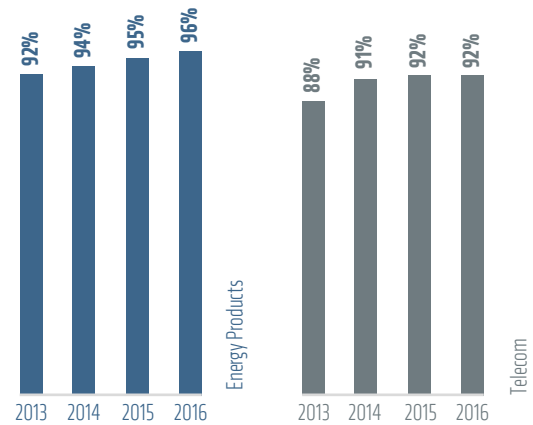
Prysmian Group has accelerated the process of improving customer experience throughout 2016 by reducing response times to complaints, with the goal of becoming a byword for reliability, completeness, professionalism, and for its speed of response. Thanks to the introduction of a system of specific KPIs, Prysmian has obtained continuous and accurate monitoring of response times and managed to more than halve response times during 2016.

Work has also continued to monitor the performance of core suppliers, with a common and shared global approach that has made it possible to standardise performance assessment and have more objective evidence of the quality and level of service.

To support the implementation of continuous improvement projects, a fully-online training programme has been developed and made accessible to all employees via the Group's digital platform. The training programme presents methods and tools for managing every improvement activity systematically and effectively, with a focus on product manufacturing processes.



ON TIME DELIVERY



Reliably delivering. Always.

Prysman continued to maintain its strategic focus on customer centricity by maintaining a high level of delivery reliability thorough 2016. At the same time, it has reduced the lead time from order to delivery. It also continued to reduce the value of inventories, which had a positive impact on cash flows.

The Group continued time and value-saving efforts by optimising the supply chain management by macro-regions, with particular attention given to rationalisation of warehouses/distribution centres and the outsourcing of logistics services. The logistics function has also optimised production allocations, with an increase in intercompany flows consistent with the new world organisational structure by regions.

The On Time Delivery (OTD) indicator – which measures the ability to serve the customer by delivery date agreed at the time of receipt conformation – improved once again in 2016 for Energy Products, and was confirmed by Telecom, despite a large increase in volumes (charts). Besides the absolute increase in the level of OTD, 2016 saw another fall in the proportion of units performing below the 90% mark, reflecting a more consistent performance between the Group's various plants.

The **Fast Order Entry** project has allowed the customer care team to reduce the time taken to enter and process orders by 90%, by optimising both product search and stock availability and by allowing several items to be included in a single order.

SEEKING EFFICIENCY. ALWAYS.

In 2016, capital expenditure on variable and fixed costs reduction accounted for approximately 30% of total investments. The Group also embarked on a major process to optimise costs throughout the Telecom segment's production chain.

The construction of two new factories in Slatina, Romania, and in Presov, Slovakia are part of the Group's goal to create two centres of excellence in Europe for optical telecom and multimedia cables. The same objective is behind the construction of an optical telecom cable manufacturing facility in Durango, Mexico, which was created to meet growing demand in North and Central America.

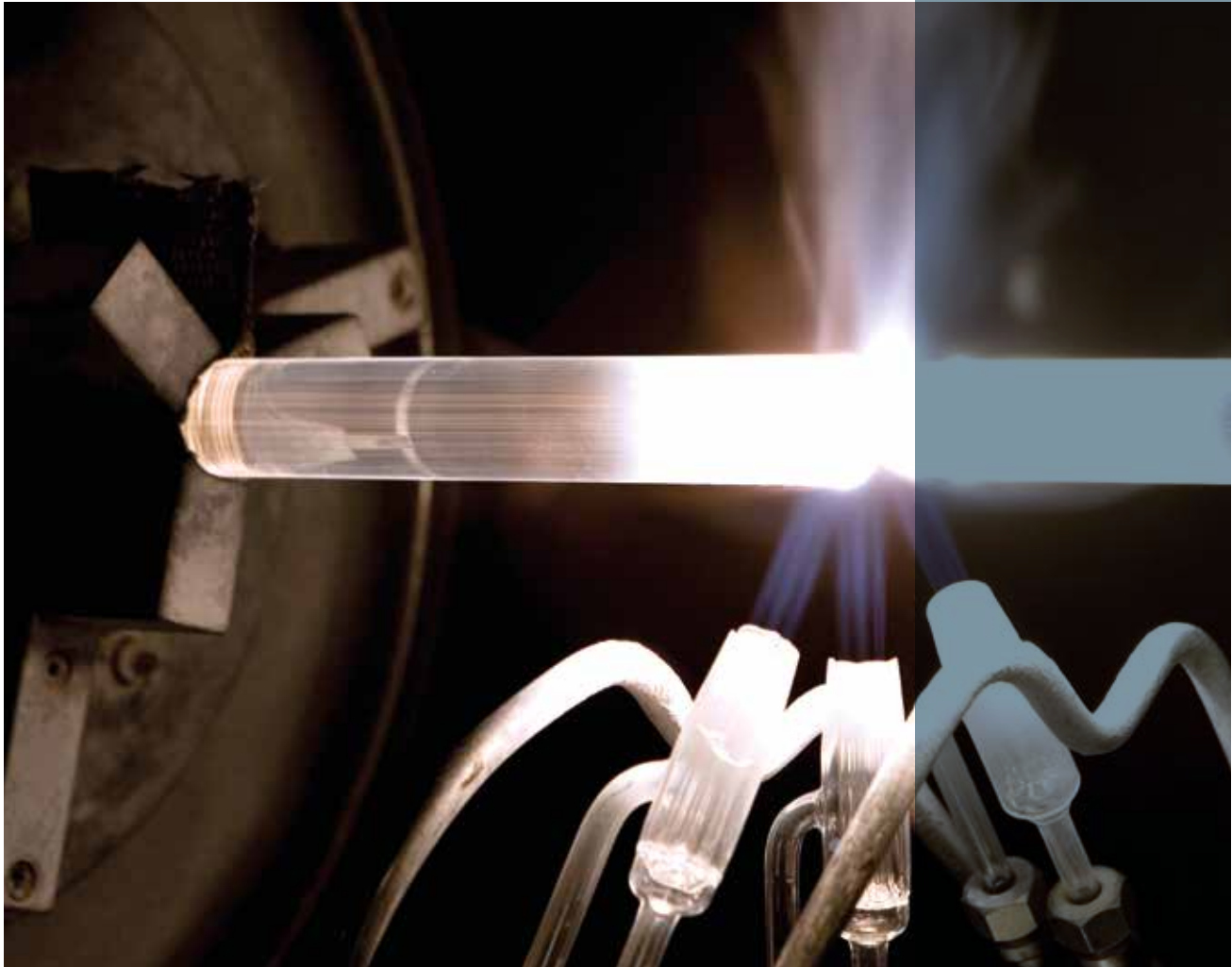
The facilities in Battipaglia, Italy, and Douvrin, France, have also continued to invest in efficiency to achieve significant reductions in fibre manufacturing cost, with particular attention paid to increased performance size. Capital investment on structural maintenance work accounted for about 11% of the total.

In 2016, some 7% of capital expenditure was devoted to the continuous enhancement of information systems, as well as research and development. Once again, there was continued investment in the development of the SAP Consolidation Programme, which aims to standardise the back-office information system throughout the Group.

At the same time, the Group initiated The Data Centre Consolidation Project, with the intention of strengthening the infrastructure layer of the Group's systems while making significant savings in the related operating costs. The main business components of the Customer Centricity Programme – Pricing Tool, CRM, Customer Portal – were developed with the aim of creating an integrated, modern platform to support the Group's business processes.



The Mexican telecom market is experiencing continuous growth due to deregulation, increased demand for broadband services and Government policy to connect houses. Therefore, to reinforce its competitive position and benefit from the growing optical fibre cables market in Mexico and Central America, Prysmian is investing in a new facility in Durango.



Customer-dedicated tools

Engineer to Order is mainly used in the Energy Projects segment for submarine and high voltage cables, and in the Oil & Gas segment for umbilical cables, where Prysmian supports its customers, from system design, all the way through to final cable laying.

Assembly to Order is an approach that allows a prompt response-to-demand for items that use standard components but differ only at the final stages of production or packaging, with the objective of both responding rapidly to market demand and keeping inventories to a minimum.

Make to Order activates production and shipping after order receipt to significantly reduce unused inventory levels and the time raw materials and finished goods remain in stock.

Make to Stock is generally used for more standardised products, and allows a fast response to demand. It mainly applies to products used by the Energy Products and Telecom segments.

In keeping with the Group's strategic objectives and as part of the customer centricity and factory reliability propositions, Prysmian Group continued to use actions instigated in recent years to improve logistics services, in terms of lead-time flexibility, timeliness and efficiency.

SHAPING THE PLANET

Prysmian Group designs and executes major projects across the world in the fields of energy and telecommunication that are of primary importance for the sustainable progress of both the economy and society, while continuously making fresh steps forward in terms of innovation and technological excellence.

Major **submarine power interconnection projects** executed for utilities and grid operators include the recent COBRACable, a submarine link between the Netherlands and Denmark, which will contribute to the creation of a sustainable international energy landscape; and the record Western HVDC Link in the United Kingdom, which boasts several industry firsts for voltage (600 kV), and holds world records for insulated cable rating (2200 MW) and route length (more than 400 km). Thanks to the Trans Bay, Neptune and Hudson projects in the United States, large areas between San Francisco and New York City are being illuminated with energy from different sources, while Venice's Lagoon will be connected through submarine power cable links.

The Group is also a world leader in submarine connections for offshore wind farms. Following its involvement in major European projects of recent years, Prysmian has just worked on 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 and recently secured the Rentel Project for offshore wind farm inter-array submarine cables in the Belgian North Sea.

**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.

**Great Britain
Western Link**
The project connecting the Scottish and the English power grids sets a record in terms of voltage of 600 kV and has an unmatched transmission capacity.





Belgium
Rentel Project
Offshore wind farm inter-array submarine cables in the North Sea.

Denmark
CoBrA
The HVDC submarine interconnector COPENHAGEN BRUSSELS AMSTERDAM cable will link Denmark and the Netherlands and provide benefit to the electricity grids of both countries.

Venice
The Lagoon
Offshore wind farm inter-array submarine cables in the North Sea.

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 **underground infrastructure**, the Group has contributed to the construction of electricity grids in some of the world's largest metropolises, from New York to Buenos Aires, London to St. Petersburg, and Hong Kong to Sydney. Prysmian is heading a consortium for the construction of the new high voltage direct current electricity interconnection between Italy and France, known as 'Piedmont-Savoy', that will play a strategic role in enhancing energy security and enabling energy exchange up to 1200 MW.

The Group supports the **petrochemicals industry** with solutions for both upstream exploration and production activities, and downstream hydrocarbon processing and storage. These solutions range from power, instrumentation and control cables, to SURF and DHT products and services, which include umbilical cables for offshore platforms and high-tech flexible pipes used in oil extraction.

In the **renewable energy** market, Prysmian technologies support some of the most important solar and wind farms in the world – including the Ohotnikovo photovoltaic plant in Ukraine, and the main wind farms in Southern Italy.

The Group's fire-resistant cables are at the very heart of the most spectacular, state-of-the-art **constructions**, such as Wimbledon tennis stadium, the futuristic Marina Bay Sands in Singapore and the Shard skyscraper in London –the tallest structure in Western Europe. In Milan, Prysmian Group cable solutions helped ensure the safety of the millions of visitors from around the world who came to the Universal Exposition 2015.

The Group's **elevator cables** are present in some of the world's tallest or most prestigious buildings, including 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 safety to each and 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 industry**, Prysmian has reached many exceptional milestones. It has cabled some of the world's biggest aircraft and ships, including the Airbus A380, and the Royal Caribbean's GENESIS fleet; some of the fastest trains; and some of the most innovative subway systems, like the one recently inaugurated in Shanghai. Three million passengers on the London Underground travel safely each day through 400 km of tunnels, thanks to Prysmian and Draka fire-resistant cables.

Prysmian is the world's top manufacturer of **telecom cables**, with a wide range of fibre solutions for voice, video and data, continuous investment in R&D and around 30 dedicated manufacturing facilities. The Group sustains information flow and communication between communities all around the world. It has been selected to support the development of the new broadband network in Singapore, while in Australia it is helping to create a Fibre-to-the-Premises (FTTP) network that will connect 93% of the country, in the largest infrastructure challenge ever faced in Australian history.

The Group installed **350** km of high-tech fire-resistant cables for power distribution in the London skyscraper.

The Afumex™ family of cables ensures low flame spread in the event of fire, with very low emissions of irritants and corrosive gases, allowing more time to evacuate buildings and facilitating the work of rescue teams. Fire-resistant cables also guarantee maximum building safety.

Prysmian has installed its fire resistant and Afumex™-low fire-hazard cables in several prestigious worldwide locations where fire safety is a critical requirement. This includes the Burj Khalifa, the world's tallest building,

Shard: a cone of light **310** metres and **87** floors.





SUSTAINABILITY. THE CORE OF OUR BUSINESS.

Prysmian Group is pursuing a specific sustainability strategy that aims to create and deliver value to its stakeholders, while also improving the quality and transparency of its business relationships.

2016 HIGHLIGHTS

STRATEGY

Sustainability Policy
Sustainability Plan
Sustainability Scorecard
Human Rights Policy
Whistle-blowing procedure

ECONOMIC VALUE

€1,710 M (+8%)
Economic value generated and distributed

+6 points
Dow Jones Sustainability Index

Rating B+
CDP Carbon Disclosure Project

Inclusion
STOXX® Global ESG Leaders Index

INDICES

Inclusion
Carbon Clean 200 list

44%
Employee participation in the YES programme

28,000
Applications received for the Graduate Program

+26%
Participants in the Group Academy

PEOPLE

Manufacturing Academy inaugurated in Turkey

€8 M
Investment in HSE

91%
Production sites certified ISO14001

73%
Production sites certified OHSAS18001

ENVIRONMENT

-4.9%
Tonnes of CO₂-equivalent emissions

-6.2%
Ozone-depleting substances



“We boast a particular focus on sustainable, technological innovation in the solutions we offer as well as on the environmental responsibility.”

Lorenzo Caruso
Corporate and Business
Communications Director

A FORWARD-LOOKING STRATEGY

Lorenzo Caruso, Corporate and Business Communications Director, explains that in 2016 the Group has made further important progress in making sustainability an ever more integral part of its business operations and has set targets to be reached by 2020 in line with its Vision Statement of promoting “the efficient, effective and sustainable supply of energy and information as the principal driver for the development of communities”.

“Being the leader in our industry brings the responsibility of a sustainable approach in all its forms, to all our business, and beyond.” Lorenzo Caruso believes that a strategy for sustainability goes far beyond a basic commitment to the environment or the capability of creating lasting value for all stakeholders. In the Group’s vision, sustainability encompasses all the activities that the company, directly or indirectly, is responsible for. “We boast a particular focus on sustainable, technological innovation in the solutions we offer,” says Caruso, “as well as a focus on the environmental responsibility of processes, environmental protection and the management of relations with local communities.”

Prysmian took a new and important step in 2016 to further integrate sustainability matters within its business activities by defining a Sustainability Policy that

establishes the Group’s strategic priorities for the medium-long term. The strategy is founded on the universally-accepted elements agreed by the United Nations in its definition of 17 Sustainable Development Goals, and on the expectations of the Group’s stakeholders. “Thus we were able to identify emerging trends with regard to sustainability and determine the strategic priorities, objectives and actions for the creation of shared value,” explains Caruso. Specifically, Prysmian has selected five SDGs and has translated them into a **Sustainability Plan**. “Building on this,” Caruso adds “the Group has also devised a ‘Scorecard’ that identifies 16 sustainability targets to be met by 2020, each measured by quantitative KPIs that will be monitored closely so progress can be reported on a regular basis.”

ENGAGING STAKEHOLDERS

Following the annual stakeholder event, held in Finland, Prysmian has updated its materiality analysis in order to map and classify the sustainability matters that are important for the Group and its stakeholders. This analysis identified the matters considered important, being those with a significant economic, environmental and social impact on the organisation and that significantly influence the assessments and decisions of stakeholders.

RESPONSIBLE APPROACH TO MICA MINING

In order to manufacture certain safety cables and make them fire resistant, Prysmian purchases limited quantities of a few types of tape that contain small quantities of mica-glass, even without using this mineral directly. The extraction for this mineral is considered to be at risk of under-age working, especially in areas like India where large quantities are mined. The Group tackled this issue in 2016 by requesting all suppliers to complete a questionnaire certifying the absence of child labour anywhere in the supply chain, and joining the Responsible Mica Initiative.

TECHNOLOGY FOR HUMAN BEINGS

In collaboration with the Human Foundation, Prysmian launched the second edition of the Technology for Human Beings contest in 2016, which assesses the undergraduate and post-graduate dissertations of engineering, physics and science students enrolled at Italian Universities, on topics relating to the applicability of new technologies to sustainable development. Prysmian chose to focus on Sustainable Development Goals, and the theses submitted analysed a number of topics from a technical/applications point of view.

DOW JONES SUSTAINABILITY INDEX CLIMBED

Prysmian has achieved a marked improvement in the assessment made by the Dow Jones Sustainability Index. The Group came fourth in the "Electrical Components & Equipment" sector, following an improvement due to the many efforts made in the environmental, social and governance fields. These include tasking the Compensation and Appointments Board Committee with the supervision of sustainability; adopting inclusion and diversity policies; implementing a code of business conduct throughout the supply chain; reducing the emission of ozone-depleting substances.

RESPONSIBLE ENERGY CONSUMPTION

In 2016 Prysmian purchased Guarantee of Origin certificates from a number of European suppliers in order to increase the percentage of energy consumed by the Group that was derived from renewable sources, thus reducing the corresponding CO₂ emissions determined using the market-based method of calculation. This initiative further contributed to reducing the Group's CO₂ emissions.

THE FIVE GOALS OF SUSTAINABLE DEVELOPMENT

The Group took important steps over the course of 2016 to further integrate sustainability matters within its business activities by defining a **Sustainability Policy** that establishes strategic priorities for the medium-long term. The policy makes reference to the Sustainable Development Goals (SDGs) promoted by the United Nations, the main international sustainability indicators, and the expectations of its stakeholders. Analysis of these expectations helped identify emerging sustainability trends and determine the Group's strategic priorities,

objectives and actions for the creation of shared value. Prysmian has therefore selected five SDGs to which it can contribute most, and translated them into a **Sustainability Plan** consisting of priorities, objectives and actions that are consistent with its business and corporate values. Building on this, the Group also devised a 'Scorecard' that identifies 16 sustainability targets to be met by 2020, each measured by quantitative KPIs that will be monitored closely so progress can be reported on a regular basis.



A

Enable affordable energy and telecom innovation and infrastructure

- 1 Develop **innovative products** and solutions that support the sustainable improvement of energy and telecom infrastructures
- 2 Develop sales of high quality, reliable, affordable and **"green" products and systems**
- 3 Contribute to make possible universal **access to power and telecommunications** by supporting affordable and reliable infrastructures
- 4 Facilitate the access to **clean energy**, by providing solutions to renewable energy operators and by fostering the research on sustainable technologies

B

Pursuit responsible consumption of natural resources and sustainable supply chain

- 5 Pursue efficient and **sustainable use of energy and natural resources** by reducing consumption and Green House Gas emissions, as well as minimizing waste generation and promoting reuse and recycling
- 6 Promote **sustainable business practices** amongst suppliers and business partner

C

Contribute to people and communities development

- 7 Participate and contribute to the **socio-economic development** of the communities where the Group operates by adopting a proper management of Corporate Citizenship and Philanthropy
- 8 Promote **ethical behaviour, protect labour rights and diversity**, develop an healthy working environment, education and professional development for workers
- 9 Develop effective, accountable and **transparent communication to stakeholders**



Italian Prime Minister Matteo Renzi with Prysmian employees at the Battipaglia plant, Italy.

THE JOB OF CREATING **VALUE**

Prysmian Group makes a continual effort to create and distribute value, value that, in various forms, is distributed to the stakeholders in several ways: remuneration for human resources, remuneration for lenders through interest payment, remuneration for Group shareholders through dividends, remuneration for

the public administration, and gifts and donations to the community. The value retained by the Group is represented by the profit reserves carried forward. As of the end of 2016 the economic value generated by Prysmian, net of reclassified costs, amounted to around € 1,710 million or about 23% of consolidated

sales. The largest part of this value, or 62%, is represented by the remuneration to human resources, followed by the remuneration to lenders, shareholders and the public administration, and contributions to the community. The remaining 21% represents the value retained by the business.

A YEAR OF SUSTAINABILITY

The latest Group Sustainability Report has shown impressive results across every dimension of sustainability, as evidenced by an 8% rise in the economic value generated and distributed, compared with the previous year.

Prysmian performed well in 2016, as evidenced by an 8% rise in the economic value generated and distributed compared with the prior year. Recent efforts have borne fruit across every dimension of sustainability, including reductions in the emissions of CO₂ and ozone-depleting substances, an increase in the percentage of factories with health and safety certification, the launch of such innovative products as the 66 kV, which has been qualified for the carbon trust programmes, and the issue of new policies and procedures confirming that our fundamental values include a focus on individuals and ethics.

Turning to **personnel management**, Prysmian has developed a Policy on Human Rights in order to define objectives for the protection of those rights, both within the organisation and throughout the value chain. In terms of acquiring and managing talent, our recruiting programmes have achieved excellent participation rates and the intensive training activities of the Prysmian Group Academy – an international school for managerial and professional training – have continued, with support from the Manufacturing Academy opened recently in Turkey.



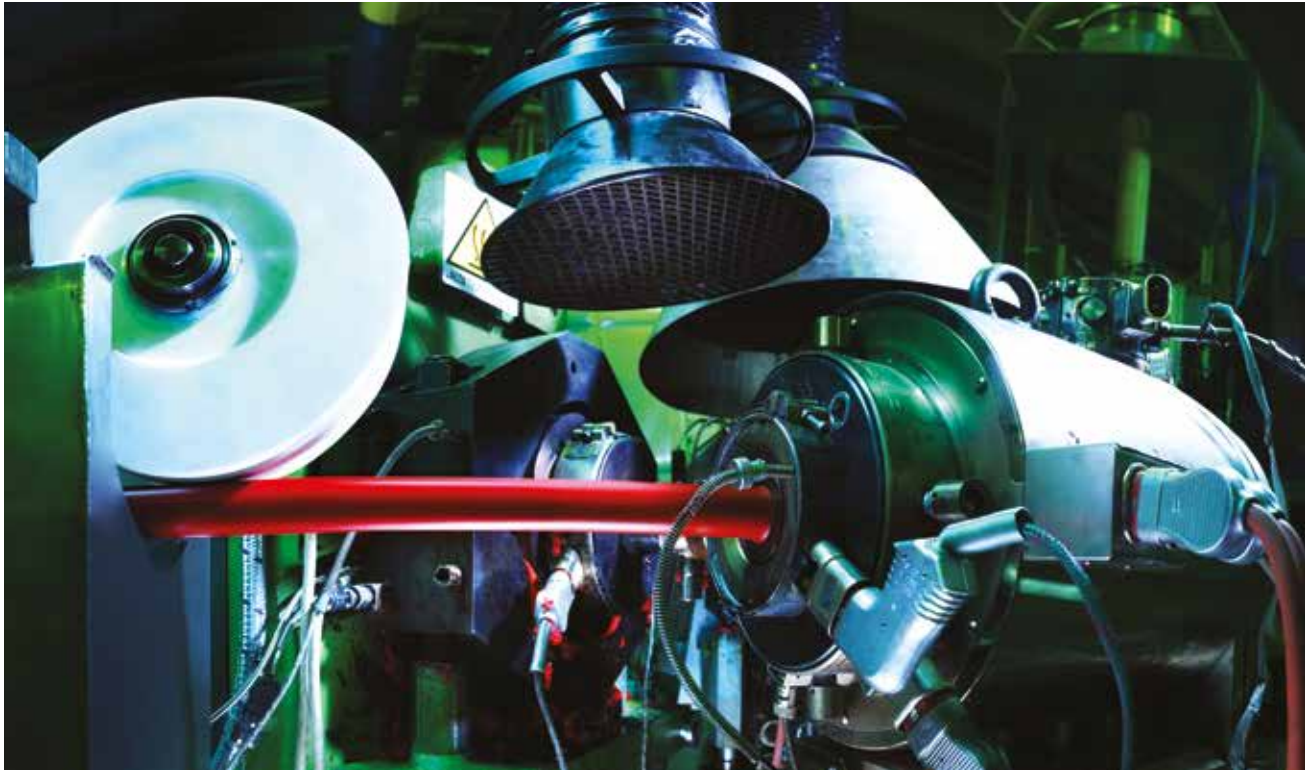
Lastly, the success of the internal YES programme continues, enabling Group employees to purchase Prysmian shares at an advantageous price. Currently, about 44% of employees have participated in this programme and, following authorisation to extend it for another three years, this percentage is expected to rise in the near future, to as much as 1.5% of the entire shareholder base.

As part of the **dialogue with stakeholders** on sustainability matters, the third Multi-Stakeholder Engagement event was held recently in Pikkala (Finland). These initiatives have become an integral part of our sustainability strategy, as they represent a useful communications channel for defining shared objectives.

With regard to **sustainable innovation**, 2016 was a very important year. The Group reached a series of technological milestones that will have an impact on the market in terms of energy saving and sustainability. Key among these, HVDC technology will enable large quantities of electricity to be transmitted over long distances, frequently across national borders.

Prysmian has also worked to improve performance in the **environmental area**. In 2016, operations in 8 European countries purchased 100% of their electricity from renewable sources. In addition, the quantity of ozone-depleting substances emitted at Group level fell by 6%.

Our commitment to sustainability has to be measured, and it was with the improvement of our positioning in numerous **international sustainability rankings**, including the authoritative Dow Jones Sustainability Index, where the Group now ranks fourth in its own sector. The excellence of our sustainability management was also confirmed in the CDP Climate Change Report 2016 and by our inclusion in the STOXX® Global ESG Index and the Carbon Clean 200 list.



CABLES AS DRIVER OF SUSTAINABILITY

Sustainable innovation had a profound effect on Prysmian Group during 2016.

On the energy and telecommunications fronts, the Group reached a series of technological milestones that will have a considerable market impact in terms of energy saving and sustainability. Key among these, HVDC technology will enable large quantities of electricity to be transmitted over long distances, frequently across national borders. In a world first, Prysmian has launched systems using 700 kV (PPL) and 600 kV (XLPE) HVDC cables, which guarantee increases of up to 15% in power transmission capacity and network reliability. In addition, the Group has extended P-Laser technology – for the manufacture of cables that are 100% recyclable and eco-sustainable – to HVDC systems, by bringing to market the P-Laser 600 kV, which can achieve cost reductions of up to 30% per MW transmitted.

In addition to the application of P-Laser technologies to terrestrial and subsea HVDC cable systems, marking an absolute innovation in the cables industry, the Group has also introduced a 66 kV cable system,

which represents the highest voltage for electrical connections between offshore wind turbines and enables wind farms to lower their costs by up to 15%. This system has been qualified for the Offshore Wind Accelerator (OWA) programme promoted by Carbon Trust, an independent company based in the UK whose mission is to stimulate the accelerated achievement of a low-carbon, sustainable economy. The OWA project is one of Carbon Trust's most important R&D programmes and, with support from the UK government's Department of Business, Energy and Industrial Strategy (BEIS) and from the Scottish government, its objective is to reduce the cost of offshore wind energy via the development of innovative ideas and their translation into commercial solutions.

In the Telecom area, the Flextube optical cable has achieved another world first by bundling together 2,112 fibres, in a solution that reduces the impact of the construction work needed for each installation.

NEW HEADQUARTERS, A SUSTAINABLE **REVOLUTION**

After more than three years of work, the Group's new headquarters was opened in Milan-Bicocca during 2016.

Extending over about 22,000 m², the facility was designed specifically to obtain the international LEED Platinum certification, which sets the standard for the measurement and evaluation of sustainable buildings, considering the reduction of CO₂ emissions and the quality of the materials used during the construction phase.

The central theme of the new headquarters is Smart Working, as an innovative and functional approach to the time spent in the working environment, employing: digitalisation, as the promotion of a work place that facilitates the creation and sharing of electronic information; team work and community building, where efficiency and a collaborative spirit are the order of the day; work-life integration, to improve the balance between work and private life via the increased flexibility of working hours; a war on waste and incentives to recycle materials via the separation of waste; the use of recyclable glass bottles to distribute water to employees and guests;

a paperless approach, via the further implementation of practices designed to reduce drastically the use of paper and promote respect for the environment.

The headquarters consist of new buildings separated by two full height, glass-covered areas providing sustainable recreation areas that, at the same time, ensure the maintenance of a stable micro-climate via the use of natural light. Internally, the various open spaces encourage interpersonal relations and promote the quality of the work performed.

This approach to sustainability is not limited to structural matters, but also includes good practices: the "Fruit Initiative" makes seasonal fresh fruit available to employees twice each week, while Prysman provides urban transport passes free to all those who agree not to use polluting vehicles for travel between home and work.







FAST AND FORWARD

In 2016, Prysmian Group set out a goal to continuously make its global network of production facilities more effective by investing in higher value-added segments, such as submarine cables and telecom.



“We’re driving investment to further strengthen our global leadership position, where we see the opportunity to create value for stakeholders and with a solid vision of long-term economic, social and environmental sustainability.”

Andrea Pirondini
Chief Operating Officer

EXCELLENCE IS OUR STANDARD

Prysmian is revolutionising the way it works. It’s delivering better value, quality and excellence to its customers, and creating operations and manufacturing experts of the future. The Group has developed an operational strategy that actions its commitment. Designing the functional processes of this strategy is its task.

Andrea Pirondini, Prysmian Chief Operating Officer, firmly believes that a key part of Prysmian’s continued success lies in ceaselessly improving its processes, the quality of its output, and the capabilities of its operations and manufacturing employees. He says: “While manufacturing is the soul of our company, our world-leading reputation and success is the result of a truly customer-centric approach.”

Pirondini explains that the Group’s focus is on expertise, speed and adaptation, as well as promoting ‘smart working’, while its recruitment and training programmes focus on creating industry experts and leaders. “The outcome of both is simply excellence,” he says. One critical factor of Prysmian’s



THE HEART OF PRYSMIAN'S OPERATIONS STRATEGY

Over the past year, Prysmian has accelerated its footprint strategy, which consolidates an additional six plants into the 82 plants already existing today. The Group is continuing with the consolidation of its manufacturing presence into larger and stronger centres of excellence that leverage on a broader scope of customers. Prysmian believes this approach will allow its factories to attract and retain the best resources, while benefitting customers and shareholders.

Fast Forward is at the heart of an operations strategy that draws together new and existing initiatives with a focus on increased value for the customer by promoting speed and adaptation across three main areas: **People, Production Resources, and Production technology – Factory 4.0.**

Increasingly, this strategy is helping to put Prysmian ahead of its competitors. At each stage, The Group offers its customers the best-in-class, and fast. It starts with the swift identification of a customer's exact needs, and supports them through on-time delivery of tailored high-quality products and solutions, backed by the guarantee of prompt management of any critical situations. The Group is also streamlining decision-making processes across the board, enabling it to manoeuvre more effectively in response to market demand.

success is factory reliability, the process aimed at making planning and production more reliable, and minimising costs while maximising efficiency. Bringing both global presence and local expertise to the entire supply chain means the Group can deliver unrivalled cost-efficiency, without compromising on the world-leading quality that customers expect.

“At the heart of our strategy lies the Fast Forward Operations approach (FFO),” Pirondini says. FFO is a programme established to implement industrial strategy within the Group. This involves all business units, from R&D to HR, and encompasses many forward-thinking concepts, from innovation to sustainability.

“It's kind of a twin strategy,” Pirondini continues “we are concentrating on products with the highest technological value in a limited number of plants where we can exploit economies of scale, while making the commodity market even more efficient, exploiting our extensive presence geographically to minimise distribution costs.” The FFO approach is built upon four pillars: Speed, Adaptation, Human Capital, and Factory 4.0. Pirondini adds, “We want our people to think differently and follow their ideas, to have the power to dream and to change, and thanks to FFO, they're doing just that, helping to expand the future possibilities for our customers.”



A MAKE IT! CULTURE

The Fast Forward programme also aims to familiarise employees with two main concepts: the drive of the whole supply system towards customer performance excellence, as the customer is at the heart of the Group's daily work; and the Make It! culture.

The first theme explores the concept that excellent service starts with a thorough understanding of customer needs, and develops through to the on-time supply of high-quality products or solutions, as well as the prompt management of any critical situation. The Make-it! culture, in turn, is driven by a strong sense of pragmatism and simplification, and a positive and can-do attitude towards colleagues and customers.

Speeding it up

Fast Forward was used as the strapline for the programme because it's simple, and communicates the essence of where the company should focus its efforts to improve. It reflects the idea of speed – both in responding to customer requirements and in decision-making. It also hints at the Group's ability to adapt both itself, and its supply chain to market fluctuations in order to develop large, modern centres of excellence and flexible supply configurations.



PRYSMIAN'S HALLMARK IS QUALITY

Work continued in 2016 to monitor the performance of core suppliers with the aim of sharing a common global approach.

Prysmian Group accelerated the process of improving customer experience throughout 2016. The focus has been on reducing response times to complaints, with the goal of becoming a byword for reliability, completeness, professionalism and speed.

At the same time, the Group continued its work monitoring the performance of core suppliers; a common and shared global approach has made it possible to standardise performance assessment and to have more objective evidence of the quality and level of service. In addition, a number of targeted activities have helped strengthen relationships with certain strategic suppliers, thereby improving the partnership relationship with Prysmian.

Close co-operation with HR

Prysmian invest and develop human capital in order to become more agile and manage customer dynamics better than the competition. This is why, in strong partnership with the HR team, Operations recently launched the Manufacturing Academy and a series of professional training courses designed to strengthen the competencies of employees and nurture the next generation of engineers. The purpose is not only to train people, but also to create a strong professional network in order to exchange knowledge and inspire everyone to participate more proactively.

Regional scope

Prysmian is now developing important centres of excellence with a regional scope, fully supported by its employees. The key is to ensure the most talented resources understand the value this opportunity represents for their professional future.

Online training

To support the implementation of continuous improvement projects, a fully-online training programme has been made accessible to all employees via the Group's digital platform. The training programme presents methods and tools to manage every improvement activity systematically and effectively, with particular attention to product manufacturing processes.

Data collection harmonised

Prysmian has continued working towards harmonising data collection throughout the company by rolling out proprietary software that enables faster data analysis and faster decisions about actions to be taken. This harmonisation has also made it possible to identify best business practices more immediately for subsequent examination and replication within the Group



A WORLD-CLASS FLEET

The new cable-laying vessel **Ulisse** has joined **Giulio Verne** and **Cable Enterprise** to form a formidable fleet.

Following an investment of over €20 million, the new cable laying vessel, **Ulisse**, is ready for offshore cable installation operations.

With the new ship, Prysmian Group can now rely on a fleet of three world-class vessels: **Giulio Verne**, **Cable Enterprise** and **Ulisse**.

The fleet enhances the Group's already extensive range of well-proven in-house cable protection equipment to provide extended and strengthened submarine cable installation capability. With **Ulisse**, Prysmian gains more comprehensive control of the supply chain by insourcing a greater part of the installation work.

Ulisse further boosts the Group's submarine project execution capabilities with a flexible asset that can both transport submarine cables and perform cable laying and burial

operations in shallow waters. Thanks to the new vessel, Prysmian can offer an ever-wider and more versatile range of installation services, thus strengthening the Group's position in a highly strategic sector.

Following the purchase from the former ship owner EOS, the flat-top barge has been converted into a 120m x 33m cable layer at the PaxOcean shipyard in Singapore. Renamed **Ulisse**, she now has an eight-point spread mooring system, enabling her to meet operating requirements even in harsh environmental conditions.

The first project to be executed by **Ulisse** is the **Negros-Panay** connection in the Philippines – awarded in December 2014, and worth a total of around €90 million.

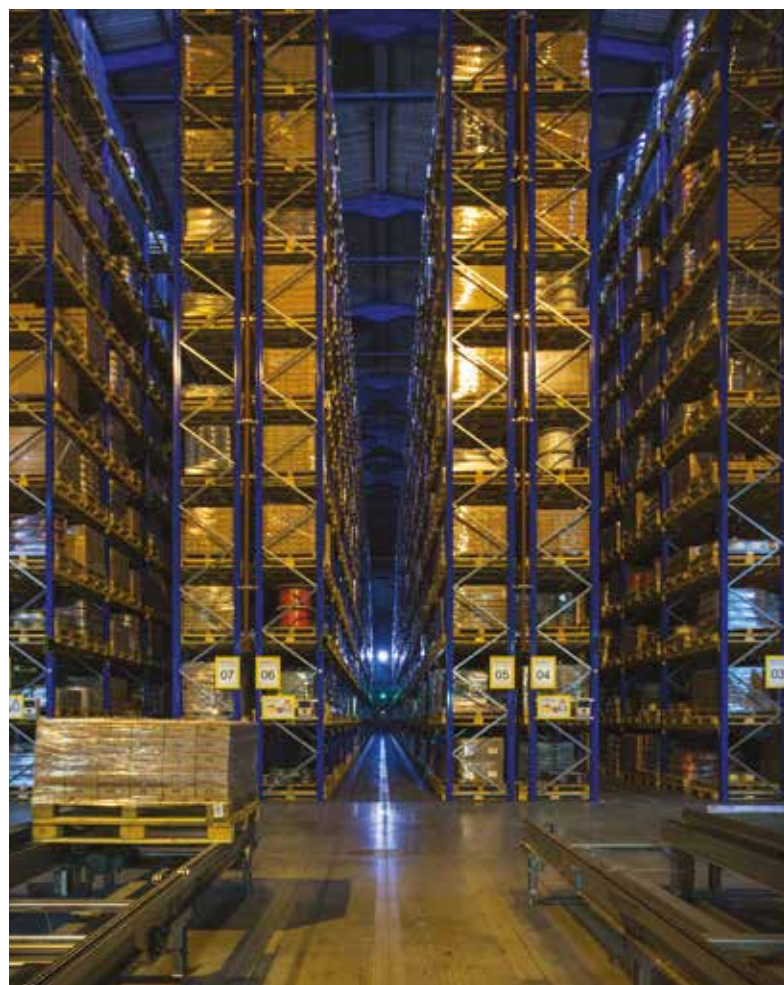
IMPROVED LOGISTICS AND DISTRIBUTION

The 2016 the distribution logistics market was characterised by an existing excess of transport capacity for all major airlines, while maritime transport continued to show spare capacity due to the larger size of fleets and containers, and ongoing consolidation among major global carriers.

Prysmian has concentrated its activities to improve physical distribution in the Southeast Asia and China regions by reducing the number of maritime transport suppliers to just one, with a considerable reduction in costs, and improved efficiency.

Logistics activities have been outsourced in North America and Europe, applying existing formats and best practices to these regions to achieve significant cost savings.

The Group has also supported and improved logistics-related national recycling programmes involving drums and packaging, resulting in significant benefits for environmental sustainability.



Special attention to inventories

All aspects of inventory management continued to receive attention in 2016, an activity that became even more complex and important in the second half of the year because of the market downturn in Europe.

The goal was to improve inventory quality customer delivery to stimulate the internal benchmark and implement the adoption of best practices. The logistics function has segmented its units into clusters according to the markets served and products supplied, allowing it to report a monthly inventory monitor by cluster.

Focusing on materials

Prysmian Group has devoted increasing efforts to procurement planning and rationale for all materials, particularly metals such as copper, aluminium and lead, where more reliable forecasts of local needs helped to significantly reduce the level of safety stocks.

Prysmian also implemented Lean and Six Sigma projects in the most critical plants to help reduce factory lead time for intermediate products. There was also a special focus on finished goods, with the aim of reducing the quantity of obsolete and slow-moving items.

Working capital saved

These actions have led to another significant reduction in the Group's inventory, contributed to a reduction in net working capital, and an improvement in net financial position.

The Group has also been able to meet the growing demand for medium and high voltage cables by utilities by making the best of its manufacturing footprint in Europe and beyond. In fact, the now established integrated sales and operations planning process on a macro-regional scale made it possible to ensure full production capacity in every factory, especially in the first half of 2016 in response to extra demand from Central and North European and Australian markets.

Actions and projects implemented during 2016 confirmed Prysmian Group's commitment to ever-more efficient use of resources, greater sharing of information and faster response times to market.

THE ENVIRONMENT IS A RESOURCE AT PRYSMIAN

Commitment to environmental stewardship and to the conservation of natural resources is critical to creating sustainable value, benefiting both the organisation and its stakeholders.

The special attention Prysmian pays to the environment is expressed in a unique approach that impacts not only a product's intrinsic characteristics, but also the management of production systems, where the focus is on prevention and reduction of environmental impact through, for example, efficient use of natural resources, optimisation of logistics and responsible waste management.

At the beginning of 2016, Prysmian's Health, Safety and Environment (HSE) Department, working together with other departments and with the backing of the Board of Directors, set the Group's HSE objectives for 2016-2018 based on the environmental performance indicators treated as relevant at Group level. Objectives were communicated to all country and business unit managers while, where possible, individual targets were also set.

Spreading activities across the group

The HSE Department coordinated appropriate activities at various levels of the Group's organisation, including corporate, countries or regions, business units and production units.

OHSAS 18001 certification for Prysmian's safety management system was extended to five more sites and ISO 14001 certification to one site.

Plants previously certified by other organisations migrated to the official certifying body: four plants passed to the official body for ISO 14001, and two plants to that for OHSAS 18001. This helped improve the coordination of management systems thanks to the periodic audit of HSE procedures by the independent certifying body, and to HSE involvement in deciding and agreeing corrective actions applicable to the Group's various production facilities.

ISO 14001 and OHSAS 18001 certifications were enhanced at Prysmian PowerLink, the organisation responsible for high voltage submarine and underground cable installation activities. This was achieved by extending its field of application to design and production supervision activities, with the ISO 14001 and OHSAS 18001 audits integrated into a single programme.

The number of plants that opt for an integrated auditing system was extended



by two in 2016.

The effectiveness and correct application of HSE rules locally was audited according to a random programme organised by HSE and conducted by the Group's team of qualified auditors.

The results of energy audits conducted in 2015 were evaluated at a number of European production sites, resulting in the identification of a series of energy efficiency initiatives to reduce consumption and greenhouse gas emissions.

Pilot projects were launched at Group production units to analyse the issue of energy consumption in greater detail, with a focus on the production, machinery and maintenance needs of each site; the type of supply and any existing constraints, and climate data. The project's goal was to highlight areas where energy consumption and pollutant emissions could be reduced.

Guidelines were drafted to be adopted at Group level for the consistent and coordinated implementation of efficiency projects managed by HSE, with a focus on the 'Relamping with LED' and 'Smart metering' projects.

The 'Relamping with LED' project was launched to replace current lighting systems with LED lamps, starting with the 16 production units highlighted as priorities.



At the end of 2016, 91% of sites were certified with ISO 14001 and 73% in accordance with OHSAS 18001.

On-Site inspections

A total of some 160 inspections were carried out at various production units in 2016. These included certification audits, and audits for the maintenance of existing certifications – of which 25% were carried out by qualified Prysmian personnel, while the remainder were undertaken by auditors from independent certifying bodies.

The same number of inspections occurred at the various production units for certification purposes, with about 12% undertaken by qualified Prysmian auditors, and the remaining inspections by auditors from independent certifying bodies.

Teaming up with influencers

The year was also marked by active participation in various industry association working groups and committees, such as Europacable's ECOE Committee, Orgalime's 'Substances Task Force', ANNIE's Environment Committee, AICE's Environment Working Group, and IEC's Maintenance Team, which is developing the standard for the environmental statement specific to energy cables.

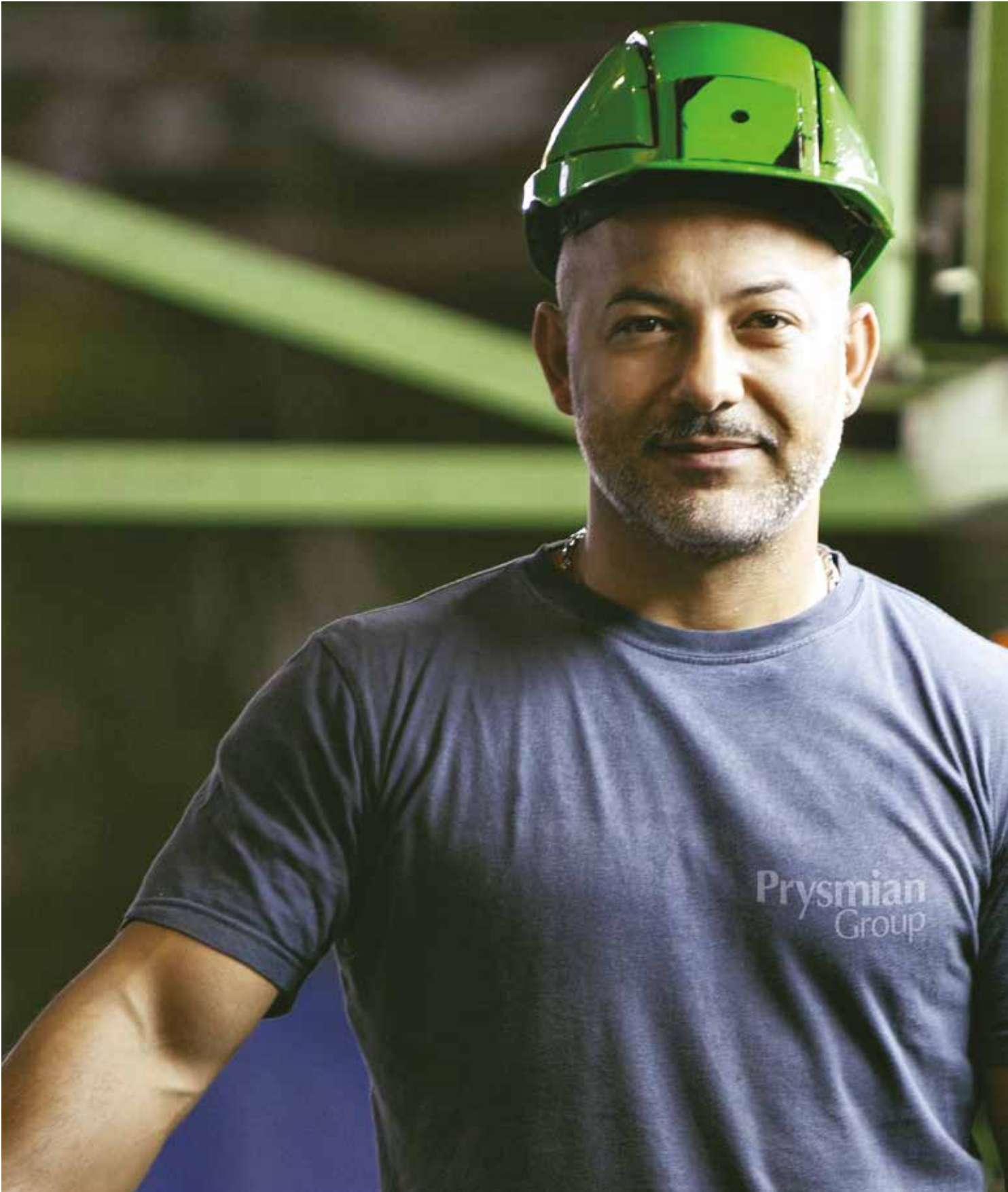
CLOSELY TRACKING **VARIABLES AND INDICATORS**

Throughout 2016, significant variables and indicators were tracked to assess the effectiveness of environmental performance in areas such as compliance with health and safety standards at work, energy consumption, waste management, atmospheric emissions of greenhouse gases and the use of water resources.

All these indicators are presented in Prysmian's Sustainability Report, which also details greenhouse gas emissions, dividing them into direct emissions arising from the production process, and indirect ones, arising from bought-in energy. This monitoring and reporting system has

allowed Prysmian to participate, once again in 2016, in the Carbon Disclosure Project. The project's aim is to consolidate and improve the efforts involved in greenhouse gas emission accounting and reporting, and define improvement objectives at Group level. The possibility of including

an assessment of product environmental impact – specifically focused on carbon footprint at the design stage – has been discussed, and the most suitable courses of action are being identified.



A blurred industrial background with a person's arm in the foreground. The scene is dimly lit, with green and blue tones. The person's arm is on the left side, wearing a blue t-shirt. The background shows industrial machinery and pipes.

OUR SUCCESS IS ROOTED IN OUR PEOPLE

We develop and spread a shared common identity where everyone feels part of the team, contributing to a common project to believe in.



THE REAL COMPETITIVE EDGE

Fabrizio Rutschmann, Senior Vice President of Human Resources and Organisation at Prysmian Group, believes that when it comes to maintaining a competitive edge, it's people that make the difference. That's why Prysmian's first aim is to create value *for* people, *through* people.

Prysmian Group has confirmed its position as one of the cable manufacturers most strongly focused on developing its human capital, with a 360° strategy that ranges from employee stock ownership plans to the implementation of valuable inclusion and diversity policies, encompassing numerous training and recruitment programmes.

Fabrizio Rutschmann believes that creating value by leveraging human



“Developing our human capital is a key focus of Prysmian, in order to secure success and value creation in the long run. Investing in our people is a cornerstone of our history and philosophy.”

Fabrizio Rutschmann
Senior Vice President
Human Resources and Organisation

capital is a process that begins with recruitment and training. At Prysmian, the employee selection processes incorporate a number of programmes implemented at an international level, “which have been producing brilliant results for a few years now,” he explains. One example he mentions is **Build The Future**, the Group’s graduate programme designed to recruit talented young people and turn them into professionals of tomorrow, that already boasts over 200 resources recruited over the past few years.

According to Rutschmann, “Making the most of our human resources and recruitment programmes remains a fundamental aspect of our growth process; the promising young people of today are a

very valuable resource for the company’s future.” But Prysmian isn’t just focussed on bringing talented new graduates into the company. It also recruits expert industrial professionals through programmes such as **Make It**, designed to identify and nurture the best process, maintenance, planning and quality engineers.

At the same time, the company launched an additional programme called **Sell It** to recruit young professionals in sales. More broadly, Prysmian has sought to develop an environment that places the professional at the centre from the very start, “fostering an instant feeling of belonging to the Group and sharing its business objectives,” in Rutschmann’s words. Rooted in the same vision was the opening some years ago of

the **Prysmian Group Academy**, designed to enhance the potential of talented professionals via specialist programmes delivered in partnership with SDA Bocconi University.

But Prysmian’s commitment to people doesn’t end with training. It also encompasses the continuous reinforcement of the values of employee engagement, as well as monitoring satisfaction and performance levels. The goal is always that of “enabling our talents to grow, by transforming them into the leaders of the future,” emphasises Rutschmann. The same engagement effort led to the launch of the **YES** programme, which promotes the ownership of company stock by all employees across the world. With YES, Rutschmann says, “We wished to offer our employees not just a financial investment opportunity, but wanted to also promote engagement and an awareness that we are all working towards a common goal, which creates value for the benefit of all of the company’s internal and external stakeholders.”

“Developing our human capital,” Rutschmann summarised, “is a key focus at Prysmian, in order to secure success and value creation in the long run. Investing in our people is a cornerstone of our history and philosophy.”

Engagement is again the key word as far as relationships with customers are concerned, with a focus on issues such as health and safety, integrity and ethics, inclusion and respect. With its Diversity and Inclusion Policy – an addition to other policies implemented to support Prysmian’s fundamental values of ‘Excellence, Integrity and Understanding’ – the Group has also “sought to foster a multicultural and inclusive working environment, aware of the importance of diversity in the various countries in which it operates,” Rutschmann points out. One example he mentions is the **Side by Side** programme, designed to offer tangible support for diversity, and, among other goals, to increase the number of women among employees and in top management and executive roles.

CORPORATE EDUCATION: **THE ACADEMY**

The Prysmian Group Academy, which turns five years of age in 2017, was created with the mission of developing and strengthening the leadership and technical skills of the Group's management, and is divided into two schools.

The management school

Run in partnership with Milan University SDA Bocconi and a network of more than 10 major international business schools, Prysmian's Management School has seen around 600 participants pass through its doors in 5 years, has awarded 300 diplomas, and has a continued ambition to grow in the future. The school has been designed to develop the Group's more talented resources, to share a common vision of the business, to spread Prysmian values and culture, and to expose participants to the best management practices. The uniqueness of the Management School lies in its comprehensive portfolio of training programmes that allows participants to accumulate credits towards a Global Executive MBA, an internationally recognised degree programme run by SDA Bocconi in partnership with an international network of business schools.

Furthermore, all contents of the programmes have been heavily customised to respond to the competitive challenges of the industry in which Prysmian operates. This has been possible thanks to SDA Bocconi's development of 'Global and Regional Prysmian Case Studies', which, by beginning with real situations, allow participants to get to grips with the everyday difficulties faced when devising strategies in the cable world.

Of particular importance was the establishment in 2016 of the first ALUMNI Programme, involving more than 100 employees who have completed previous editions. Furthermore, the school recently launched two new courses, the 'Senior Leadership Programme' and the 'Regional Leadership Programme'.

The professional school

Organised into a series of academies by function and centres of expertise, the Professional School has trained more than 1,000 employees in 5 years, involving more than 100 experts, with a similar number involved in 2017. Its mission is to develop and share key technical and professional skills, with the assistance of a team of in-house experts from all over the world. Its goal is to develop and consolidate know-how and technical skills, by ensuring their transfer from older experts to younger staff, in order to spread knowledge of the product portfolio and foster the development of an internal network within the business.

The world of manufacturing

The first centre of expertise of the Manufacturing Academy was completed in 2016 in a fully equipped space within the Mudanya Factory in Turkey – one of the Group's largest – and has provided technical training to around 100 employees from all of the Group's plants.



TOOLS TO ENHANCE PEOPLE'S VALUE AND ENGAGEMENT

From performance measurement...

The performance appraisal system first introduced in 2012 and known as P3 – Prysmian People Performance – has been extended to all management and clerical staff in every country, involving a total of around 5,000 people in 2016. The aims of P3 are to align personal objectives with those of the company, guide leadership behaviour, facilitate communications between managers and staff, and reward the most deserving resources based on objective measurement.

...to talent succession planning

As advocated by Italy's Corporate Governance Code regarding succession planning, the Group decided to rationalise its talent management activities in 2015 and adopt a unified process to identify talent and draft succession plans.

In 2016, it therefore introduced a unified talent identification process called P4 – Prysmian People Performance Potential. In partnership with Mercer, a human resource consulting firm, the purpose of P4 is to provide an assessment of potential by predicting future performance in positions of greater responsibility.

The process is based around the concepts of what talent means for Prysmian, defined through a series of structured interviews with 35 of the Group's key managers. The assessment, launched in March 2016, has been applied to all 5,000 employees taking part in P3 and will become an annual process.

The importance of being international

At the end of 2016, Prysmian Group boasted an expatriate population of 233 people, with around 30 different nationalities, (of whom 36% are Italian), who have moved to 36 different countries of destination. Of those, 72% were non-executive staff and 16% women. A total of 88 people embarked on new international assignments during 2016.

These figures demonstrate the importance of international mobility within the Group, as it is an integral part of the policies of talent development and growth. International experience is central to the professional and managerial growth of young talent participating in the Graduate Program. In 2016, 40 recent graduates from 18 different countries were involved in 2-year international assignments in as many as 19 destination countries.



MAKING ETHICS EFFECTIVE

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.

The system of values adopted by Prysmian distinguishes the conduct of individuals both inside and outside the company, while the Code of Ethics establishes the principles for everyone to follow and represents an effective tool for preventing irresponsible or illegal conduct when working for or on behalf of the company.

One step further towards fair behaviour

In 2016, the Group decided to adopt a whistleblowing process, a tool aimed at further improving the dissemination of ethical principles and conduct throughout the business. The mechanism complies with best practices in ethical and compliance matters, as whistleblowing has proven the most effective tool for identifying fraud and misconduct. Major international corporations have adopted whistleblowing procedures, and now Prysmian joins them.

Within Prysmian' whistleblowing mechanism, special secure channels are managed by an independent external company, The Network Inc. which has a binding mandate to protect the identity of whistleblowers and to act as an intermediary to relay follow-up questions and answers. The Group has also set up a Whistleblowing Committee for the purpose, which will carefully evaluate the reports, perform specific investigations and take appropriate action if needed. The programme has been launched with a dedicated communication campaign, focusing on 'Integrity' as Prysmian's top value.

Addressing diversity and inclusion

As a global leader, Prysmian has a duty to address the themes of diversity and inclusion – something that it have been doing since its very foundation, with the realised goal of creating a modern, functional and respectful working environment.

This is what the Side By Side project aims to continually improve

Michele Castellitti
Italy

IF
INTEGRITY FIRST

**THE PRYSMIAN GROUP HAS ADOPTED
A WHISTLEBLOWING PROGRAM
TO ENSURE INTEGRITY COMPLIANCY.**

IF YOU HAVE HEARD SOMETHING THAT CONSTITUTES SERIOUS
ETHICAL CODE VIOLATIONS, YOU CAN SAY IT IN THE OPEN.

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Ask for the brochure.

Prysmian
Group

upon. It's far more than a diversity programme. It aims to fulfil the Group's inclusion policy through an awareness campaign based on four pillars. The first is communication, and features diversity stories harvested from company employees.

The second is training, through specific activities, such as focus groups, team-building initiatives, and women leadership programmes. The third pillar is an update of the Group's policies concerning diversity, both in terms of recruitment and in the achievement of gender equality. Last but not least, the final pillar – career development through mentoring activities – is an objective deeply rooted in Prysmian's tradition of initiatives aimed to nurture the careers of young engineers.

THE RIGHT PEOPLE IN THE RIGHT PLACE

From 2012 to 2016, the Group designed and implemented a Human Capital Development Strategy intended to minimise errors in personnel decisions and ensure the right people are in the right place, by staffing the business with capable resources able to contribute to future growth and maintenance of its global industry-leading position. This strategy is based on an integrated system of management that is able to attract, develop, promote and retain talented people in the business, based upon four basic pillars: **Recruitment and Talent Acquisition, Training and Development, Performance Management, and Talent and Succession Management.**

Laying the bricks of the future

Building managers and technicians of the future begins with selecting the best talent in the market, with particular attention to recent graduates. **Build the Future** is the Group's international graduate recruitment programme, placing young high-potential graduates in different business functions and geographical locations. The programme involves a meticulous selection process, two weeks of inductions in Milan, and then a further three weeks of training. The two years of the programme involve a one-year job rotation in R&D, Operations and Sales; mentorship; a two-year international assignment, and finally the appointment to an important technical or managerial position at the end of the three-year period.

Launched in 2012, the programme has resulted in the recruitment of over 170 young people from around the world. The first half of 2016 saw the intake of 40 new graduates from every continent as part of the fifth cohort, while more than 28,000 applications were received in the second half of 2016 for the selection and intake of a sixth cohort in 2017 comprising another 40 graduates.

Engineers wanted...

Consistent with the talent acquisition strategy, in 2016 Prysmian launched a new international recruitment programme, called **Make It**, particularly targeting engineers with 3-5 years of experience and interested in taking on key and highly-challenging roles within the Group's most important factories. Selected engineers, including those from sectors outside of the cable industry, will have the opportunity to make their own significant contribution to the Group's growth in manufacturing.

The programme involves on-the-job training for about two months; a technical and managerial induction at The Manufacturing Academy in Mudanya, Turkey; mentorship; participation in Lean Six Sigma training, and career development. The first edition of Make It

attracted around 6,000 direct and 1,500 indirect applications, and thanks to a rigorous selection process – conducted in partnership with the international recruiting firm HAYS – about 50 talented engineers from around the world joined Prysmian in 2016.

...and sales professionals too

Developed in 2016, and officially launched in 2017, Prysmian's new **Sell It**, recruitment programme targets sales professionals, and aims to identify young people from different industries with 3-7 years of experience, for placement in the Group's different business areas in key and highly-challenging positions.

The programme has been designed with vital input from the Group's sales force through a detailed process of interviews and a survey of a representative sample of approximately 100 sales staff.



THREE MORE YEARS **TO SAY YES**



The Your Employee Shares (YES) plan, introduced at the end of 2013, has now been extended for a further three years, until 2019.

The **YES** plan allows participating employees to buy Prysmian shares – during specific purchase windows in 2017, 2018 and 2019 – on preferential terms and on the condition that they retain these shares for at least 36 months after purchase. Plan participants can buy Prysmian shares at a discount that varies from 1% for the CEO and Senior Managers, to 15% for executives and 25% for the remaining workforce, thereby encouraging employee participation at every level. Moreover, as an entry bonus, all participants receive six free shares in years one and three thereafter. The new three-year plan provides an entry bonus of eight shares to all participants signed up to the previous plan.

The objective of YES is to increase each and every employee's sense of belonging to and unity with the Group, as well as their engagement with and understanding of the business. This will converge the long-term interests of shareholders, customers and employees and will strengthen the internal perception of Prysmian Group as a single and united company, a true 'One Company'.

The first three years have already seen around 7,300 employees, or 44% of those eligible, signing up and investing a total of €17.5 million; with the last scheme the number passed the 50% threshold. Participation in some countries has been very high, with for example, nearly all employees signing up in Romania, about 85% in Turkey and around 65% at the Milan headquarters.



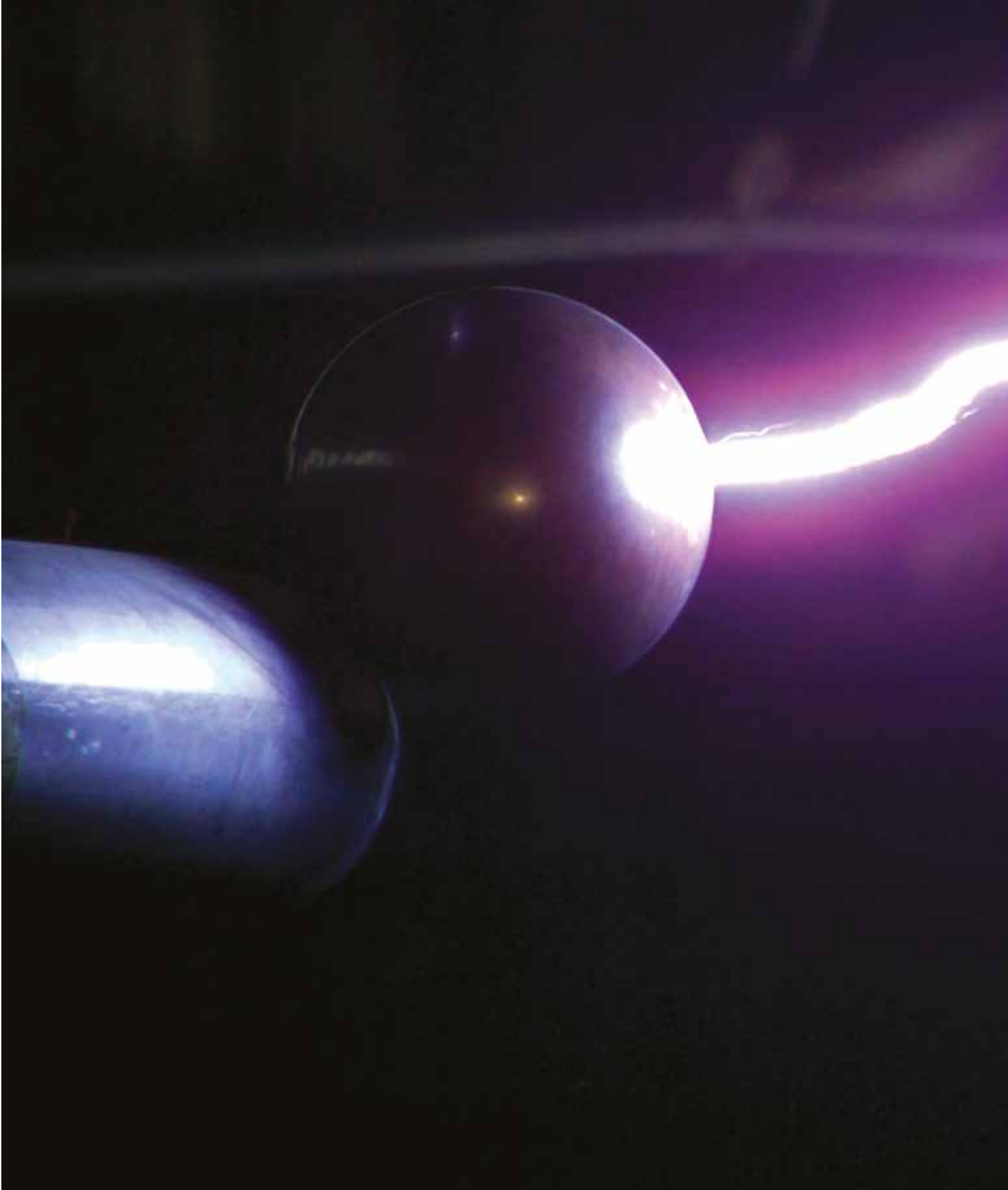
ORGANISATIONAL **EFFICIENCY** IMPROVED

In 2016 Italy was placed under the South Europe region, a new Oil & Gas segment created and the Audit & Compliance department renewed.

With the ultimate goal of optimising Prysmian's regional structures, Italy was placed under the South Europe region in 2016 as part of the process of rationalising the European structure on a regional basis to improve commercial synergies.

During the year a new segmentation within the Group's business areas was also introduced - the new Oil & Gas operating

segment. This new segment groups all of the Prysmian businesses operating in this market in order to creating commercial synergies, develop integrated products and services and promote greater cross-national coordination for major projects. At central office level, the Audit & Compliance Department has been renewed, extending its responsibility to allow a systemic management and control of Group compliance.





THINKING AHEAD

A deep-rooted tradition makes Prysmian Group a hub for technology innovation, an innovation that forms the foundation of its global industrial leadership.

17 Centres of Excellence	over 550 qualified professionals	84 million investments	4,651 Patents
570 trademarks	749 inventions covered	183 patents granted in 2016	2,597 trademark registrations

MASTERS OF INNOVATION

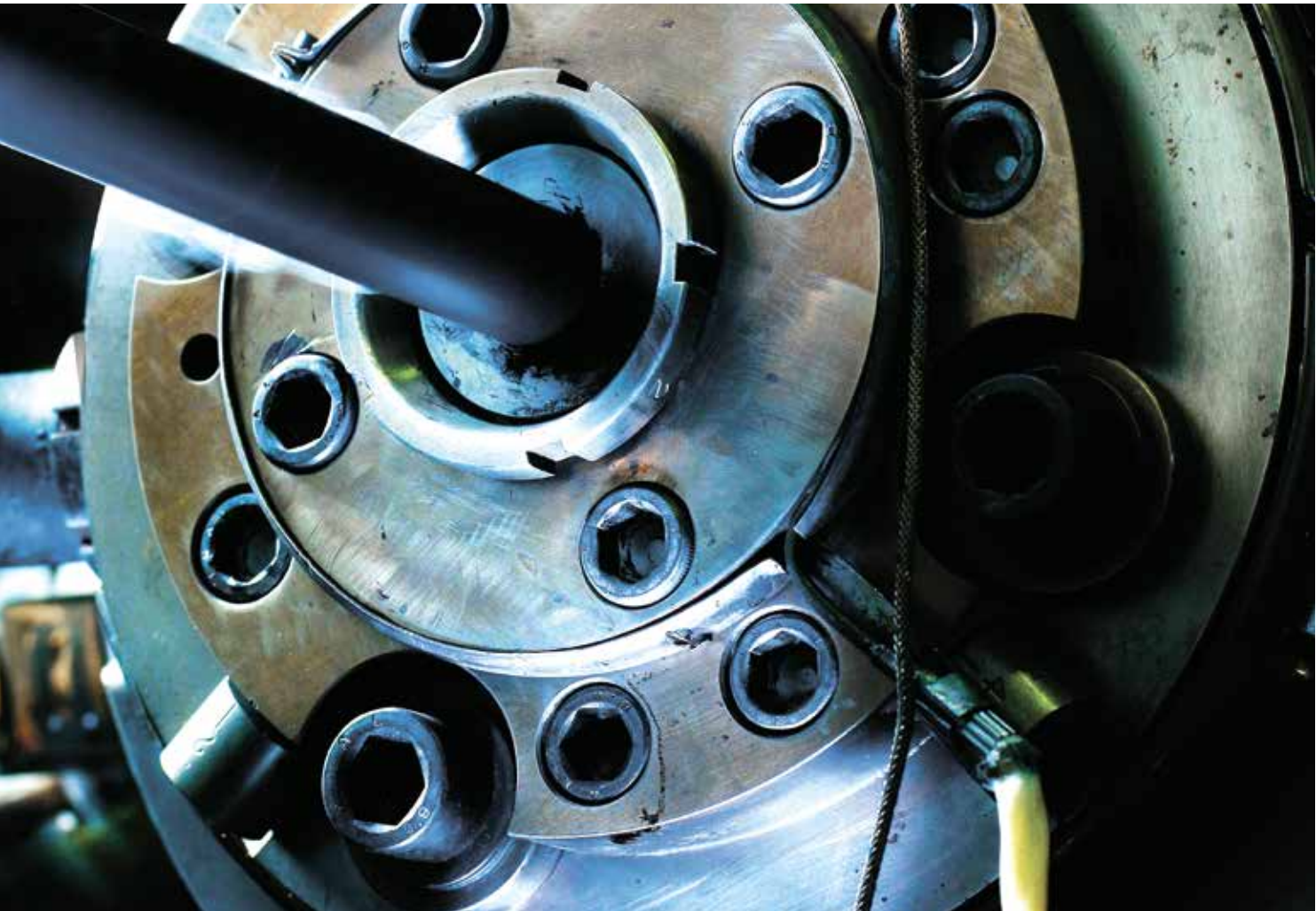
Marcelo Andrade, Senior Vice President, Research & Development, explains how year after year Prysmian has increased its investment in the creation and development of new, technologically-advanced products and systems, and envisages a future pervaded by innovation in every field of human activity.



“We’re using new materials and technologies to develop new products now that we believe will have a market five or ten years in the future.”

Marcelo Andrade
Senior Vice President
Research & Development





The Group currently boasts **17 Centres of Excellence**, headquarters in Milan, over **550 qualified professionals**, and aims to continue to be the industry leader in R&D, thanks to more than **4,600 patents** granted or filed, and partnerships with major universities and research centres across the many countries in which it has a presence. Andrade reveals that the secret ingredient to becoming a leader in innovation is simply to “listen to our customers’ demands and try to meet their needs.”

Developing advanced technology can however be intensely problematic, Andrade continues, as the laws of nature must be considered and various industry regulations can prove limiting. Connecting continents such as Europe and Africa with new high-voltage submarine cables, or the transfer of enormous amounts of data for telecommunications are just a few of the challenges faced. “Our clients constantly ask us ‘Do you have the technology to make such a cable?’ It is a real challenge...but fortunately, we like challenges!”

Future scenarios see carmakers who build electric vehicles needing lighter cars in order to fit heavier batteries, and that’s a real test

for a cable producer. New materials present another challenge, starting with the graphene used in certain compounds. “We are just starting to study new materials,” recounts Andrade, including one he jokingly calls ‘the chilli pepper’ – a truly innovative core that will be added to the common polypropylene base.

Research processes for the ideal product are carried out in the heart of Prysmian’s Milanese laboratories. Everything from the chemical solution, to the colour and the rubbery prototype will be produced before undergoing an impressive number of ‘tortures’ to test performance. “Here we are developing products using materials and technologies that do not have a market yet, but for which we believe a market will exist in five or ten years.”

And let’s not forget optical fibre, for which Prysmian is one of the top manufacturers, producing around 30 million kilometres yearly worldwide. “We are working to reduce the size and expand fibre density per square millimetre,” explains Andrade, who foresees scenarios with enormous potential for TLC transmissions via optical fibre.



MAJOR INNOVATIONS FOR ALL BUSINESSES IN 2016

Approved and produced

In **Submarine Cables & Systems** 220 kV cable (with 1,200 mm² copper conductors) for the 50Hertz Transmission Project has obtained approval and most of its production has been successfully completed. In the AC cables area, a new-design single-core cable with fibre optic integration in the armouring has been installed and commissioned for a submarine project in the Philippines.

Work has continued in the development of new techniques for conductor diameter splicing to allow large aluminium conductors to be gathered together in conductor platforms, and to splice conductors with different cross-sections and metallic materials for both DC systems operating at 320 kV and AC systems operating at 220 kV. The development activities also include long-term trials that will end in the next few years.

Newly launched

The **Extra High Voltage Underground Systems** saw the launch of the new P-Laser 600 kV HVDC cable, which allows increased power transmission capacity at a cost of up to 30% less per MW transmitted.

600 HVDC kV XLPE and 700 kV PPL cables were also introduced, boosting transmission capacity by up to 15%. In the field of inter-array connections for offshore wind farms, the Group launched a new 66 kV cable, which allows significant savings in wind farm construction and operation costs.

Focus on CPR...

R&D for the **T&I Business** in 2016 has been centred on Construction Products Regulation (CPR). The harmonised European standard became effective in June 2016, and is being followed by a one-year transition period before this standard becomes mandatory throughout the European Union.

Prysmian is making huge efforts to ensure the characteristics of its product portfolio comply with the performance classes adopted by each individual nation. Work has also commenced to develop and apply a tool that will allow the environmental impact of Prysmian products to be assessed, albeit partially, in terms of their carbon footprint and recyclability.

...And on safety

The innovations of the **O&G Business** have focused on the development of solutions that increase the safety of cables used in gas projects and those used in electrical submersible pumps.

Prysmian is currently developing a new generation of products to cover a wide range of applications for generally severe operating conditions, with associated test procedures accelerated and on a real-life scale, as well as hybrid downhole technology high corrosion-resistant solutions for high temperatures – a completely new concept in this market sector.

Crane applications

For those cables used in special **Original Equipment Manufacturer (OEM)** applications, notable solutions have been developed in the crane, mining, rolling stock, railway, nuclear energy, wind power, defence, and infrastructure business areas.

Quality improved

In the **Telecom Business**, the fibre manufacturing process has been further developed at Prysmian factories in the US and Brazil, while further investments have concerned improvements in product and process quality across other factories, resulting in a significant reduction in production costs.

Several sites have been equipped to produce BendBright-XS fibre, an innovation that delivers much better micro- and macro-bending performance than competitor products. In the area of multimode fibre, the OM5 Standard was adopted in September, confirming the Group's leadership in this field.

In the arena of **optical cables**, work has focused on increasing fibre density by producing high-fibre-count cables, by reducing cable sections, by making them easier to use and by reducing total cost of ownership. For example, Prysmian's Flextube® has achieved yet another world first with the bundling of 2,112 fibres, reducing the impact of construction work.

In the field of connectivity, Prysmian has continued to develop new accessories for **FTTH** use. Its Large Multi-Function Joint, originally developed for BT in 2015, was launched globally in 2016. A number of new components have also been designed to complement the range of multi-function joints. In the area of building wiring, a complete family of optical cables using Flextube® technology has also been developed while additional hybrid optical/copper cabling solutions have been developed for data centres.

Development of Pry-Cam gate completed

The development of this new patented technology was completed in 2016. It automatically measures the time elapsing between two partial discharge pulses, thereby determining with absolute certainty whether an accessory, or a length of cable, is affected by partial discharges without having to use any kind of expertise or artificial intelligence algorithms.

A further important innovation, now at an advanced stage of development, is Pry-Cam® Cable, a hybrid cable intended solely for sensing. Work has continued on developing Pry-Cam network monitoring technologies in general, which are being met with growing approval; during 2016 a contract was signed with National Grid for online monitoring of its UK networks. Around 200 km of this cable will be installed in 2017, and will be the seed of a new generation of integrated monitoring systems.

Qualification in Russia, new line in Turkey

The qualification IEC62067 was achieved in 2016 for EHV 330 kV 2500 mm² copper and aluminium cables at Prysmian's Rybinsk plant in Russia, which also began the production of EHV cables with small-section copper conductors, up to 400 mm². The longitudinal welding line for aluminium laminated sheaths was inaugurated at the Mudanya plant in Turkey and a prototype produced for qualification of the technology standard Cigré TB446. HV cables with a 'Solidal' conductor from 630 to 1200 mm² went into production at the Pignataro plant in Italy. Type Test IEC62067 was completed for the 245 kV 2500 mm² copper prototype, manufactured on the new VCV2 line at the Abbeville plant in France.

The HV business unit continued to carry out a best-practice HV project involving technical visits and technological assistance in order to share the best practices used by the Group for selecting raw materials, design, and technology. With regard to the technological development of specialty and low voltage cables, work continued on the project to standardise materials and NEK606 technologies.



MATERIALS: KNOWLEDGE MAKES THE DIFFERENCE

Prismian is intensifying exploratory research in materials that play a strategic role in cable and accessories technology, and 2016 witnessed important achievement in this crucial field.

Joints created in labs using compounds with variable resistivity have performed well, and full-size joints have now been made for testing electrically. Additionally, new high permittivity compounds have been created for both joints and terminations, resulting in the qualification of new accessories in class 36kV. Prismian is also evaluating the use of graphene and nanotubes in polyethylene sheaths to improve water resistance and conductivity respectively. Substances have been identified that can absorb water without releasing it; long-term testing is in progress to identify all the parameters of water absorption for these substances dispersed in polyethylene. The Group is considering the use of carbon nanotubes even in low voltage insulation to test their contribution, if any, to flame non-propagation. Work has been completed with an American organisation to identify new composite armouring systems for submarine cables, umbilicals and flexible pipes, resulting in the delineation of a possible new cable design. Experimentation on light armouring for submarine cables continues, and optimal designs for new cable structures are being identified. A particular type of polymer that is capable of absorbing methane has also been identified and synthesised, while the method that allows absorption efficiency and effectiveness to be assessed at both room temperature and at 70°C has been optimised.



Alternative materials

Continue to be approved throughout the Group to eliminate sole suppliers, especially those of great commercial or technical importance. At times, this requires long laboratory experimentation and collaboration with suppliers. The rationalisation of raw material codes for cables has been completed, and a programme that will show raw material specifications as soon as the material code is activated has been completed. This programme will also allow the Group to contain all its specifications in one, easily accessed place, which will be especially useful for research purposes.



PROTECTING INTELLECTUAL PROPERTY RIGHTS

Protecting its portfolio of patents and trademarks is a key part of the Group's business, particularly in view of its growth strategy in high-tech market segments.

The Group's intense R&D activities have allowed it to continue to add to its patent portfolio during 2016, especially in high-tech and higher value-added areas, in order to support its major investments and protect the related businesses.

As of 31 December 2016, Prysmian boasted **4,651 patents and pending patent applications** globally, including 749 inventions, of which 210 are within the Energy Projects and Energy Products operating segments, 13 in the Oil & Gas segment and 526 in the Telecom segment. During 2016, 31 new patent applications were filed, of which 20 are within the Telecom area

and 11 in the Energy area, and 183 patents were granted after examination – 47 by the European Patent Office and 33 in the United States.

The most important products, typically distinguished by particular characteristics or a specific production process, are protected by trademarks that allow them to be identified and guarantee their uniqueness. As of 31 December 2016, Prysmian own **570 trademarks**, corresponding to **2,597 trademark registrations** in its countries of operation, covering the names and identifying symbols of its companies, activities, products and product lines.





THE STRENGTH OF BEING A TRUE PUBLIC COMPANY

With no controlling interest, Prysmian is open and transparent in its continuous contacts with the market and investors.



ATTRACTING INVESTORS FROM ALL ACROSS THE WORLD

With a 100% free float and nearly 80% of the capital held by global institutions, acting in the interest of all stakeholders is more than a must.

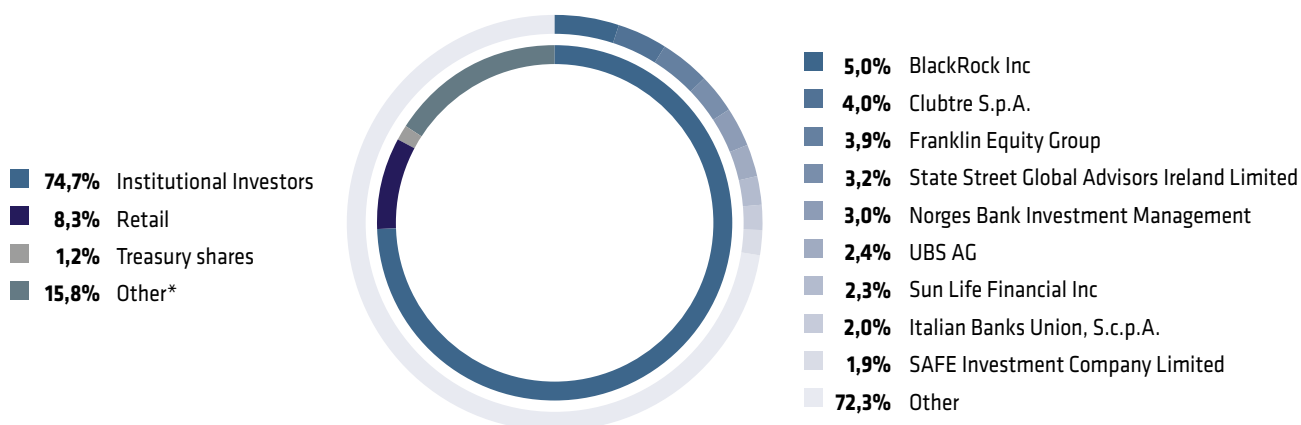
Prysmian Group can be safely defined as a truly public company. It has no majority or control shareholder, and only three investors exceed the threshold of 3% of the equity capital, Clubtree, BlackRock and Norges Bank, while the company's employees own an approximate 1% interest.

The remaining capital is shared across several institutional and private investors in such a way that control is exercised not only based on the number of shares, but

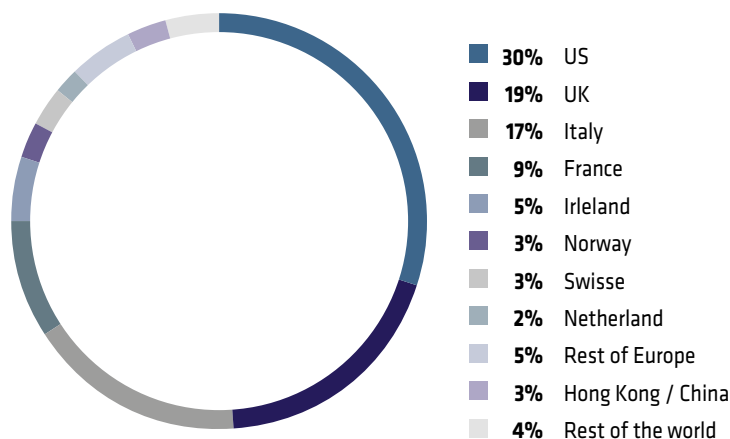
also through results, and the fact that all shareholders follow the top management.

The company's top executives have remained stable since its initial listing in the Milan Stock Exchange in 2007. As a public company, Prysmian is exposed to possible takeover attempts, but if the interests of all stakeholders are respected, then the problem of sale to third parties is not an issue. A public tender offer would also create value.

OWNERSHIP STRUCTURE BY TYPE AND MAJOR SHAREHOLDERS



INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



Extensive and diversified stock coverage

There are 23 independent brokers who regularly cover Prysmian stock: Banca Akros, Banca Aletti, Banca IMI, Banca Profilo, Barclays Capital, Berenberg, BofA Merrill Lynch, Citi, Credit Suisse, Equita, Spirito Santo, Exane BNP Paribas, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Kepler Cheuvreux, Mediobanca, Morgan Stanley, Natixis and UBS.

Close to responsible investors

In 2016, Prysmian received increasing attention from Socially Responsible Investors (SRI) as demonstrated by the growing numbers who attended SRI-dedicated meetings and road shows.

Prysmian shares are also included in the FTSE ECPI Italia SRI Leaders, composed of a select basket of stocks of Italian companies that demonstrate excellent Environmental, Social and Governance (ESG) practices.

Always connected to the market

Creating value for shareholders and other stakeholders is a key priority for Prysmian, whose policy of strategic and financial communication is directed towards the highest standards of accuracy, 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.

Prysmian had extensive contact with the financial market throughout 2016, with more than 400 encounters involving conference calls and one-to-one or group meetings at Prysmian's offices. Prysmian also ran numerous road shows in the major financial centres of Europe and North America, and took part in conferences organised by major international brokers.

The Group also organised several visits to its production facilities and R&D centres, in order to give investors a deeper understanding of its products and production processes.

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Graphic design
Cabria BrandUniverse
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LINKING THE FUTURE

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