

CARRYING OUT IDEAS TO KEEP ON GROWING

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2010

Disclaimer

This document contains forward-looking statements, specifically in the sections entitled "Subsequent events", "Business outlook" and "Risks foreseeable in 2010", that relate to future events and the operating, economic and financial results of the Prysmian Group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Therefore, actual future results may differ materially from what is expressed in forward-looking statements as a result of a variety of factors.

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INTERIM
DIRECTORS' REPORT

DIRECTORS AND AUDITORS

Board of Directors	Chairman	Paolo Zannoni	
	Chief Executive Officer & General Manager	Valerio Battista	
	Directors	Wesley Clark ^(*)	Fabio Ignazio Romeo
		Giulio Del Ninno ^{(*) (1) (2)}	Claudio De Conto ^{(*) (1) (2) (4)}
		Pier Francesco Facchini	Sergio Erede ^{(*) (2) (4)}
		Massimo Tononi ^{(*) (1) (4)}	Stefano Bulletti ⁽³⁾
Board of Statutory Auditors	Chairman	Marcello Garzia	
	Standing Statutory Auditors	Luigi Guerra	Paolo Burlando
	Alternate Statutory Auditors	Luciano Rai	Giovanni Rizzi
Independent Auditors	PricewaterhouseCoopers S.p.A.		

^(*) Independent directors

⁽¹⁾ Members of the Internal Control Committee

⁽²⁾ Members of the Compensation and Nominations Committee

⁽³⁾ Appointed on 15 April 2010

⁽⁴⁾ Appointed on 21 July 2010

Foreword

This half-year financial report at 30 June 2010 has been drawn up and prepared:

- in compliance with Italian Decree 58/1998 and subsequent amendments and with the Issuer Regulations published by Consob (Italy's securities regulator);
- in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and in accordance with IAS 34 – Interim Financial Reporting.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION (*)

(in millions of Euro)

	1st half 2010	1st half 2009	% change	FY 2009
Sales	2,148	1,848	16.2%	3,731
Contribution margin ⁽¹⁾	387	393	-1.4%	791
EBITDA ⁽²⁾	175	180	-2.9%	366
Adjusted EBITDA ⁽³⁾	181	193	-6.5%	403
Operating income ⁽⁴⁾	115	223	-48.3%	386
Adjusted operating income ⁽⁵⁾	143	161	-11.0%	334
Profit before taxes	64	207	-69.0%	337
Profit/(loss) for the period	44	150	-70.9%	252

(in millions of Euro)

	30 June 2010	30 June 2009	Change	31 December 2009
Net capital employed	1,500	1,371	129	1,314
Employee benefit obligations	158	126	32	142
Equity	667	585	82	698
of which attributable to non-controlling interests	39	21	18	21
Net financial position	675	660	15	474

(in milioni di Euro)

	1st half 2010	1st half 2009	% change	FY 2009
Investments	31	51	-39.2%	107
Employees (at period end)	12,460	11,907	4.6%	11,704
Earnings/(loss) per share				
– basic	0.25	0.82		1.40
– diluted	0.25	0.81		1.39

(1) Contribution margin is defined as adjusted EBITDA before fixed costs.

(2) EBITDA is defined as earnings/(loss) for the period, before the fair value change in metal derivatives, depreciation, amortisation and impairment, finance income/costs, the share of income/loss from associates, dividends from other companies and taxes.

(3) Adjusted EBITDA is defined as EBITDA before non-recurring income/expenses.

(4) Starting from the third-quarter report 2009, operating income now includes the fair value change in metal derivatives previously classified in net finance income/(costs). The comparative figures for 1st half 2009 have been restated accordingly.

(5) Adjusted operating income is defined as operating income before non-recurring income/(expenses) and the fair value change in metal derivatives.

(*) All of the percentages contained in this report have been calculated with reference to amounts expressed in thousands of Euro.

SIGNIFICANT EVENTS DURING THE PERIOD

The market scenario in the first half of the year has seen a first quarter still marked by strong uncertainty and discontinuity, followed by a gradual stabilisation in the second quarter to the same levels as the corresponding period of the prior year, nonetheless reflecting a resurgence in demand due to the highly seasonal nature of this quarter. Signs of recovery in the near future are not expected to extend to the whole sector, but will be limited to certain types of products and geographical areas.

In particular, fluctuations in the price of raw materials, metals and in exchange rates, combined with the recent deficit reduction measures enacted by the authorities in many countries, affected the behaviour of market participants and put greater pressure on prices during the first quarter of the year, which then remained generally stable in the subsequent three months.

The Prysmian Group's sales reported a 3.4% organic decrease on the first half of 2009 (excluding changes in group perimeter, metal prices and exchange rates), despite a clear second-quarter recovery relative not only to the previous quarter but also to the corresponding period in 2009.

During the first six months of 2010, the Prysmian Group further intensified tactical actions for exploiting as many market opportunities as possible, without however subverting its core strategy. Commercially, the Group has improved its ability to react quickly to often discontinuous market demands, while maintaining maximum attention on high value-added business and geographical markets with greater future potential and concentrating on actions to improve industrial efficiency, to optimise raw materials procurement and customer service in order to defend its profitability and respond rapidly to offensive action by competitors.

PRINCIPAL PROJECTS ACQUIRED AND COMMERCIAL INITIATIVES IN THE HALF YEAR

At the start of June 2010 Prysmian won a contract for more than Euro 200 million from Transpower, a German transmission systems company controlled by the Dutch Tennet Group, for the BorWin 2 project to connect two offshore wind farms in the North Sea to mainland Germany. Prysmian will supply all the materials and install and commission the submarine and underground connections, as part of the overall contract worth in excess of Euro 500 million, awarded to the partnership between Prysmian and Siemens Energy. Siemens will supply the Voltage Sourced Converter (VSC) system with a capacity of 800 MW. The turnkey connection will link the Veja Mate and Global Tech 1 wind farms, located in the North Sea 125 km off the German coast, to the mainland with the goal of transmitting renewable energy to the German grid.

Immediately after securing the BorWin2 project, at the start of July Prysmian won from the same customer and under the same partnership with Siemens, the HelWin1 contract, worth more than Euro 150 million to link the North Sea Ost offshore wind farm to the mainland.

Confirming the Group's primary role in the renewable energy sector, Prysmian recently signed a partnership agreement in Paris with 11 other leading groups in state-of-the-art technology for power generation and transmission. The project, supported by the French government, aims to study the

feasibility and development of a "Transgreen" grid that will carry renewable energy across the Mediterranean from North Africa to Europe.

At the start of July Prysmian secured a major new contract, worth Euro 250 million, from Abu Dhabi Transmission and Dispatch company (TRANSCO), to supply a turnkey system for extra-high voltage power transmission.

Prysmian will provide all the engineering, manufacturing, installation and commissioning for the 400 kV cable system (triple circuit route of 25 km for a total of 230 km of extruded insulation (XLPE) cable and related network components). The project has an execution time of 24 months.

The new link is of utmost importance to the Abu Dhabi Emirate's power transmission systems. In fact, it will connect the Bahia and Saadiyat grid stations, via the most prestigious residential areas and areas of industrial infrastructure, such as Yas Island, the site of the new F1 race track.

In January, Prysmian reached the important milestone of having installed 150,000 km of Optical Ground Wire cable worldwide. OPGW cable is an integral part of an overhead power transmission network, serving not only the primary function as a conventional ground conductor but also as a communication cable thanks to its optical fibres. This milestone was achieved with one of Eastern Europe's largest utilities and with cables produced by the Vilanova plant in Spain.

FINANCE AND M&A ACTIVITIES

On 21 January 2010, the Group entered a long-term credit agreement for Euro 1,070,000 thousand with a syndicate of leading national and international banks; this agreement expires on 31 December 2014 and may be used to replace the existing Credit Agreement at its natural expiry on 3 May 2012.

This is a "Forward Start Agreement" negotiated in advance of its period of use, under which the lenders will provide Prysmian S.p.A. and some of its subsidiaries (the same as in the existing Credit Agreement) loans and credit facilities for a total of Euro 1,070 million (of which Euro 400 million in the form of a Revolving credit facility and Euro 670 million in the form of a Term loan facility). The syndication process, started at the end of November 2009 for Euro 800 million, closed with a large oversubscription.

On 30 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400 million. Strong investor interest resulted in the receipt of applications for in excess of Euro 3 billion, meaning that the offer was more than 7.5 times oversubscribed.

The bond, whose issue price was Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bonds were settled on 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market.

Prysmian S.p.A. is using the bond proceeds to finance the Group's activities, including to refinance its existing debt. On 16 April 2010, Prysmian therefore made an early repayment of Euro 200 million against the Term Loan received on 4 May 2007; this repayment corresponds to the amounts that were due in 2010 and 2011 and means that the Term Loan now stands at Euro 770 million.

On 19 January 2010, the Prysmian Group acquired a majority, controlling stake of 51% in the Indian group of Ravin Cables Limited for the gross amount of some Euro 26 million.

With turnover of around Euro 45 million in the financial year April 2008 – March 2009, Ravin Cables Limited is one of India's most competitive cable manufacturers with a range that includes low and medium voltage cables and a market that extends to Africa and the Middle East. Apart from its principal manufacturing facility in Pune, near Mumbai, Ravin Cables Limited is also present in the Arab Emirate of Fujairah with the company Power Plus Cable Co LLC, a joint venture with the local government. Power Plus already has equipment for producing high voltage cable.

India's market for High Voltage cables and systems is expected to grow rapidly, thanks to the country's dynamic economy and the need for rapid development of its power transmission and distribution grids.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	1st half 2010	1st half 2009	% change	FY 2009
Sales	2,148	1,848	16.2%	3,731
Adjusted EBITDA	181	193	-6.5%	403
% of sales	8.4%	10.5%		10.8%
EBITDA	175	180	-2.9%	366
% of sales	8.2%	9.8%		9.8%
Fair value change in metal derivatives	(17)	75		91
Amortisation, depreciation and impairment	(43)	(32)	33.5%	(71)
Operating income ⁽¹⁾	115	223	-48.3%	386
% of sales	5.4%	12.1%		10.3%
Net finance income/(costs)	(52)	(18)	-	(52)
Share of income from investments accounted for using the equity method and dividends	1	2		3
Profit before taxes	64	207	-69.0%	337
% of sales	3.0%	11.2%		9.0%
Taxes	(20)	(57)	-63.9%	(85)
Profit/(loss) for the period	44	150	-70.9%	252
% of sales	2.0%	8.1%		6.8%
Attributable to:				
Owners of the parent	45	146		248
Non-controlling interests	(1)	4		4

Reconciliation of Operating Income/EBITDA to Adjusted Operating Income/Adjusted EBITDA

Operating income (A)	115	223	-48.3%	386
EBITDA (B)	175	180	-2.9%	366
Non-recurring expenses/(income):				
Company reorganisation	4	6		13
Shutdown of production facilities	-	-		6
Antitrust investigation legal costs	-	5		11
Release of provision for tax inspections	(2)			
Special project costs	3	2		4
Environmental remediation	1	-		3
Total non-recurring expenses/(income) (C)	6	13		37
Fair value change in metal derivatives (D)	17	(75)		(91)
Impairment of assets held for sale (E)	5	-		2
Adjusted operating income (A+C+D+E)	143	161	-11.0%	334
Adjusted EBITDA (B+C)	181	193	-6.5%	403

(1) Starting from the third-quarter report 2009, operating income now includes the fair value change in metal derivatives previously classified in net finance income/(costs). The comparative figures for 1st half 2009 have been restated accordingly.

In the first six months of 2010 the Prysmian Group reported a 3.4% organic decrease in sales on the same period in 2009 (excluding changes in group perimeter, metal prices and exchange rates), analysed by segment as follows:

- Energy – 3.6%;
- Telecom – 1.2%.

The second quarter of 2010 reported a sales trend reversal, with organic growth of 4.3% on the same period of last year, analysed by segment as follows:

- Energy + 4.7%
- Telecom + 3.4%

Adjusted EBITDA amounted to Euro 181 million in the period (before non-recurring expenses of Euro 6 million), posting a decrease of Euro 12 million (–6.5%) on the first half of 2009.

During the first six months of the year, and particularly in the second quarter, the Euro depreciated against currencies in which the Group operates outside the Eurozone, benefiting this result by some Euro 7 million. This positive impact was due to the Euro's depreciation against the British pound, the Brazilian real and the Australian dollar.

Thanks to the growth in sales, adjusted EBITDA for the second quarter of 2010 was Euro 106 million, an improvement of Euro 3 million (+2.9%) on the corresponding period in 2009.

INCOME STATEMENT

Group sales came to Euro 2,148 million in the first six months of 2010, compared with Euro 1,848 million at 30 June 2009, representing a positive change of Euro 300 million (+16.2%).

This increase was in turn due to the following factors:

- addition of Euro 33 million (+1.8%) from the line-by-line consolidation of Ravin Cables Limited in India and Rybinsk Elektrokabel in Russia, and from the proportionate consolidation of 49% of Power Plus Cable CO LLC in the Middle East;
- positive exchange rate effects of Euro 78 million (+4.2%);
- increase of Euro 253 million (+13.6%) in sale prices due to fluctuations in metal prices (copper, aluminium and lead);
- organic decrease in sales of Euro 64 million (–3.4%) due to the trend in volumes and prices.

Contribution margin went from Euro 393 million in the first half of 2009 to Euro 387 million in the equivalent period of 2010, representing a decrease of Euro 6 million (–1.4%). The slight contraction in margin came from price pressure, affecting every sector in which Prysmian operates, that was only partly neutralised by positive exchange rate effects of Euro 13 million. Thanks to the growth in volumes, the commercial actions taken and positive exchange rate effects, Prysmian was able to achieve a second-quarter contribution margin of Euro 210 million, up 4.0% from Euro 202 million in the corresponding period of 2009.

The commercial and business segmentation strategies reconfirmed by the Group for the current year enabled it to neutralise the effects of persistent market weakness. In fact, the large order book for long-term high value-added projects (High Voltage and Submarine) allowed the Group to deal with the worsening conditions for Trade & Installers and Power Distribution and the contraction in volumes in industrial markets.

Adjusted EBITDA amounted to Euro 181 million in the first half of 2010, compared with Euro 193 million at 30 June 2009, reporting a decrease of Euro 12 million (–6.5%) due to the lower contribution margin and negative exchange rate effects of Euro 6 million on fixed costs.

The negative change in adjusted EBITDA can be analysed as follows:

(in millions of Euro)		% change
Energy	(13)	
Utilities	(6)	–3.2%
Trade & Installers	(3)	–1.6%
Industrial	–	–
Other	(4)	–2.2%
Telecom	1	0.5%

Group EBITDA amounted to Euro 175 million at the end of the first half of 2010, compared with Euro 180 million in the same period of 2009. The reduction of Euro 5 million (–2.9%) was primarily due to a decline in earnings from recurring operations.

Net non-recurring expenses included in EBITDA amounted to Euro 6 million, and comprise:

- Euro 3 million in costs for special acquisition projects;
- Euro 4 million in restructuring charges aimed at reducing costs;
- Euro 1 million in environmental remediation costs;
- Euro 2 million in income from the release of provisions for a tax inspection involving a foreign subsidiary.

Amortisation, depreciation and impairment amounted to Euro 43 million at 30 June 2010, which was higher than in the prior year due to investments made in 2010. This amount also includes an impairment loss of Euro 5 million recognized against the factory building in Eastleigh (UK), which is no longer operational and now up for sale. The most significant investments in the period related to production capacity increases for flexible pipes in Brazil, for high voltage cables in the United States and China and for optical fibre cables in Romania, as well as to advancement of the SAP project in the IT area.

The fair value change in metal derivatives was a negative Euro 17 million at 30 June 2010, compared with a corresponding positive Euro 75 million in the first half of 2009, representing an overall negative change of Euro 92 million.

Group operating income, inclusive of the effect of non-recurring items and of the fair value change in metal derivatives, amounted to Euro 115 million at 30 June 2010, compared with Euro 223 million in the first half of 2009, reporting a decrease of Euro 108 million (–48.3%).

Finance income and costs reported a net negative Euro 52 million at the end of the first half of 2010, compared with a negative Euro 18 million at 30 June 2009, posting a decrease of Euro 34 million. This was mainly due to the following factors:

- a negative change associated with the effect of the Forward Start Agreement and the bond issue;
- a negative change of Euro 6 million associated with non-recurring items;
- a negative change of Euro 25 million for currency derivatives and exchange rate differences.

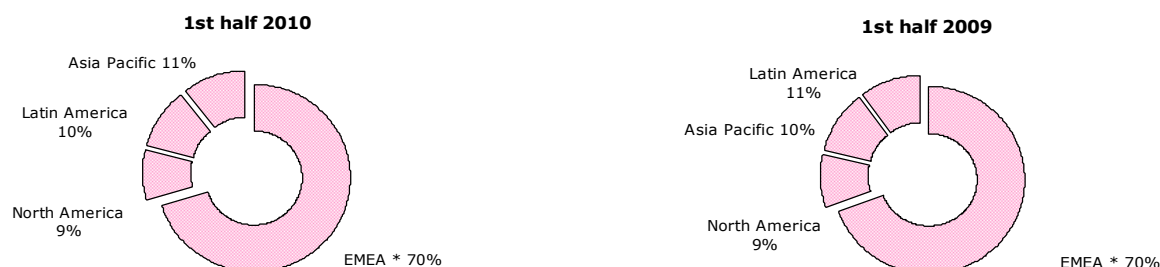
First-half taxes amounted to Euro 20 million, representing a tax rate of 31.9%, up from 27.5% in the same period of 2009 due to the gradual absorption of carryforward tax losses.

Profit came to Euro 44 million at 30 June 2010, down 70.9% from Euro 150 million in the first half of 2009.

Adjusted profit¹ amounted to Euro 77 million, compared with Euro 94 million in the first half of 2009.

GEOGRAPHICAL PERFORMANCE

The following charts provide a comparison of sales by geographical area in the first six months of 2010 and 2009.



* EMEA: Europe, Middle East and Africa

The split of sales by geographical area is largely unchanged with respect to the prior year; EMEA continues to account for 70% of total sales, compared with 11% for Asia Pacific, 10% for Latin America and 9% for North America.

Sales in Europe amounted to Euro 1,507 million at 30 June 2010, having increased by Euro 209 million (+16.1%) on the prior year due to a combination of the following factors:

¹ Adjusted profit is defined as profit before non-recurring income and expenses, the fair value change in metal derivatives, the effect of currency and interest rate derivatives, exchange rate differences and the related tax effects.

- positive exchange rate effects of Euro 14 million (+1.1%) due to depreciation of the Euro against other currencies in which Prysmian's European companies operate (primarily the British pound, Romanian leu and Turkish lira);
- increase of Euro 194 million (+14.9%) in metal prices (reflecting a rise in prices in the first six months of the year that was amplified by the depreciation of the Euro against the US dollar);
- addition of Euro 18 million (+1.4%) due to the acquisition of Rybinsk in Russia;
- organic decrease of Euro 17 million (−1.3%), mainly arising from negative price and product mix changes in the Trade & Installers and Power Distribution business lines and in the Telecom segment.

Second-quarter sales in Europe reported organic growth of Euro 28 million (+4.2%) on the same period of last year, thanks to an upturn in volumes for Trade & Installers and Power Distribution in central Europe.

Sales in North America increased by Euro 17 million (+9.9%) due to the combined effect of:

- positive exchange rate effects of Euro 6 million (+3.7%) following steady appreciation of the US dollar against the Euro;
- increase of Euro 19 million (+10.8%) in metal prices;
- organic decrease of Euro 8 million (−4.6%), due to general contraction in demand in the United States and last year's closure of the St. Jean sur Richelieu plant in Canada.

The second quarter of the year reported a slight recovery in volumes in North America thanks to the High Voltage projects started in the United States.

Sales in Latin America rose by Euro 39 million (+21.5%) on the prior year thanks to the following factors:

- positive exchange rate effects of Euro 29 million (+15.9%) from the steady appreciation of the Brazilian real against the Euro;
- increase of Euro 21 million (+11.7%) in metal prices;
- organic decrease of Euro 11 million (−6.1%), largely due to a contraction in volumes for Power Distribution.

Second-quarter sales in Latin America saw slight signs of revival in the Industrial and Trade & Installers business areas, resulting in 9.7% organic growth on the same period of last year.

Sales in Asia Pacific amounted to Euro 229 million in the first half of 2010, reporting an increase of Euro 35 million (+18.0%) on the same period of last year, reflecting a combination of the following factors:

- positive exchange rate effects of Euro 28 million (+14.4%), mainly due to depreciation of the Euro against the Australian dollar;
- increase of Euro 19 million (+10.0%) in metal prices;
- addition of Euro 15 million (+7.6%) due to the acquisition of Ravin Cables Limited in India and of 49% of Power Plus Cable CO LLC in the Middle East;

- organic decrease of Euro 27 million (–14.0%), almost all of which due to lower volumes for Power Distribution and Industrial Markets in Australia; however, second-quarter demand appeared to have stabilised at the same level as in the prior year.

SEGMENT PERFORMANCE

(in millions of Euro)

	1st half 2010	1st half 2009	% change	FY 2009
ENERGY				
Sales	1,935	1,649	17.4%	3,344
of which to third parties	1,925	1,641	17.3%	3,328
Adjusted EBITDA	164	177	–6.8%	372
% of sales	8.5%	10.7%		11.1%
EBITDA	159	167	–4.5%	342
% of sales	8.3%	10.1%		10.2%
Amortisation and depreciation	(34)	(29)	17.2%	(63)
Adjusted operating income	130	148	–11.8%	309
% of sales	6.7%	9.0%		9.3%
Contribution margin	343	348	–1.5%	706
% of sales	17.7%	21.1%		21.1%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	159	167	–4.5%	342
Non-recurring expenses/(income):				
Company reorganisation	3	6		12
Shutdown of production facilities	–	–		6
Antitrust investigation legal costs	–	4		8
Release of provision for tax inspections	(2)	–		
Special project costs	3	–		1
Environmental remediation	1	–		3
Total non-recurring expenses/(income) (B)	5	10		30
Adjusted EBITDA (A+B)	164	177	–6.8%	372

Sales to third parties by the Energy Cables and Systems segment rose from Euro 1,641 million in the first half of 2009 to Euro 1,925 million at 30 June 2010. The increase of Euro 284 million (+17.3%) was mainly due to the following factors:

- increase of Euro 245 million (+14.9%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 67 million (+4.0%);
- addition of Euro 33 million (+2.0%) due to the acquisition of Ravin Cables Limited in India, Power Plus Cable CO LLC in the Middle East and Rybinsk Elektrokabel in Russia;
- organic decrease in sales of Euro 61 million (–3.6%) due to negative changes in volumes, prices and mix.

Contribution margin decreased by 1.5% from Euro 348 million at 30 June 2009 to Euro 343 million at 30 June 2010, despite Euro 2 million in extra margin from the new acquisitions.

The contraction in margin was proportionately less than the organic decrease in sales; in fact, pressure on volumes and sale prices was concentrated in the lower value-added areas and lines of business, such as Trade & Installers and Power Distribution, while market conditions for higher value-added lines such as High Voltage, Submarine and Accessories remained generally unchanged relative to the last quarter of 2009.

The Energy segment's second-quarter contribution margin went from Euro 177 million in 2009 to Euro 187 million this year, an improvement of Euro 10 million (+5.6%), reflecting growth in sales and the impact of exchange rates.

Adjusted EBITDA came to Euro 164 million in the first half of 2010, compared with Euro 177 million at 30 June 2009, reporting a reduction of Euro 13 million (–6.8%). This decline primarily reflects a drop in contribution margin, amplified by the negative impact of exchange rates on fixed costs.

The following paragraphs describe market trends and financial performance in each of the Energy segment's business areas.

UTILITIES

(in millions of Euro)

	1st half 2010	1st half 2009	% change	% organic change	FY 2009
Sales	829	801			1,598
of which to third parties	829	801	3.5%	–5.9%	1,598
Adjusted EBITDA	120	126			266
% of sales	14.4%	15.8%			16.7%
Adjusted operating income	103	112			237
% of sales	12.4%	13.9%			14.7%

The Utilities business area encompasses Prysmian's Energy segment activities involving the design, production and installation of cables and accessories for power transmission and distribution, both at power stations and within primary and secondary distribution networks.

The following business lines can be identified within the Utilities business area:

Power transmission systems (High Voltage)

Prysmian designs, produces and installs systems with high and extra-high voltage cables for transporting electricity both from power stations and within primary transmission and distribution networks. This line of business mainly focuses on providing turnkey solutions customised to meet customer specifications. Products include cables insulated with paper impregnated with oil or fluid for voltages up to 1,100 kV and extruded polymer insulated cables for voltages below 500 kV. Products are highly customised and have a high technological content. This line of business provides its customers with installation and post-installation services, as well as network management and maintenance services, including network performance monitoring, network cable repair and maintenance, and emergency services, such as reinstatement of service following damage.

Submarine power transmission and distribution systems (Submarine)

Prysmian designs, produces and installs turnkey submarine power transmission and distribution systems.

The Group has used specific technology for submarine power transmission and distribution in order to develop cables and accessories boasting exclusive proprietary technology for installation at depths of up to 2,000 metres. These cables offer different types of insulation: cables insulated with paper impregnated with oil or fluid for transmission of up to 500 kV in direct and alternating current; extruded polymer insulated cables for transmission of up to 400 kV in alternating current and up to 300 kV in direct current. Installation, design and services are of particular importance in this business. In particular, as far as installation is concerned, Prysmian can call on the services of the *Giulio Verne*, one of the largest and most technologically advanced cable-laying vessels in the world.

Power distribution cables and systems (Power Distribution)

In the field of power distribution cables and systems, Prysmian produces medium voltage cables and systems for the connection of industrial and/or residential buildings to primary distribution networks and low voltage cables and systems for power distribution and the wiring of buildings. All Prysmian products in this category comply with international standards regarding insulation, fire resistance, smoke emissions and halogen levels.

Network accessories and components (Accessories)

Prysmian also produces accessories such as joints and terminations for low, medium, high and extra-high voltage cables, as well as accessories to connect cables with each other and with other network equipment, suitable for industrial, building or infrastructure applications and for power transmission and distribution systems. Network components for high voltage applications, in particular, are designed to customer specifications.

MARKET OVERVIEW

Despite large differences between the various segments and geographical areas, the markets in which Prysmian's Utilities business area operated during the first six months of 2010 saw a generally stable demand at the minimum levels reached in the last part of 2009, with slight signs of improvement, starting from the second quarter, in both the distribution and the transmission market.

Activities in the High Voltage market – traditionally highly international both in terms of demand and cable manufacturers – confirmed the signs of upturn reported since the end of 2009. In fact, the sector's larger utilities continued to invest in projects to rationalise and/or maintain existing networks, and over recent months, particularly in the second quarter, they reactivated initiatives to undertake large new projects in both Europe and China.

As for the Submarine cables business line, the first half of the year confirmed the growth in investment by utilities in new offshore wind farms and also a gradual reawakening of interest in starting major new interconnection projects.

Demand in the Power Distribution business line generally stayed at the level reached in the last few months of the prior year. Demand in both North America and Asia Pacific seems to have finally stabilised in the second quarter, while there was a growth in volumes demanded by top utilities in

major European countries. The competitive dynamics in terms of price and mix remain extremely challenging almost everywhere.

The market for Accessories and network components can be broadly divided into products for high and extra-high voltage networks and products for medium and low voltage use.

As regards the first line of business, demand confirmed signs of stabilising at the same level of the second half of 2009, driven above all by the type of projects undertaken by major utilities described earlier; in fact, grid rationalisation and repair work requires the systematic use of new components.

After a first-quarter contraction in demand, even the market for medium and low voltage accessories seems to have stabilised at the same levels as last year, reflecting trends in the Power Distribution business line, since these products are generally used for ordinary maintenance of secondary distribution networks.

FINANCIAL PERFORMANCE

Sales to third parties by the Utilities business area amounted to Euro 829 million in the first half of 2010 compared with Euro 801 million at 30 June 2009, posting an increase of Euro 28 million (+3.5%) due to the combined effect of the following factors:

- increase of Euro 41 million (+5.2%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 22 million (+2.7%);
- addition of Euro 12 million (+1.5%) due to the acquisition of Ravin Cables Limited in India;
- organic decrease in sales of Euro 47 million (-5.9%) due to negative changes in volumes, prices and mix.

A large part of the reduction came from the Power Distribution business line, after a major contraction in first-quarter volumes on the prior year. The geographical areas with the largest falls in sales were the United States, Brazil and Asia Pacific, where larger customers were affected not only by the absence of policies in support of the sector but also by tighter credit. In Europe, despite a slight resurgence in volumes in larger countries like France, Italy and Germany, Prysmian was faced with demands for price discounts or for technologically lower value-added products. The second quarter saw a more sustained trend in demand, with a solid growth in volumes especially in Europe.

Sales by the High Voltage business line were affected by various factors such as the general contraction in demand, caused by the impossibility for utilities of predicting a resumption in electricity consumption, and the adverse weather conditions in Europe and North America in the first quarter of the year, which delayed the performance of installation projects acquired in preceding months. During the second quarter there appears to have been a slight revival in demand in Europe, the United States and China, particularly in connection with grids serving the development of renewable energy. The value of the High Voltage order book was higher at 30 June 2010 than at the end of 2009 and provides sales visibility for the whole of the second half of 2010.

Sales by the Accessories business line suffered from the reduction in demand primarily in the Medium and Low Voltage sectors, despite showing encouraging signs of recovery in the Transmission sector thanks to new projects both in the Submarine and High Voltage business line.

Sales by the Submarine business line enjoyed positive organic growth on the prior year thanks to projects such as the Sardinia – Italian Mainland link (Sa.Pe.I), Bahrain (GCCIA), Doha Bay (Qatar), Cometa (Majorca–Iberian Mainland) and Transbay (USA), as well as a series of smaller projects carried out by Prysmian on certain European domestic markets.

The value of the Group's order book at the end of June 2010 provides sales visibility for a period of more than two years and has grown primarily thanks to new orders for offshore wind farm links.

In the first half of 2010 the contribution margin of the Utilities business area decreased by Euro 2 million (–1.0%) on the same period of the previous year.

Contribution margin actually declined proportionately less than sales thanks to a higher contribution from more profitable business lines (High Voltage, Accessories and Submarine) rather than from Power Distribution.

The decline in contribution margin, emphasised by the negative impact of exchange rates on fixed costs, was reflected in full in adjusted EBITDA, which went from Euro 126 million in the first half of 2009 to Euro 120 million at the end of June 2010.

TRADE & INSTALLERS

(in millions of Euro)					
	1st half 2010	1st half 2009	% change	% organic change	FY 2009
Sales	699	489			1,021
of which to third parties	699	489	43.0%	1.0%	1,020
Adjusted EBITDA	20	23			41
% of sales	2.9%	4.6%			4.0%
Adjusted operating income	13	15			26
% of sales	1.8%	3.1%			2.5%

Prysmian produces a wide range of rigid and flexible low voltage cables for distributing power to and within residential and non-residential buildings that comply with international standards.

Product development and innovation pays particular attention to high performance cables, such as Fire-Resistant cables and Low Smoke zero Halogen (LSOH) cables, which are used in all those applications where safety must be guaranteed: in the event of fire, Fire-Resistant cables continue to operate and Low Smoke zero Halogen cables have reduced emissions of toxic gas and smoke.

Prysmian's customers for these products cover a wide spectrum, from international distributors and buying syndicates to installers and wholesalers.

MARKET OVERVIEW

The reference markets have distinct geographical characteristics (despite international product standards) both in terms of customer and supplier fragmentation and the range of items produced and sold.

The construction industry in Europe, North America and Australia failed to show any signs of recovery in the first half of 2010: the market generally featured strong competitive pressures both on volumes and prices.

In Europe, the major markets of France, Germany and Italy reported a slight upturn in volumes, mostly reflecting restocking by large wholesalers, rather than higher demand by end users; the same trend also applied in Australia. Despite the stabilisation in demand, currency and metal price fluctuations kept price competition fiercely alight.

Markets in North America presented similar trends, still marked by a contraction in volumes and aggressive pricing.

Markets in South America were stable or slightly livelier, despite growing price pressures, as already evidenced in the non-residential construction sector during the fourth quarter of 2009.

FINANCIAL PERFORMANCE

Sales to third parties by the Trade & Installers business area increased by Euro 210 million (+43.0%), from Euro 489 million in the first six months of 2009 to Euro 699 million at the end of June 2010; this increase was principally due to:

- increase of Euro 162 million (+33.2%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 25 million (+5.1%);
- benefit of Euro 18 million (+3.7%) due to the acquisition of Rybinsk Elektrokabel in Russia;
- organic growth in sales of Euro 5 million (+1.0%), primarily as a result of a second-quarter recovery in volumes in Europe, Brazil and Australia.

Prysmian retained its market share on the principal European markets in the first half of 2010 thanks to solid commercial relationships with major international wholesalers and the advantage taken of every opportunity with other operators.

At the same time, Prysmian started a series of commercial initiatives to regain market share in Canada, which had been partially eroded in 2009 after closure of the local plant.

Despite price pressure in the residential and non-residential construction sector, Prysmian consolidated its market share in South America thanks to its wide product range.

The Group's strategy in Australia was directed at increasing its share with the major international wholesalers, who have proved the most active operators capable of positively influencing end demand. In general, Prysmian sought in the first half of 2010 not only to intervene selectively on the product portfolio, but also to increase its market share, mainly through the breadth of its product range since acute price pressure was unavoidable.

Contribution margin was stable at 30 June 2010, reporting a decrease of Euro 1 million (–1.4%) primarily due to trends in sale prices.

The decline in contribution margin was reflected in full, together with the negative impact of exchange rates on fixed costs, in adjusted EBITDA, which went from Euro 23 million in the first half of 2009 to Euro 20 million at the end of June 2010.

INDUSTRIAL

(in millions of Euro)

	1st half 2010	1st half 2009	% change	% organic change	FY 2009
Sales	344	314			628
of which to third parties	344	314	9.4%	-8.9%	628
Adjusted EBITDA	26	26			62
% of sales	7.7%	8.4%			9.8%
Adjusted operating income	17	19			46
% of sales	5.0%	6.1%			7.3%

Prysmian's extensive product range, developed specifically for the Industrial market, stands out because of the highly customised nature of the solutions. Prysmian cables serve a broad range of industries, including Oil & Gas, Transport, Infrastructure, Mining and Renewable Energy. Prysmian concentrates its efforts on providing integrated, value-added cabling solutions responding to customer specifications. Its customers include world-leading industrial groups and OEMs (Original Equipment Manufacturers), such as ABB, AKER, Alstom, SNCF, Petrobras, Peugeot-Citroen, Renault, Siemens and Leoni.

Prysmian offers solutions to the Oil & Gas industry for both upstream and downstream activities. Its products therefore range from low and medium voltage power and instrumentation/control cables, to multipurpose umbilical cables for transporting energy, telecommunications, fluids and chemical products when connecting submarine sources and collectors to FPSO (Floating, Production, Storage and Offloading) platforms.

Prysmian cables are used in the transport sector for the construction of trains, ships and motor vehicles; the principal applications for which Prysmian cables are used in the infrastructure sector are railways, ports and airports. The range also includes cables for the mining industry and for applications in the renewable energy sector. Prysmian also supplies cables able to withstand high radiation environments for use in military applications and nuclear power stations.

MARKET OVERVIEW

Markets for industrial cables showed signs of stabilising in the first half of 2010 and in some cases of even reversing the trend seen in the last six months of 2009.

In fact, the stabilisation in the price of oil and the principal raw materials, combined with growth in certain areas of the world (Middle East, South America), caused demand in the sectors of Oil & Gas, mining, shipping and port installations to stop falling on the level achieved in the second half of 2009. In the rail infrastructure sector and transport sector in general, the principal operators continued to be prudent, in view of the poor visibility as to when investments would revive and of recent government policies to cut budget deficits in the principal Eurozone economies.

The automotive sector, after experiencing a general contraction in 2008 and in the first six months of 2009, reported signs of recovery, thanks to government policies and eco-incentives in support of the car industry in the principal western economies.

Cables for domestic appliances (Branchement) also reported slight signs of recovery, thanks to government policies to encourage energy saving.

FINANCIAL PERFORMANCE

The Industrial business area reported Euro 344 million in sales to third parties in the first half of 2010, compared with Euro 314 million in the same period of 2009. The increase of Euro 30 million (+9.4%) is due to the following factors:

- increase of Euro 36 million (+11.4%) in sale prices due to higher metal prices;
- positive exchange rate effects of Euro 19 million (+6.0%);
- addition of Euro 3 million (+0.9%) from the proportionate consolidation of 49% of Power Plus Cable CO LLC in the Middle East;
- organic decrease in sales of Euro 28 million (−8.9%).

The rise of Euro 1 million (+1.4%) in contribution margin was achieved entirely in the second quarter thanks to Oil & Gas sales performance in South America, with a large increase in orders on the corresponding prior year period. In Europe, the slight recovery in sales in the sectors of renewable energy, automotive and branchement allowed Prysmian to counterbalance the reduction in volumes in the rail and mining sectors.

Adjusted EBITDA and adjusted operating income largely regained their prior year level, making up for the first-quarter decline.

OTHER

(in millions of Euro)			
	1st half 2010	1st half 2009	FY 2009
Sales	63	45	97
of which to third parties	53	37	82
Adjusted EBITDA	(2)	2	3
Adjusted operating income	(3)	2	–

This business area comprises the sale of semi-finished products, raw materials or other goods, forming part of the production process and occasionally produced by operating units of the Prysmian Group.

These sales are normally associated with local commercial decisions, do not carry high margins and can vary in size from period to period.

TELECOM

(in millions of Euro)

	1st half 2010	1st half 2009	% change	FY 2009
Sales	225	211	6.7%	411
of which to third parties	223	207	8.1%	403
Adjusted EBITDA	17	16	4.3%	31
% of sales	7.4%	7.6%		7.6%
EBITDA	17	16	4.3%	30
% of sales	7.4%	7.6%		7.4%
Amortisation and depreciation	(4)	(3)	15.8%	(6)
Adjusted operating income	13	13	1.4%	25
% of sales	5.8%	6.1%		6.1%
Contribution margin	44	44	-0.5%	85
% of sales	19.6%	21.0%		20.7%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	17	16	4.3%	30
Non-recurring expenses/(income):				
Company reorganisation	–	–		1
Total non-recurring expenses/(income) (B)	–	–		1
Adjusted EBITDA (A+B)	17	16	4.3%	31

As partner to the world's leading telecoms operators, Prysmian produces and sells a wide range of optical fibre and copper cables, suitable for all types of application for voice/video/data transmission, as well as connectivity components and accessories.

Optical fibres

Prysmian is a leading manufacturer of the fundamental component of all optical cables – namely the optical fibre. With its experience in fibre production dating back to 1982, Prysmian is able to utilise all three of the major production technologies currently available: OVD (Outside Vapour Deposition), MCVD (Modified Chemical Vapour Deposition) and VAD (Vapour Axial Deposition). The Group produces a complete range of fibres including long distance, metro ring, low water peak, and reduced diameter fibre, and the latest addition to the fibre family – bend insensitive fibres. Fibres are produced to the highest standards of quality control and in strict compliance with ITU international standards. With a centre of excellence for fibre in Battipaglia, Italy, and a total of three manufacturing locations worldwide, Prysmian is truly a global leader in this highly specialised technology.

Optical cables

Optical fibres are used in the production of a vast range of optical cables, from single fibre constructions through to cables containing 1,728 fibres. Optical cables are now used in a variety of demanding environments. They can be pulled (or blown) into ducts, buried directly underground or suspended on overhead systems such as telegraph poles or electricity pylons. Cables are also installed

in road and rail tunnels and within various buildings where they must satisfy specific fire-resistant requirements.

Cables can also be installed in gas and drainage networks. Prysmian has cable designs specifically tailored to meet all of these requirements including technologies such as Optical Ground Wire (OPGW), Rapier (easy break-out), Zephyr (mini blown cable), Airbag (dielectric direct buried) and many more.

Copper cables

Prysmian produces a wide range of copper cables for underground and overhead cabling solutions and for residential and commercial buildings. Cables are designed for high transmission, low interference and electromagnetic compatibility and in accordance with the main international standards and specifications. Prysmian can supply cables with specific performance characteristics such as zero halogen emissions, low emission of toxic fumes and gases and fire non-propagating. The Group's product portfolio includes a vast range of copper cables with different capacities (from 2 to 2,400 pairs) including xDSL cables for broadband access.

Accessories

Prysmian supplies a complete range of passive connectivity products under the OAsys trademark. These products satisfy all cable management needs whatever the network type, including overhead and underground installation, as well as cabling in central offices, exchanges or customer premises.

FTTH (Fibre To The Home)

Growing customer demand for higher bandwidth has seen the deployment of optical fibre moving closer to the end user with the ultimate goal being Fibre To The Home (FTTH). Prysmian is extremely active in this rapidly growing sector of the market where its approach is based on combining existing technology – such as the Sirocco Blown Fibre System – with innovative new solutions such as Quickdraw pre-connectorised cable and the new Verticasa™ system, which provides an efficient way of deploying fibres in high-rise buildings and multi-dwelling units. Many of the cables used in FTTH systems feature Prysmian's proprietary bend insensitive CasaLight™ optical fibre which was specially developed for this application.

MARKET OVERVIEW

The global optical fibre cables market has been stable since the end of the prior year. The latest CRU bulletin in June 2010 has estimated a slight decline in the size of the global market in 2010 but with large regional differences. Rapidly developing markets (especially China) are expected to report a slowing of growth, with general stability in both North America and Europe.

The Access/Broadband/FTTx market was relatively active in the first half of 2010, although the low maturity of these products implies a different evolution in demand by geographical area.

The copper cables market is reporting a slowdown because of the economic situation, which has also caused operators to reschedule their larger investment projects. Copper cables are primarily used for maintenance work or for upgrading existing networks. xDSL cables have provided an opportunity for product technological diversification in a market that has not otherwise experienced significant changes in recent years.

FINANCIAL PERFORMANCE

Sales to third parties by the Telecom segment amounted to Euro 223 million in the first half of 2010 compared with Euro 207 million in the first half of 2009, reporting an increase of Euro 16 million (+8.1%).

This change was mainly due to the following factors:

- increase of Euro 8 million (+3.9%) in sale prices due to higher metal prices;
- positive exchange rate effects of Euro 11 million (+5.4%);
- organic decrease of Euro 3 million (-1.2%).

The organic decrease in sales in the first half of 2010 primarily reflects the temporary postponement of certain projects involving optical fibre cables, as well as the continued weakness of demand for copper cables. The volume of optical cables sold nonetheless increased on the previous year in the face of considerable price pressure and a considerably different mix of markets and sales channels than in the past.

Prysmian continues to promote certain innovations in the field of optical fibres, including:

- CasaLight™ optical fibre, which is specially designed to meet the particularly demanding requirements when fibre is bent for installation purposes;
- VertiCasa™ project, which involves a new cabling system designed for installation of optical fibre cables in high-rise buildings.

The Company has also entered an agreement with Cabelte Cabos Eléctricos e Telefónicos S.A. of Portugal for the joint development and sale of FTTH solutions in Portugal, Angola and Mozambique.

In January Prysmian reached the important milestone of having installed 150,000 km of Optical Ground Wire cable worldwide. OPGW cable is an integral part of an overhead power transmission network, serving not only the primary function as a conventional ground conductor but also as a communication cable thanks to its optical fibres.

Contribution margin was stable at Euro 44 million. Adjusted EBITDA (before non-recurring income and expenses) came to Euro 17 million at the end of the first half of 2010, up Euro 1 million on the first half of 2009, thanks to actions to cut fixed costs.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	30 June 2010	30 June 2009	Change	31 December 2009
Net fixed assets	1,034	925	109	958
Net working capital	570	533	37	479
Provisions	(104)	(87)	(17)	(123)
Net capital employed	1,500	1,371	129	1,314
Employee benefit obligations	158	126	32	142
Total equity	667	585	82	698
of which attributable to non-controlling interests	39	21	18	21
Net financial position	675	660	15	474
Total equity and sources of funds	1,500	1,371	129	1,314

Net fixed assets were Euro 76 million higher than at 31 December 2009, mainly due to the combined effect of:

- Euro 31 million in investments;
- Euro 43 million in depreciation, amortisation and impairment charges for the period;
- Euro 37 million from consolidating Ravin Cables Limited and 49% of Power Plus Cable CO LLC ;
- exchange rate appreciation by the US dollar, Brazilian real and Australian dollar.

Net working capital was Euro 91 million higher than at 31 December 2009 (Euro 132 million higher excluding the decrease in assets for the fair value change in derivatives); this increase reflects not only the trend in strategic metal prices which has caused the value of metal contained in the Group's net working capital to rise since December 2009, but also seasonal trends, growth in working capital employed in High Voltage and Submarine projects and the addition of Euro 14 million following the acquisition of Ravin Cables Limited in India and of Power Plus Cable CO LLC.

The net financial position increased by Euro 201 million on 31 December 2009, reflecting the following factors:

- net cash inflow from operating activities (before changes in net working capital) in the first half of 2010;
- negative impact of the seasonal change in working capital, in turn affected by the trend in strategic metal prices, and the growing financial needs of long-term projects in relation to their planned schedules;
- net operating investments of Euro 31 million;
- payment of Euro 20 million in net finance costs, comprising Euro 36 million in total costs less Euro 16 million in prepayments for bank fees and other incidental costs relating to the Forward Start Credit Agreement and the bond issue;
- acquisition of the Indian company Ravin Cables Limited and of 49% of Power Plus Cable CO LLC (with a total impact of some Euro 30 million on net financial position);
- negative impact of exchange rate appreciation by certain currencies.

The net financial position was Euro 15 million higher than at 30 June 2009.

NET WORKING CAPITAL

The main components of net working capital are analysed in the following table:

(in millions of Euro)

	30 June 2010	30 June 2009	Change 31 December 2009	
Inventories	608	476	132	443
Trade receivables	828	680	148	622
Trade payables	(818)	(556)	(262)	(561)
Other receivables/(payables)	(21)	(67)	46	(39)
Net operating working capital	597	533	64	465
Derivatives	(27)	0	(27)	14
Net working capital	570	533	37	479

Net operating working capital amounted to Euro 597 million (12.7% of sales) at 30 June 2010, compared with Euro 465 million (12.2% of sales) at 31 December 2009 and Euro 533 million (14.5% of sales) at 30 June 2009.

This change was affected by the following factors:

- higher net working capital requirements due to the seasonality of sales;
- trend in strategic metal prices, causing an increase in the value of metal included in the Group's net working capital relative to both December 2009 and June 2009;
- change in the group perimeter following the acquisition of Ravin Cables Limited in India, of 49% of Power Plus Cable CO LLC and of Rybinsk Elektrokabel, with an impact of Euro 17 million relative to June 2009, and of Euro 14 million relative to December 2009 but only, in this case, in relation to Ravin Cables Limited and to 49% of Power Plus Cable CO LLC.

NET FINANCIAL POSITION

The following table provides a detailed breakdown of the net financial position:

(in millions of Euro)				
	30 June 2010	30 June 2009	Change 31 December 2009	
Long-term financial payables				
Credit agreement	780	916	(136)	864
Bank fees	(3)	(5)	2	(4)
Bond	396	–	396	–
Other financial payables	101	24	77	29
Total long-term financial payables	1,274	935	339	889
Short-term financial payables				
Credit agreement	2	81	(79)	100
Bond	4	–	4	–
Securitization	50	–	50	–
Other financial payables	113	70	43	72
Total short-term financial payables	169	151	18	172
Total financial liabilities	1,443	1,086	357	1,061
Long-term financial receivables	9	2	7	7
Long-term bank fees	16	5	11	4
Long-term available-for-sale financial assets	102	–	102	–
Short-term financial receivables	75	31	44	39
Short-term bank fees	3	3	–	3
Short-term available-for-sale financial assets	50	–	50	–
Financial assets held for trading	51	41	10	42
Cash and cash equivalents	462	344	118	492
Total financial assets	768	426	190	587
Net financial position	675	660	167	474

STATEMENT OF CASH FLOWS

(in millions of Euro)				
	30 June 2010	30 June 2009	Change	31 December 2009
EBITDA	175	180	(5)	366
Share-based compensation	–	–	–	1
Changes in provisions (including employee benefit obligations)	(15)	(16)	1	(12)
Net cash flow provided by operating activities (before changes in net working capital)	160	164	(4)	355
Changes in net working capital	(140)	(82)	(58)	36
Taxes paid	(20)	(34)	14	(62)
Net cash flow provided by/(used in) operating activities	–	48	(48)	329
Acquisitions	(20)	–	(20)	(3)
Net cash flow used in operational investing activities	(31)	(51)	20	(106)
Net cash flow used in financial investing activities ⁽¹⁾	5	3	2	9
Free cash flow (unlevered)	(46)	–	(46)	229
Net finance costs	(36)	(16)	(20)	(46)
Free cash flow (levered)	(82)	(16)	(66)	183
Capital contributions and other changes in equity	13	3	10	5
Dividends paid	(75)	(75)	–	(75)
Net cash flow provided/(used) in the period	(144)	(88)	(56)	113
Net financial position at the beginning of the period	(474)	(577)	103	(577)
Net cash flow provided/(used) in the period	(144)	(88)	(56)	113
Other changes	(57)	5	(62)	(10)
Net financial position at the end of the period	(675)	(660)	(15)	(474)

(1) This does not include cash flow relating to "Financial assets held for trading" and non-instrumental "Available-for-sale financial assets", classified in the net financial position.

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 160 million in the first half of 2010.

This cash flow was absorbed by the increase of Euro 140 million in net working capital described earlier. Therefore, after deducting Euro 20 million in tax payments, net cash flow from operating activities in the period was zero.

Net cash flow used for acquisitions was Euro 20 million and relates to the investment in Ravin Cables Limited and in 49% of Power Plus Cable CO LLC.

Net operating investments in the first half of 2010 amounted to Euro 31 million, Euro 20 million less than in the same period of 2009. Investments in the first half of 2010 primarily related to the construction of the new plant in Brazil, which will design and supply high-tech flexible pipes for offshore oil drilling under a four-year agreement with the oil company Petrobras, to production capacity expansion for high voltage cables in the United States and China and for optical fibre cables in Romania and to the SAP Consolidation project in the IT area.

ALTERNATIVE PERFORMANCE INDICATORS

In addition to the standard financial reporting formats and indicators required under IFRS, this document contains a number of reclassified statements and alternative performance indicators. The purpose is to help users better evaluate the Group's economic and financial performance. However, these tables and indicators should not be treated as a substitute for the standard ones required by IFRS.

The alternative indicators used for reviewing the income statement include:

- **Adjusted profit:** profit before non-recurring income and expenses, the fair value change in metal derivatives, the effect of non-hedging currency and interest rate derivatives, exchange rate differences and the related tax effects;
- **Adjusted operating income:** operating income before non-recurring income and expenses and the fair value change in metal derivatives, as reported in the consolidated income statement. The purpose of this indicator is to present the Group's operating profitability without the effects of events considered to be outside its recurring operations;
- **EBITDA:** operating income before the fair value change in metal price derivatives and amortisation, depreciation and impairment. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **Adjusted EBITDA:** EBITDA as defined above calculated before non-recurring income and expenses, as reported in the consolidated income statement. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items, without the effects of events considered to be outside the Group's recurring operations;
- **Contribution margin:** the difference between revenues from sales of goods and services and the sum of all production, distribution and commercial costs which vary according to sales. The purpose of this indicator is to evaluate sensitivity of the Group's revenues to variations in sales;
- **Organic growth:** change in sales calculated net of changes in the scope of consolidation, changes in metal prices and the effect of exchange rates.

The alternative indicators used for reviewing the reclassified statement of financial position include:

- **Net fixed assets:** sum of the following items contained in the statement of financial position:
 - Intangible assets
 - Property, plant and equipment
 - Investments in associates
 - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in the net financial position
- **Net working capital:** sum of the following items contained in the statement of financial position:
 - Inventories
 - Trade receivables
 - Trade payables
 - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
 - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
 - Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the net financial position
 - Current tax payables
- **Net operating working capital:** sum of the following items contained in the statement of financial position:
 - Inventories
 - Trade receivables
 - Trade payables
 - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
 - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
 - Current tax payables
- **Provisions:** sum of the following items contained in the statement of financial position:
 - Provisions for risks and charges – current portion
 - Provisions for risks and charges – non-current portion
 - Provisions for deferred tax liabilities
 - Deferred tax assets
- **Net capital employed:** sum of Fixed assets, Net working capital and Provisions.
- **Employee benefit obligations and Total equity:** these indicators correspond to Employee benefit obligations and Total equity reported in the statement of financial position.
- **Net financial position:** sum of the following items:
 - Borrowings from banks and other lenders – non-current portion
 - Borrowings from banks and other lenders – current portion
 - Derivatives for financial transactions recorded as Non-current derivatives and classified under Long-term financial receivables
 - Derivatives for financial transactions recorded as Current derivatives and classified under Short-term financial receivables

- Derivatives for financial transactions recorded as Non-current derivatives and classified under Long-term financial payables
- Derivatives for financial transactions recorded as Current derivatives and classified under Short-term financial payables
- Medium/long-term financial receivables recorded in Other non-current receivables
- Bank fees on loans recorded in Other non-current receivables
- Short-term financial receivables recorded in Other current receivables
- Bank fees on loans recorded in Other current receivables
- Short/long-term available-for-sale financial assets, not instrumental to the Group's activities
- Financial assets held for trading
- Cash and cash equivalents

Reconciliation between the Reclassified statement of financial position presented in the Directors' report and the Statement of financial position contained in the Half-year condensed consolidated financial statements

(in millions of Euro)

	Note	30 June 2010 Partial amounts from financial statements	31 December 2009 Partial amounts from financial statements
Net fixed assets			
Property, plant and equipment		931	872
Intangible assets		67	43
Investments in associates		9	9
Available-for-sale financial assets		2	6
Trade receivables		–	–
Assets held for sale		25	28
Total net fixed assets		1,034	958
Net working capital			
Inventories		599	443
Trade receivables		828	622
Trade payables		809	561
Other receivables – non-current	3	25	22
of which:			
<i>Tax receivables</i>	3	12	11
<i>Receivables from employees</i>	3	2	2
<i>Others</i>	3	11	9
Other receivables – current	3	385	323
of which:			
<i>Tax receivables</i>	3	90	62
<i>Receivables from employees</i>	3	3	1
<i>Advances</i>		10	2
<i>Others</i>	3	49	33
<i>Construction contracts</i>	3	233	225
Other payables – non-current	11	17	13
of which:			
<i>Tax and social security payables</i>	11	11	9
<i>Others</i>	11	6	4
Current tax payables		54	45
Other payables – current	11	360	326
of which:			
<i>Tax and social security payables</i>	11	76	62
<i>Advances</i>	11	82	103
<i>Payables to employees</i>	11	47	37
<i>Accrued expenses</i>	11	83	74
<i>Others</i>	11	72	50
Derivatives	4	27	14
Forward currency contracts	4	22	3
Metal derivatives	4	5	11
Other receivables (payables)		(48)	(25)
Total net working capital		570	479

(in millions of Euro)

	Note	30 June 2010 Partial amounts from financial statements	31 December 2009 Partial amounts from financial statements	Total amounts from financial statements
Provisions				
Provisions for risks and charges – non-current				41
Provisions for risks and charges – current				66
Deferred tax assets				73
Deferred tax liabilities				70
Total provisions				104
Net capital employed				1,500
Employee benefit obligations				158
Total equity				667
Equity attributable to non-controlling interests				39
Net financial position				
Total long-term financial payables				1,274
Credit Agreement	10	780	864	
Bank fees	10	3	4	
Shareholder loan				
Other financial payables	10	497	29	
of which:				
<i>Bond</i>	10	396	–	
<i>Finance lease obligations</i>	10	2	2	
<i>Forward currency contracts on financial transactions</i>	10	35	3	
<i>Interest rate swaps</i>	10	20	2	
<i>Other financial payables</i>	10	44	22	
Short-term financial payables				169
Credit Agreement	10	1	100	
Securitization	10	50	–	
Other financial payables	10	118	72	
of which:				
<i>Bond</i>	10	4	–	
<i>Finance lease obligations</i>	10	1	2	
<i>Interest rate swaps</i>	10	4	12	
<i>Forward currency contracts on financial transactions</i>	10	17	8	
<i>Other financial payables</i>	10	92	50	
Total financial liabilities				1,443
Other financial receivables	10	205		53
Long-term bank fees	10	16	4	
Long-term financial receivables	10	2	2	
Short-term bank fees	10	3	3	
Short-term financial receivables	10	63	33	
Forward currency contracts on financial transactions (non-current)	10	7	5	
Forward currency contracts on financial transactions (current)	10	12	6	
Available-for-sale financial assets (non-current)	10	102	–	
Available-for-sale financial assets (current)				50
Financial assets held for trading				51
Cash and cash equivalents				462
Total net financial position				675
Total equity and sources of funds				1,500

Reconciliation between the principal income statement indicators and the Income statement contained in the Half-year condensed consolidated financial statements

(in millions of Euro)

		30 June 2010 Amounts from income statement	30 June 2009 Amounts from income statement
	Note		
Sales	A	2,148	1,848
Change in inventories of work in progress, semi-finished and finished goods		85	(35)
Other income		12	14
Raw materials and consumables used		(1,424)	(1,012)
Personnel costs		(270)	(261)
Other expenses		(376)	(374)
Operating costs	B	(1,973)	(1,668)
EBITDA	C=A+B	175	180
Personnel costs			
<i>of which non-recurring personnel costs</i>	D	4	6
Other expenses			
<i>of which non-recurring other expenses</i>	E	2	7
Adjusted EBITDA	F=C+D+E	181	193

(in millions of Euro)

		30 June 2010 Amounts from income statement	30 June 2009 Amounts from income statement
	Note		
Operating income	A	115	223
<i>Non-recurring amortisation, depreciation and impairment</i>		(5)	–
<i>Non-recurring personnel costs</i>		(4)	(6)
<i>Non-recurring other expenses</i>		(2)	(7)
Total non-recurring expenses	B	(11)	(13)
Fair value change in metal derivatives	C	17	(75)
Adjusted operating income	D=A-B+C	143	161

SUBSEQUENT EVENTS

The following mergers between Italian holding companies became effective on 1 July 2010:

- Prysmian Energy Cables and Systems Srl absorbed Prysmian Energy Holding Srl;
- Prysmian Cavi e Sistemi Telecom Srl absorbed Prysmian Telecom Srl in a reverse merger.

These mergers form part of the project to simplify corporate structure, underway for some time in the Prysmian Group.

The Company received notices of resignation from the Board of Directors from Fabio Labruna, Hugues Lepic and Udo Stark on 19 July 2010. On 21 July 2010 the Company's Board of Directors co-opted three new directors in the persons of Claudio De Conto, Sergio Erede and Massimo Tononi, who will remain in office until the next Shareholders' Meeting.

BUSINESS OUTLOOK

After a first quarter that confirmed a stabilisation in demand and industrial output at the low levels already reached in the last part of 2009, the second quarter started to show the first signs of a moderate recovery in demand for all the Group's businesses. Although no major improvement in the economic environment is forecast, the Group expects to see in the second half of the year a continued recovery in volumes for the Trade & Installers and Power Distribution businesses and a confirmation of the positive trend in orders for power transmission projects for certain industrial applications, such as renewable energy and offshore oil drilling, as well as for optical fibre cables supplied to major Telecom incumbents.

Based on the results achieved in the first six months, combined with the size of the current order book, the target for FY 2010 adjusted EBITDA can therefore be confirmed in the range of Euro 350–400 million announced at the end of the first quarter; this range is related to the development of the reference markets demand in the second half of the year (FY 2009: Euro 403 million).

The Group also continues to rationalise and improve efficiency in its industrial footprint and to optimise its cost structure, while confirming its investment plans already started in the high value-added businesses to further strengthen its presence in the most profitable, high-growth segments.

RISKS FORESEEABLE IN 2010^(*)

Given the results of operations in the first six months of the year and the specific economic context, the principal risk factors currently foreseeable for the next six months of 2010 are described below according to their nature.

Market risks

Although the first half of the year provided the first signs of a recovery of demand, some of the Group's products, mainly relating to business lines such as Trade & Installers, and Power Distribution and certain applications in the Industrial business area, are liable to cyclical fluctuations in demand and are affected by trends in the construction industry and by growth in gross domestic product. Although the diversified nature of the Group's markets and products reduces its exposure to cyclical trends in demand in certain markets, it is not possible to exclude the possibility of a contraction in demand during the year for the businesses mentioned above, which combined with a reduction in order intake in the High Voltage business line, could have a significant impact on the Group's activities, results of operations and statement of financial position.

Competitive pressure due to lower demand in the Trade & Installers business area and in the Power Distribution business line, although to a lesser extent, could translate into additional price pressure because many of the products offered by the Group in these areas are made in compliance with specific industrial standards and are largely interchangeable with those offered by its major competitors, in which case price is an important factor.

Even though the Group believes it will be able to cut costs in the face of contracting sales volumes, it may not be able to reduce them sufficiently to match a possible contraction in prices, with a consequently negative impact on its activities, results of operations and statement of financial position.

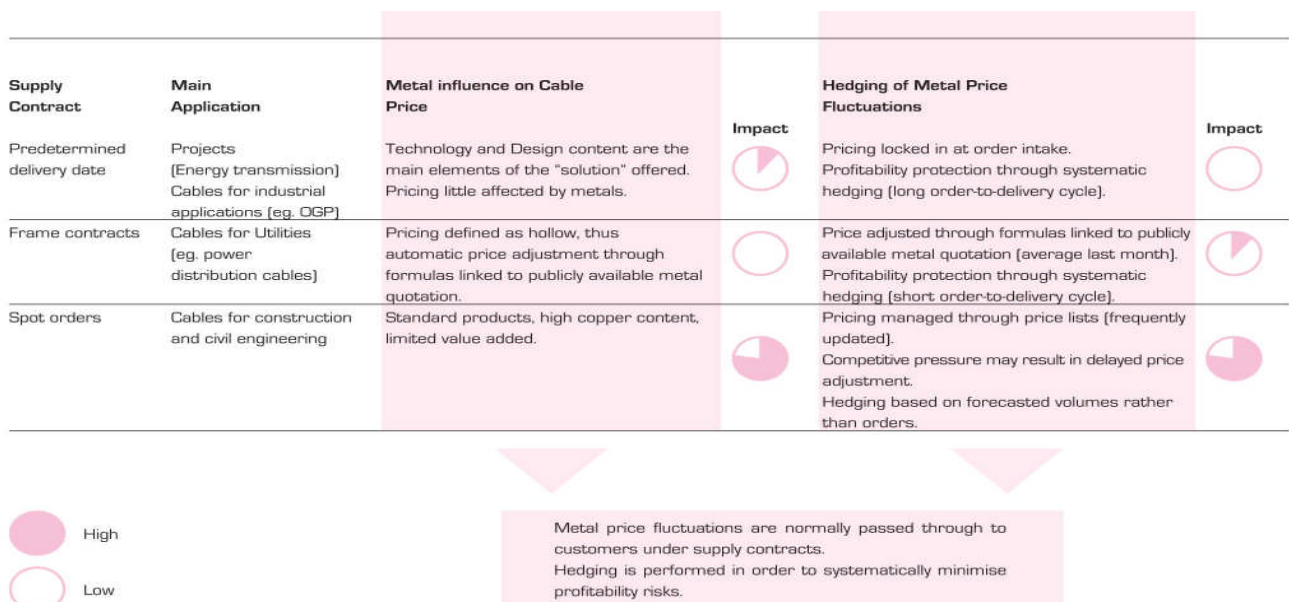
(*) The risks described in this section are those that, at the date of the present document, the Group believes could have a material negative impact in the near term on its activities, financial position, earnings and future prospects if they were to occur. Prysmian may be exposed to other risks not identified at the date of the present document, or which do not currently appear to be material.

Risks associated with fluctuations in raw material prices

All raw materials, especially oil derivatives, have experienced particularly significant price fluctuations in the past eighteen months, with this situation expected to continue in coming quarters. The Group neutralises the impact of possible rises in the price of copper and its other principal raw materials through automatic sale price adjustment mechanisms or through hedging activities; the exception is oil derivative products (polyethylene, plastifying PVC, rubber and other chemical products), whose risk cannot be offset through hedging. Hedging activities for certain products (mainly in the Trade & Installers business area) take place through the periodic updating of price lists (since it is not possible to use automatic sale price adjustment mechanisms). This is because of established commercial practice and/or the structural characteristics of the markets concerned. In such cases, it is possible that, in the current market context, the Company will be unable to quickly pass on the impact of fluctuations in raw material prices to sale prices. In particular, in the case of oil derivatives, changes in purchase price systematically take place under contract later than changes in the oil price.

More generally, depending on the size and speed of the fluctuations in the copper price, such fluctuations may have a significant impact on customers' buying decisions particularly in the Trade & Installers business area and the Power Distribution business line and certain lines in the Industrial area more exposed to cyclical trends in demand, and on the Group's margins and working capital. In particular, (i) significant, rapid increases and decreases in the copper price may cause absolute increases and decreases respectively in the Group's profit margins due to the nature of the commercial relationships and mechanisms for determining end product prices and (ii) increases and decreases in the copper price may cause increases and decreases respectively in working capital (with the consequent effect of increasing or reducing the Group's net debt).

Risk hedging differs according to the type of business and supply contract, as shown in the following diagram:



Risks associated with exchange rate movements

The Group operates worldwide and is therefore exposed to exchange rate risk on the various currencies in which it operates (principally the US dollar, British pound, Brazilian real and Australian dollar). Exchange rate risk arises from trade transactions which have not yet occurred, and from foreign currency assets and liabilities which have already been recorded in the financial statements.

To manage exchange rate risk arising from future trade transactions and the recording of foreign currency assets and liabilities, most of the Group companies use forward contracts taken out by Group Treasury.

Exchange rate risk occurs when future transactions or assets and liabilities that have already been recorded in the statement of financial position are denominated in a currency other than the functional currency of the company which undertakes the transaction.

Group Treasury manages the positions in each currency by taking out forward contracts with third parties.

However, since Prysmian prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statements of subsidiaries, originally expressed in a foreign currency, could affect the Group's performance and its results of operations and statement of financial position.

Interest rate risk

The interest rate risk to which the Group is exposed is mainly on long-term financial payables. These payables carry both fixed and variable rates.

Fixed rate payables expose the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts since it considers this risk to be immaterial.

Variable rate payables expose the Group to a rate volatility risk (cash flow risk). The Group uses interest rate swaps (IRS) to hedge this risk, which transform variable rates into fixed ones, thus reducing the rate volatility risk. Under such IRS contracts, the Group agrees with the other parties to swap on specific dates the difference between the contracted fixed rates and the variable rate calculated on the loan's notional value. The potential rise in interest rates, from the record lows reached in the past two years, is a risk factor in coming months; in order to limit this risk, during 2009 the Group took advantage of the sharp fall in interest rates resulting from the current economic recession to enter IRS contracts that mitigate the risk of a rise in interest rates until the end of 2014.

Risks associated with sources of finance

The effects of the recent major instability in the global banking system could represent a potential risk factor in terms of obtaining financial resources and the associated cost.

The Company believes this is not a risk faced thanks to the five-year financing agreement (New Credit Agreement) signed on 18 April 2007 and expiring in May 2012. Under this agreement, the lenders have made available a total of Euro 1,700 million in credit facilities to Prysmian SpA and some of its subsidiaries, analysed as follows:

Tranche	Maximum amount ⁽¹⁾
Term Loan Facility	1,000,000,000
Revolving Credit Facility	400,000,000
Bonding Facility	300,000,000

(1) Figures in Euro

On 16 April 2010, Prysmian made an early repayment of Euro 200 million against the Term Loan for the instalments due in 2010 and 2011 (Euro 30 million had already been repaid on 30 November 2009); as a result, the Term Loan now stands at Euro 770 million.

The annual interest rate on the cash credit facilities is equal to the sum of:

- (i) LIBOR or EURIBOR, depending on the currency;
- (ii) an annual spread determined on the basis of the ratio between consolidated net financial position and consolidated EBITDA. The value of this ratio at 30 June 2010 will produce a slight increase in the spread that has been applied since March 2008 (from 0.40% to 0.50% per annum to the Term Loan and Revolving Credit Facility, plus a loyalty fee under the renewal of the credit facilities discussed below).

Based on unused committed credit lines and available cash, the Group's financial resources exceeded Euro 1 billion at the end of June 2010 (including the undrawn portion of the credit facility of Euro 350 million serving the securitization programme expiring in July 2012).

In January 2010 the Group took advantage of the favourable market conditions to renew a significant portion of its existing credit facilities, in advance of their natural expiry (May 2012), until the end of 2014 (Euro 400 million for the Revolving Credit Facility and Euro 670 million for the Term Loan Facility).

Making the Group's financial structure even stronger, in March 2010 it completed the placement of an unrated bond with institutional investors on the Eurobond market, of a nominal total of Euro 400 million with a 5.25% coupon and maturity in April 2015.

Risks relating to legal proceedings

It is not possible to rule out that the Group could be required to meet liabilities that are not covered by its provisions for risks and which are linked to the negative outcome of legal cases, with a consequently negative impact on the Group's activities, results of operations and statement of financial position.

Towards the end of January 2009, the European Commission, the US Department of Justice and the Japanese antitrust authority started an investigation into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive agreements in the Underground and Submarine High Voltage Cable business areas. More recently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations.

The Japanese investigation has been closed without any charge against Prysmian. The other investigations are still in progress and the Group is fully collaborating with the relevant authorities.

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi Energia S.r.l. and two other companies have violated antitrust rules in connection with an underground high voltage cable project awarded in 2003. Prysmian Cavi e Sistemi Energia S.r.l. received official notice of this claim in April 2010 and has since filed its defence.

In the event of a proven breach of applicable legislation, the financial penalties imposed by the competent authorities could be significant in relation to the economic and financial situation of the Group. Among other things, the sanction system under European law provides for financial penalties that could reach a maximum of 10% of Group turnover.

STOCK OPTION PLANS

Information about changes in the existing stock option plans can be found in Note 25 of the Explanatory notes.

RELATED PARTY TRANSACTIONS

Related party transactions do not qualify as either atypical or unusual but fall into the normal course of business by Group companies. Such transactions take place under market terms and conditions, according to the type of goods and services provided.

Information about related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 22 of the Explanatory notes.

Milan, 3 August 2010

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Paolo Zannoni

HALF-YEAR CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	30 June 2010	Of which related parties (Note 22)	31 December 2009	Of which related parties (Note 22)
Non-current assets					
Property, plant and equipment	1	931		872	
Intangible assets	1	67		43	
Investments in associates		9		9	
Available-for-sale financial assets	2	104		6	
Derivatives	5	8		9	
Deferred tax assets		73		47	
Other receivables	3	43		28	
Total non-current assets		1,235		1,014	
Current assets					
Inventories	4	608		443	
Trade receivables	3	828	5	622	2
Other receivables	3	451		359	
Financial assets held for trading	6	51		42	
Derivatives	5	34		44	
Available-for-sale financial assets	2	50		–	
Cash and cash equivalents	7	462		492	
Total current assets		2,484		2,002	
Assets held for sale	8	25		28	
Total assets		3,744		3,044	
Equity attributable to the Group:		628		677	
Share capital	9	18		18	
Reserves		565		411	
Profit/(loss) for the period		45		248	
Equity attributable to non-controlling interests:		39		21	
Share capital and reserves		40		17	
Profit/(loss) for the period		(1)		4	
Total equity		667		698	
Non-current liabilities					
Borrowings from banks and other lenders	10	1,219		884	
Other payables	11	17		13	
Provisions for risks and charges	12	41		41	
Derivatives	5	57	1	7	
Deferred tax liabilities		70		67	
Employee benefit obligations	13	158		142	
Total non-current liabilities		1,562		1,154	
Current liabilities					
Borrowings from banks and other lenders	10	148		152	1
Trade payables	11	818	1	561	2
Other payables	11	360	3	326	2
Derivatives	5	69	2	46	3
Provisions for risks and charges	12	66		62	
Current tax payables		54		45	
Total current liabilities		1,515		1,192	
Total liabilities		3,077		2,346	
Total equity and liabilities		3,744		3,044	

INCOME STATEMENT

(in millions of Euro)

	Note	1st half 2010	Of which related parties (Note 22)	1st half 2009	Of which related parties (Note 22)
Sales of goods and services		2,148	9	1,848	5
Change in inventories of work in progress, semi-finished and finished goods		85		(35)	
Other income		12		14	
Raw materials and consumables used		(1,424)	(2)	(1,012)	(2)
Fair value change in metal derivatives		(17)		75	
Personnel costs		(270)		(261)	
<i>of which non-recurring personnel costs</i>		(4)		(6)	
Amortisation, depreciation and impairment		(43)		(32)	
<i>of which non-recurring amortisation, depreciation and impairment</i>		(5)		-	
Other expenses		(376)		(374)	
<i>of which non-recurring other expenses</i>		(2)		(7)	
Operating income	14	115		223	
Finance costs	15	(185)	(5)	(175)	
Finance income	15	133		157	1
<i>of which non-recurring finance income</i>		2		8	
Share of income from investments in associates and dividends from other companies		1		2	
Profit before taxes		64		207	
Taxes	16	(20)		(57)	
Profit/(loss) for the period		44		150	
Attributable to:					
Owners of the parent		45		146	
Non-controlling interests		(1)		4	
Basic earnings/(loss) per share (in Euro)	17	0.25		0.82	
Diluted earnings/(loss) per share (in Euro)	17	0.25		0.81	

STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)		
	1st half 2010	1st half 2009
Profit/(loss) for the period	44	150
Fair value gains/(losses) on available-for-sale financial assets – gross of tax	(3)	–
Fair value gains/(losses) on available-for-sale financial assets – tax effect	1	–
Fair value gains/(losses) on cash flow hedges – gross of tax	(21)	–
Fair value gains/(losses) on cash flow hedges – tax effect	6	–
Actuarial gains/(losses) on employee benefits – gross of tax	(9)	3
Actuarial gains/(losses) on employee benefits – tax effect	3	–
Currency translation differences	29	41
Total post-tax other comprehensive income/(loss) for the period	6	44
Total comprehensive income/(loss) for the period	50	194
Attributable to:		
Owners of the parent	48	190
Non-controlling interests	2	4

STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Fair value gains and losses on available-for-sale financial assets	Actuarial gains/(losses) on employee benefits	Cash flow hedges	Currency translation reserve	Other reserves	Profit/(loss) for the period	Non-controlling interests	Total
Balance at 31 December 2008	18	1	10	(37)	(114)	332	237	16	463
Allocation of prior year profit	–	–	–	–	–	237	(237)	–	–
Capital contributions	–	–	–	–	–	1	–	2	3
Dividend payment	–	–	–	–	–	(74)	–	(1)	(75)
Total comprehensive income/(loss) for the period	–	–	3	–	41	–	146	4	194
Balance at 30 June 2009	18	1	13	(37)	(73)	496	146	21	585
Balance at 31 December 2009	18	3	(1)	(32)	(58)	499	248	21	698
Allocation of prior year profit	–	–	–	–	–	248	(248)	–	–
Capital contributions	–	–	–	–	–	4	–	9	13
Dividend payment	–	–	–	–	–	(75)	–	–	(75)
Put options held by non-controlling interests	–	–	–	–	–	(26)	–	–	(26)
Reclassification of cash flow hedges	–	–	–	14	–	(14)	–	–	–
Share-based compensation	–	–	–	–	–	–	–	–	–
Change in scope of consolidation	–	–	–	–	–	–	–	7	7
Total comprehensive income/(loss) for the period	–	(2)	(6)	(15)	26	–	45	2	50
Balance at 30 June 2010	18	1	(7)	(33)	(32)	636	45	39	667

STATEMENT OF CASH FLOWS

(in millions of Euro)	1st half 2010	Of which related parties (Note 22)	1st half 2009	Of which related parties (Note 22)
Profit before taxes	64		207	
Depreciation and impairment of property, plant and equipment	35		30	
Amortisation and impairment of intangible assets	3		2	
Impairment of assets held for sale	5		–	
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	–		–	
Share of income from investments in associates	(1)		(2)	
Share-based compensation	–		–	
Fair value change in metal derivatives	17		(75)	
Net finance costs	52		18	
Changes in inventories	(130)		51	
Changes in trade receivables/payables	52	(4)	(42)	
Changes in other receivables/ payables	(66)	1	(88)	
Changes in receivables/payables for derivatives	4		(3)	
Taxes paid	(20)		(34)	
Utilisation of provisions (including employee benefit obligations)	(32)		(33)	
Increases in provisions (including employee benefit obligations)	17		17	
A. Net cash flow provided by/(used in) operating activities	–		48	
Acquisitions ⁽¹⁾	(20)		–	
Investments in property, plant and equipment	(24)		(44)	
Investments in intangible assets	(7)		(7)	
Investments in financial assets held for trading	(10)		(8)	
Disposals of financial assets held for trading	7		11	
Investments in available-for-sale financial assets ⁽²⁾	(152)		–	
Disposals of available-for-sale financial assets ⁽³⁾	3		–	
Dividends received	2		3	
B. Net cash flow provided by/(used in) investing activities	(201)		(45)	
Capital contributions and other changes in equity	13		3	
Dividends paid	(75)		(75)	(24)
Purchase of treasury shares	–		–	
Finance costs paid	(167)		(165)	
Finance income received	131		149	
Changes in net financial payables	258	(1)	(68)	
C. Net cash flow provided by/(used in) financing activities	160		(156)	
D. Currency translation gains/(losses) on cash and cash equivalents	11		5	
E. Total cash flow provided / (used) in the period (A+B+C+D)	(30)		(148)	
F. Net cash and cash equivalents at the beginning of the period	492		492	
G. Net cash and cash equivalents at the end of the period (E+F)	462		344	

⁽¹⁾ See section D. Business combinations for details.

⁽²⁾ Refer to purchases of government and blue chip corporate bonds for temporarily investing the Group's liquidity.

⁽³⁾ Refer to the disposal of shares in American Superconductor.

EXPLANATORY NOTES

A. GENERAL INFORMATION

Prysmian S.p.A. ("the Company") is a company incorporated and domiciled in Italy and organised under the laws of the Republic of Italy.

The Company has its registered office in Viale Sarca, 222 – Milan (Italy).

Prysmian S.p.A. has been listed on the Italian Stock Exchange since 3 May 2007 and has been included since September 2007 in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity.

The Company and its subsidiaries (together "the Group" or "Prysmian Group") produce, distribute and sell cables and systems and related accessories for the energy and telecommunications industries worldwide.

On 5 March 2010, Prysmian (Lux) II S.à r.l. and Goldman Sachs International respectively sold 16.24% and 0.564% of the shares in Prysmian S.p.A., as a result of which they are no longer shareholders.

The present half-year condensed consolidated financial statements were approved by the Board of Directors of Prysmian S.p.A. on 3 August 2010.

B. FORM AND CONTENT

The present half-year condensed consolidated financial statements have been prepared on a going concern basis, with the directors having assessed that there are no financial, operating or other kind of indicators that might provide evidence of the Group's inability to meet its obligations in the foreseeable future and particularly in the next 12 months.

The Company has prepared the present document in compliance with the International Financial Reporting Standards (IFRS) issued by the IASB and recognised by the European Union in Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002, and specifically in accordance with IAS 34 "Interim Financial Reporting" and the instructions issued in implementation of art. 9 of Italian Decree 38/2005. As permitted by IAS 34, the Group has decided to publish its half-year consolidated financial statements and explanatory notes in a condensed format.

The information contained in these half-year condensed consolidated financial statements must be read in conjunction with the annual IFRS consolidated financial statements at 31 December 2009.

All the amounts shown in the tables in the following Notes are expressed in millions of Euro, unless otherwise stated.

B.1 FINANCIAL STATEMENTS AND REPORTING

The Group has opted to present its income statement according to the nature of expenses, whereas assets and liabilities in the statement of financial position have been classified as either current or non-current. The statement of cash flows has been prepared using the indirect method. The Group has also applied the provisions of Consob Resolution 15519 dated 27 July 2006 concerning financial statement formats and of Consob Communication 6064293 dated 28 July 2006 regarding disclosures.

In order to comply with the prevailing interpretation of the accounting standards regarding the classification of derivatives, starting from the third-quarter report 2009, the fair value change in metal derivatives has been reclassified so that it is now included in operating income. It was previously classified in finance income and costs. The figures for 1st half 2009 have been restated accordingly for the sake of consistent comparison. Operating income at 30 June 2009 was Euro 148 million prior to this reclassification and Euro 223 million after reclassification.

When preparing the half-year condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the value of revenues, costs, assets and liabilities and the disclosures relating to contingent assets and liabilities at the reporting date. As estimates, these may differ from the actual results obtained in the future. Some valuation processes, particularly more complex ones such as the determination of any impairment losses against the value of property, plant and equipment and intangible assets, are carried out fully only at year end, when all the necessary information is available, unless there is intervening evidence of impairment that requires the immediate recognition of a loss.

B.2 ACCOUNTING STANDARDS

Accounting standards used for preparing the half-year report

The consolidation principles, the methods applied for converting financial statements into the presentation currency, the accounting standards as well as the accounting estimates adopted are the same as those used for the consolidated financial statements at 31 December 2009, to which reference should be made for more details, except for:

1. income taxes, which have been recognised using the best estimate of the weighted average rate for the full year;
2. the accounting standards and amendments discussed below and obligatorily applied with effect from 1 January 2010 after receiving endorsement from the competent authorities.

IFRS 3 – Business Combinations (2008) and IAS 27 – Consolidated and Separate Financial Statements (2008)

The main changes to IFRS 3 are as follows:

- a) in the case of step acquisitions, the obligation to value a subsidiary's individual assets and liabilities at fair value at every individual stage of acquisition has been eliminated. Goodwill is only determined at the stage that control is acquired and is equal to the difference between the value of the previously-held equity interest immediately before the acquisition, the acquisition consideration and the value of net assets acquired;

- b) if a 100% equity interest is not acquired, the share of equity attributable to non-controlling interests may be measured either at fair value (under the full goodwill method) or using the method previously allowed by IFRS 3;
- c) all costs associated with the acquisition are expensed to the income statement and liabilities for any contingent consideration are recognised on the acquisition date.

The new standard has been applied prospectively from 1 January 2010.

As a result of adopting these amendments, the Group has expensed Euro 0.3 million in costs relating to the acquisition of Ravin Cables Limited in the 2009 income statement.

The following standards and interpretations, applicable from 1 January 2010, do not have a material impact on the Prysmian Group:

- *Improvements 2008 to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*
- *Improvements 2008 to IAS 10 – Events after the Reporting Period*
- *IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items*
- *Improvements to IFRSs (2009)*
- *Amendment to IFRS 2 – Share-based Payment*
- *IFRIC 17 – Distribution of Non-cash Assets to Owners*
- New version of *IFRS 1 – First-time Adoption of International Financial Reporting Standards*, which removes certain transitional requirements no longer deemed necessary and contains a number of minor editorial changes.
- *IFRS 1 – Additional exemptions for first-time adopters* with the purpose of clarifying the retrospective application of certain IFRSs so that the entities involved will not face undue organisational efforts or costs in the transition process.

New standards, amendments and interpretations of existing standards, not yet obligatory and not adopted early by the Group.

On 8 October 2009, the IASB published an amendment to *IAS 32 – Financial Instruments: Presentation* concerning the classification of rights issues. This amendment clarifies how such rights should be treated if they are denominated in a currency other than the functional currency of the issuer. This amendment must be applied from 1 January 2011 and is not thought likely to have a material impact on the Group's financial statements.

On 4 November 2009, the IASB issued a revised version of *IAS 24 – Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a "related party". At the present document date, the European Union had not yet completed the endorsement process needed for its application.

On 12 November 2009, the IASB issued the first part of a new accounting standard *IFRS 9 – Financial Instruments*, which will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. This initial document addresses the classification of financial instruments and forms part of a three-part

project, whose second and third parts will address the impairment methodology for financial assets and the application of hedge accounting respectively.

This new standard, whose purpose is to simplify and reduce the complexity of accounting for financial instruments, classifies financial instruments in three categories that the reporting entity defines according to its business model, and to the contractual characteristics and related cash flows of the instruments in question. At the present document date, the European Union had not yet completed the endorsement process needed for its application, due from 1 January 2013.

On 26 November 2009, the IFRIC issued the interpretation *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments* which addresses situations in which a creditor agrees to accept equity instruments from a debtor to settle its financial liability. At the present document date, the European Union had not yet completed the endorsement process needed for its application, due from 1 January 2011.

On the same date, the IFRIC issued an amendment to the interpretation *IFRIC 14* to define the treatment of liabilities relating to pension funds when an entity is subject to minimum funding requirements for defined benefit plans and makes an early payment of contributions to cover those requirements. At the present document date, the European Union had not yet completed the endorsement process needed for its application, due from 1 January 2011.

On 6 May 2010, the IASB published twelve *Improvements* to seven IFRSs, as part of its programme of annual improvements to its standards. At the current document date, the European Union had not yet completed the endorsement process needed for the application of these *Improvements*.

The following standards and interpretations, not yet endorsed by the European Union, address situations and circumstances which are not pertinent to the Prysmian Group:

- *IFRS 1 – Improving disclosures about financial instruments (IFRS 7)* with the purpose of aligning the standard to the disclosures required by IFRS 7 concerning the methods used to measure the fair value of financial instruments;
- *IFRS for SMEs – International Financial Reporting Standards for Small and Medium-sized Entities.*

B.3 CHANGES IN THE SCOPE OF CONSOLIDATION

The Group's scope of consolidation includes the financial statements of Prysmian S.p.A. (the Parent Company) and of the companies over which it exercises direct or indirect control, which are consolidated from the date when control is acquired until the date when such control ceases.

The following change took place during the first half of 2010:

Acquisitions

– Prysmian Cavi e Sistemi Energia S.r.l. acquired 51% of the Indian company Ravin Cables Limited on 19 January 2010. This company also owns 49% of Power Plus Cable Co. L.L.C., a company based in the United Arab Emirates.

The year end of both companies is 31 March.

New company formations

– Surfex Umbilicais e Tubos Flexíveis do Brasil LTDA was formed in Brazil on 9 April 2010. The company is owned by Prysmian Cavi e Sistemi Energia S.r.l. (99.83%) and by Prysmian Cavi e Sistemi Telecom S.r.l. (0.17%).

Liquidations

– Aberdare Cables in the United Kingdom was closed down on 29 June 2010 and removed from the local company registry.

Attachment A to the present document contains a list of the companies included in the scope of consolidation at 30 June 2010.

C. SEGMENT INFORMATION

The criteria used for identifying reportable segments are consistent with the way in which management runs the Group.

In particular, the information is structured in the same way as the report periodically reviewed by the Board of Directors for the purposes of managing the business.

The Board of Directors:

- reviews operating performance by macro type of business (Energy and Telecom) and, in the case of the Energy segment, by sales channel (Utilities, Trade & Installers, Industrial);
- assesses the results of operating segments primarily on the basis of adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items (eg. restructuring costs), amortisation, depreciation and impairment, finance costs and income and taxes;
- reviews the statement of financial position for the Group as a whole, and not by operating segment.

Each operating segment comprises the following sales channels and areas of business:

A) Energy segment:

1. Utilities: organised in four lines of business, comprising High Voltage, Power Distribution, Accessories and Submarine;
2. Trade & Installers: low and medium voltage cables for power distribution to and within residential and other buildings;
3. Industrial: comprises cables and accessories for special industrial applications based on specific requirements (Oil&Gas, Transport, Mining and Renewable Energy);
4. Other: occasional sales of residual products.

B) Telecom segment: organised in five lines of business, comprising Optical fibres, Fibre to the Home, Optical cables, Copper cables and Accessories.

All Corporate fixed costs are allocated to the Energy and Telecom segments. Revenues and costs are allocated to each operating segment by identifying all revenues and costs directly attributable to that

segment and by allocating indirect costs on the basis of Corporate resources (personnel, space used, etc.) absorbed by the operating segments.

C.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(in millions of Euro)								1st half 2010
	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Industrial Installers	Other	Total				
Sales of goods and services:								
– third parties	829	699	344	53	1,925	223	–	2,148
– Group companies	–	–	–	10	10	2	(12)	–
Total sales of goods and services	829	699	344	63	1,935	225	(12)	2,148
Adjusted EBITDA (A)	120	20	26	(2)	164	17	–	181
% of sales	14.4%	2.9%	7.7%		8.5%	7.4%		8.4%
EBITDA (B)	119	18	26	(4)	159	17	(1)	175
% of sales	14.4%	2.6%	7.7%	–	8.2%	7.4%		8.2%
Amortisation and depreciation (C)	(17)	(7)	(9)	(1)	(34)	(4)	–	(38)
Adjusted operating income (A+C)	103	13	17	(3)	130	13	–	143
% of sales	12.4%	1.8%	5.0%		6.7%	5.8%		6.7%
Fair value change in metal derivatives (D)								(17)
Impairment of production facilities (E)								(5)
Operating income (B+C+D+E)								115
% of sales								5.4%
Share of income from investments in associates and dividends from other companies					1			1
Finance costs								(185)
Finance income								133
Taxes								(20)
Profit/(loss) for the period								44
Attributable to:								
Owners of the parent								45
Non-controlling interests								(1)

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	119	18	26	(4)	159	17	(1)	175
Non-recurring expenses/(income):								
Company reorganisation	–	3	–	–	3	–	1	4
Environmental remediation	1	–	–	–	1	–	–	1
Release of provision for tax inspections	–	(1)	(1)	–	(2)	–	–	(2)
Special project costs	–	–	1	2	3	–	–	3
Total non-recurring expenses/(income) (B)	1	2	–	2	5	–	1	6
Adjusted EBITDA (A+B)	120	20	26	(2)	164	17	–	181

(in millions of Euro)								1st half 2009
	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Industrial Installers	Industrial	Other	Total			
Sales of goods and services:								
– third parties	801	489	314	37	1,641	207	–	1,848
– Group companies	–	–	–	8	8	4	(12)	–
Total sales of goods and services	801	489	314	45	1,649	211	(12)	1,848
Adjusted EBITDA (A)	126	23	26	2	177	16	–	193
% of sales	15.8%	4.6%	8.4%		10.7%	7.6%		10.5%
EBITDA (B)	120	20	25	2	167	16	(3)	180
% of sales	15.0%	4.1%	8.0%		10.1%	7.6%		9.8%
Amortisation and depreciation (C)	(14)	(8)	(7)	–	(29)	(3)		(32)
Adjusted operating income (A+C)	112	15	19	2	148	13	(3)	161
% of sales	13.9%	3.1%	6.1%	–	8.4%	6.1%		8.7%
Fair value change in metal derivatives (D)								75
Impairment of production facilities (E)						–	–	–
Operating income (B+C+D+E)								223
% of sales								12.1%
Share of income from investments in associates and dividends from other companies					2	–		2
Finance costs								(175)
Finance income								157
Taxes								(57)
Profit/(loss) for the period								150
Attributable to:								
Owners of the parent								146
Non-controlling interests								4

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	120	20	25	2	167	16	(3)	180
Non-recurring expenses/(income):								
Company reorganisation	2	3	1	–	6	–	–	6
Antitrust investigation legal costs	4	–	–	–	4	–	1	5
Special project costs	–	–	–	–	–	–	2	2
Total non-recurring expenses/(income) (B)	6	3	1	–	10	–	3	13
Adjusted EBITDA (A+B)	126	23	26	2	177	16	–	193

C.2 GEOGRAPHICAL AREAS

The following table presents sales of goods and services by geographical area.

(in millions of Euro)						1st half 2010
	EMEA*	<i>of which Italy</i>	North America	Latin America	Asia Pacific	Total
Sales of goods and services	1,507	388	189	223	229	2,148

(in millions of Euro)						1st half 2009
	EMEA*	<i>of which Italy</i>	North America	Latin America	Asia Pacific	Total
Sales of goods and services	1,298	373	172	184	194	1,848

* EMEA: Europe, Middle East and Africa

D. BUSINESS COMBINATIONS

On 19 January 2010, the Prysmian Group acquired, through its subsidiary Prysmian Cavi e Sistemi Energia S.r.l., a majority 51% controlling stake in the Indian company Ravin Cables Limited.

In compliance with IFRS 3, the fair values of the assets, liabilities and contingent liabilities have been determined on a provisional basis and may be amended over the course of the twelve-month period from the acquisition date.

Details of the acquisition cost for Ravin Cables and related financial outlay are reported in the following table:

(in millions of Euro)	
Cash outlay	22
Total acquisition cost (A)	22
Fair value of net assets acquired* (B)	7
Goodwill (A)–(B)	15
Financial outlay for acquisition	22
Cash and cash equivalents held by acquired companies	(2)
Acquisition cash flow	20

* The fair values are provisional ones

Details of the provisional fair values of the assets/liabilities acquired are as follows:

(in millions of Euro)		
	Pre-acquisition book value	Fair value*
Property, plant and equipment	3	9
Investments in joint ventures	3	3
Inventories	7	6
Trade and other receivables	12	12
Trade and other payables	(4)	(4)
Deferred taxes	–	(1)
Current taxes	(2)	(2)
Borrowings from banks and other lenders	(10)	(10)
Cash and cash equivalents	2	2
Net assets	11	15
Net assets acquired – 51% (B)	6	7

* The fair values are provisional ones

The acquisition has given rise to a provisional amount of Euro 15 million in goodwill, which has been recorded in "Intangible assets" and allocated to the India CGU within the Energy segment.

In accordance with IFRS 3 Revised, acquisition-related costs of Euro 0.3 million have been accounted for as expenses in the 2009 income statement.

Ravin Cables also owns 49% of Power Plus Cable Co. L.L.C., a company based in the United Arab Emirates. The shareholders' agreement, amended following the acquisition by Prysmian, establishes that this company is jointly controlled.

Details of the acquisition cost for Power Plus Cable Co. L.L.C. and related financial outlay are reported in the following table:

(in millions of Euro)	
Value attributed to the investment	3
Total acquisition cost (A)	3
Fair value of net assets acquired* (B)	3
Goodwill (A)–(B)	–
Financial outlay for acquisition	3
Cash and cash equivalents held by acquired companies	–
Acquisition cash flow	3

* The fair values are provisional ones

Details of the provisional fair values of the assets/liabilities acquired are as follows:

(in millions of Euro)		
	Pre-acquisition book value	Fair value*
Property, plant and equipment	7	7
Inventories	1	1
Trade and other receivables	1	1
Trade and other payables	(1)	(1)
Borrowings from banks and other lenders	(5)	(5)
Net assets acquired (B) **	3	3

* The fair values are provisional ones

** Power Plus Cable is consolidated proportionately, meaning that the amounts consolidated represent 49% of this company's reported total.

On 15 December 2009, the Prysmian Group acquired, through its subsidiaries Prysmian (Dutch) Holdings BV and Prysmian Cavi e Sistemi Energia S.r.l., 100% of "Investitsionno – Promyshlennaya Kompaniya Rybinskelektrokabel", a Russian cable manufacturer, and determined the fair value of its assets, liabilities and contingent liabilities on a provisional basis.

Details of the acquisition cost and financial outlay are reported in the following table:

(in millions of Euro)	
Cash outlay	2
Costs directly related to the acquisition	1
Total acquisition cost (A)	3
Fair value of net assets acquired* (B)	2
Goodwill (A)–(B)	1
Financial outlay for acquisition	3
Cash and cash equivalents held by acquired companies	–
Acquisition cash flow	3

* The fair values are provisional ones

Details of the provisional fair values of the assets/liabilities acquired are as follows:

(in millions of Euro)		
	Pre-acquisition book value	Fair value*
Property, plant and equipment	8	13
Inventories	2	2
Trade and other receivables	2	1
Trade and other payables	(3)	(4)
Deferred taxes	1	–
Borrowings from banks and other lenders	(10)	(10)
Net assets acquired (B)	–	2

* The fair values are provisional ones

1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)		
	Property, plant and equipment	Intangible assets
Balance at 31 December 2009	872	43
Movements in period:		
– Investments	24	7
– Disposals	–	–
– Business combinations	16	16
– Depreciation, amortisation and impairment	(35)	(3)
– Currency translation differences	52	4
– Other	2	–
Total movements	59	24
Balance at 30 June 2010	931	67
Of which:		
– Historical cost	1,246	156
– Accumulated depreciation/amortisation and impairment	(315)	(89)
Net book value	931	67

(in millions of Euro)		
	Property, plant and equipment	Intangible assets
Balance at 31 December 2008	806	31
Movements in period:		
– Investments	44	7
– Depreciation, amortisation and impairment	(30)	(2)
– Currency translation differences	21	–
Total movements	35	5
Balance at 30 June 2009	841	36
Of which:		
– Historical cost	1,085	119
– Accumulated depreciation/amortisation and impairment	(244)	(83)
Net book value	841	36

Investments in property, plant and equipment amount to Euro 24 million at 30 June 2010. Of these:

- 54% referred to projects for increasing production capacity and developing new products;
- 10% were for projects to improve industrial efficiency;
- 34% were for structural work on buildings or for entire production lines to make them compliant with the latest regulations;
- the remaining 2% referred to expenditure on replacing a series of obsolete office equipment.

Investments in intangible assets amount to Euro 7 million, of which Euro 3 million refers to the SAP Consolidation project, aimed at standardising the information system in all the Group's operations over the next few years, while Euro 4 million refers to new product development.

Intangible assets have also increased by Euro 16 million for the recognition of goodwill relating to the acquisitions of Ravin Cables Limited (Euro 15 million) and Investitsionno – Promyshlennaya Kompaniya Rybinskelektrokabel (Euro 1 million).

There was no need to recognise any impairment losses at 30 June 2010. This does not mean that impairment losses, even significant ones, will not emerge when tests are performed in more detail for the purposes of the annual financial statements.

2. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These mostly refer to government and blue chip corporate bonds held solely for investing the Group's liquidity, and hence are not instrumental to its business.

Securities that mature within 12 months of the reporting date are classified as current assets, while shares and bonds that mature more than 12 months from the reporting date are classified as non-current assets unless they are expected to be sold in the near term.

All the non-instrumental bonds are highly liquid.

The increase reported in the first half of 2010 reflects the investment of part of the cash raised by the bond issue discussed in Note 10. Borrowings from banks and other lenders.

The assets classified as non-current include Euro 2 million in shares, treated as instrumental to the Group's business. During the month of June, the shares in American Superconductor were sold for Euro 3 million.

3. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)	30 June 2010		
	Non-current	Current	Total
Trade receivables	–	872	872
Allowance for doubtful accounts	–	(44)	(44)
Total trade receivables	–	828	828
Other receivables:			
Tax receivables	12	90	102
Financial receivables	2	63	65
Prepaid finance costs	16	3	19
Receivables from employees	2	3	5
Construction contracts	–	233	233
Advances	–	10	10
Others	11	49	60
Total other receivables	43	451	494
Total	43	1,279	1,322

(in millions of Euro)		31 December 2009	
	Non-current	Current	Total
Trade receivables	–	661	661
Allowance for doubtful accounts	–	(39)	(39)
Total trade receivables	–	622	622
Other receivables:			
Tax receivables	11	62	73
Financial receivables	2	33	35
Prepaid finance costs	4	3	7
Receivables from employees	2	1	3
Construction contracts	–	225	225
Advances	–	2	2
Others	9	33	42
Total other receivables	28	359	387
Total	28	981	1,009

Trade and other receivables are reported net of the allowance for doubtful accounts, amounting to Euro 44 million at 30 June 2010 (Euro 39 million at 31 December 2009).

The increase of Euro 30 million in financial receivables is largely due to the investment in time deposits of part of the proceeds of the bond issue described in Note 10.

4. INVENTORIES

These are detailed as follows:

(in millions of Euro)		30 June 2010	31 December 2009
Raw materials		178	126
<i>of which allowance for obsolete and slow-moving raw materials</i>		<i>(12)</i>	<i>(11)</i>
Work in progress and semi-finished goods		171	118
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>		<i>(7)</i>	<i>(8)</i>
Finished goods		259	199
<i>of which allowance for obsolete and slow-moving finished goods</i>		<i>(20)</i>	<i>(24)</i>
Total		608	443

5. DERIVATIVES

These are detailed as follows:

(in millions of Euro)		30 June 2010	
		Asset	Liability
Non-current			
Interest rate swaps (cash flow hedges)		–	20
Forward currency contracts on commercial transactions (cash flow hedges)		–	2
Forward currency contracts on financial transactions (cash flow hedges)		–	15
Total hedging derivatives		–	37
Forward currency contracts on commercial transactions		–	–
Forward currency contracts on financial transactions		7	20
Metal derivatives		1	–
Total other derivatives		8	20
Total non-current		8	57
Current			
Interest rate swaps (cash flow hedges)		–	4
Forward currency contracts on commercial transactions (cash flow hedges)		9	29
Total hedging derivatives		9	33
Forward currency contracts on commercial transactions		11	11
Forward currency contracts on financial transactions		12	17
Metal derivatives		2	8
Total other derivatives		25	36
Total current		34	69
Total		42	126

(in millions of Euro)		31 December 2009	
		Asset	Liability
Non-current			
Interest rate swaps (cash flow hedges)		–	2
Forward currency contracts on commercial transactions (cash flow hedges)		2	2
Forward currency contracts on financial transactions (cash flow hedges)		3	–
Total hedging derivatives		5	4
Forward currency contracts on commercial transactions		1	–
Forward currency contracts on financial transactions		2	3
Metal derivatives		1	–
Total other derivatives		4	3
Total non-current		9	7
Current			
Interest rate swaps (cash flow hedges)		–	12
Forward currency contracts on financial transactions (cash flow hedges)		–	–
Forward currency contracts on commercial transactions (cash flow hedges)		6	9
Total hedging derivatives		6	21
Forward currency contracts on commercial transactions		16	11
Forward currency contracts on financial transactions		6	8
Metal derivatives		16	6
Total other derivatives		38	25
Total current		44	46
Total		53	53

6. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading basically refer to units in funds which mainly invest in short and medium-term government securities. These assets are mostly held by subsidiaries in Brazil and Argentina as a result of investing temporarily available liquidity in such funds.

7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)		
	30 June 2010	31 December 2009
Cash and cheques	6	3
Bank and postal deposits	456	489
Total	462	492

Cash and cash equivalents, deposited with leading financial institutions, are managed centrally by Group treasury companies or by subsidiaries under the supervision of the Finance Department of Prysmian S.p.A..

Cash and cash equivalents managed by Group treasury companies amount to Euro 302 million at 30 June 2010 compared with Euro 289 million at 31 December 2009.

8. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)		
	30 June 2010	31 December 2009
Land	20	22
Buildings	5	6
Total	25	28

This balance reflects the land and buildings of the factories in Prescott and Eastleigh in the United Kingdom, which were classified as held for sale after the reorganisation of Energy segment production activities in 2008.

The reduction of Euro 3 million since 31 December 2009 reflects the recognition of an impairment loss of Euro 5 million due to the property market crisis, as partially offset by an increase of Euro 2 million due to appreciation of the Euro against the British pound during the first half of 2010.

9. SHARE CAPITAL AND RESERVES

Consolidated equity has decreased by Euro 31 million since 31 December 2009, mainly due to the dividend of Euro 75 million paid by Prysmian S.p.A., as partially offset by Euro 45 million in profit for the period attributable to the Group.

The share capital of Prysmian S.p.A. amounts to Euro 18,202,158.70 at 30 June 2010, corresponding to 182,021,587 shares.

Movements in the ordinary shares of Prysmian S.p.A. are reported in the following table:

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2008	180,546,227	(3,028,500)	177,517,727
Capital increase (*)	247,847	–	247,847
Treasury shares	–	–	–
Balance at 30 June 2009	180,794,074	(3,028,500)	177,765,574
	Ordinary shares	Treasury shares	Total
Balance at 31 December 2009	181,235,039	(3,028,500)	178,206,539
Capital increase (*)	786,548	–	786,548
Treasury shares	–	–	–
Balance at 30 June 2010	182,021,587	(3,028,500)	178,993,087

(*) resulting from the exercise of part of the options under the first three tranches of the Stock Option Plan.

The reclassification between the cash flow hedges reserve and other reserves, shown in the statement of changes in equity, refers to incorrect movements in the cash flow hedges reserve in the years 2007–2009. Correct treatment in each of these years would not have had a significant impact on either the income statement or equity.

Treasury shares

On 15 April 2008, the shareholders voted to adopt a share buy-back and disposal programme, involving up to 18,000,000 of the Company's ordinary shares which could be purchased in one or more blocks over a period of no more than 18 months from the date of the resolution. The Board of Directors was delegated with responsibility for enacting this programme. Under this resolution, purchases and sales of shares had to meet the following conditions: (i) the minimum price could be no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (ii) the maximum price could be no more than 10% above the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (iii) the maximum number of shares purchased per day could not exceed 25% of the average daily volume of trades in Prysmian shares on the Milan Stock Exchange in the 20 trading days prior to the purchase date; (iv) the purchase price could not be greater than the higher of the price of the last independent transaction and the highest independent bid price currently quoted on the market. On 7 October 2008, the Board of Directors subsequently granted the Chief Executive Officer and Chief Financial Officer separate powers to purchase up to 4 million of the Company's shares by 31 December 2008. At that date a total of 3,028,500 shares had been bought back for Euro 30 million.

On 9 April 2009, the shareholders renewed the authorisation to buy and dispose of treasury shares, while cancelling the previous resolution in this regard adopted on 15 April 2008. The authorisation permits the purchase of shares representing no more than 10% of the Company's share capital at any time, including any treasury shares already held by the Company. Purchases may not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved

annual financial statements. The programme will last for a maximum of 18 months commencing from the date of the shareholders' approval.

10. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)		30 June 2010	
	Non-current	Current	Total
Borrowings from banks	821	143	964
Bond	396	4	400
Finance lease obligations	2	1	3
Total	1,219	148	1,367
(in millions of Euro)		31 December 2009	
	Non-current	Current	Total
Borrowings from banks	882	150	1,032
Finance lease obligations	2	2	4
Total	884	152	1,036

Details of borrowings from banks and of the bond are as follows:

(in millions of Euro)		30 June 2010	31 December 2009
Credit Agreement		778	960
Bond		400	–
Other borrowings		186	72
Total		1,364	1,032

Under the credit agreement signed on 18 April 2007 ("New Credit Agreement"), Prysmian S.p.A. and some of its subsidiaries have been granted a total of Euro 1,700 million in credit.

On 16 April 2010, Prysmian made an early repayment of Euro 200 million against the Term Loan received on 4 May 2007; this repayment corresponds to the amounts that were due in 2010 and 2011 and means that the Term Loan now stands at Euro 770 million.

The following table summarises the Committed lines available to the Group at 30 June 2010 and 31 December 2009:

(in millions of Euro)		30 June 2010	
	Total lines	Used	Unused
Term Loan Facility	770	(770)	–
Revolving Credit Facility	400	(7)	393
Bonding Facility	300	(151)	149
Total New Credit Agreement	1,470	(928)	542
Securitization	350	(50)	300
Total	1,820	(978)	842

(in millions of Euro)		31 December 2009	
	Total lines	Used	Unused
Term Loan Facility	970	(970)	–
Revolving Credit Facility	400	(7)	393
Bonding Facility	300	(145)	155
Total New Credit Agreement	1,670	(1,122)	548
Securitization	350	–	350
Total	2,020	(1,122)	898

The Revolving Credit Facility is used to finance ordinary working capital requirements, as well as part of the endorsement credits relating to other types of bonds not covered by the Bonding Facility.

The following table reports the movement in borrowings from banks and in the bond:

(in millions of Euro)				
	Credit Agreement	Bond	Other borrowings	Total
Balance at 31 December 2009	960	–	72	1,032
Business combinations	–	–	15	15
Currency translation differences	17	–	12	29
Drawings	–	396	86	482
Repayments	(200)	–	–	(200)
Amortisation of bank and financial fees and other expenses	1	–	–	1
Interest and other	–	4	1	5
Total movements	(182)	400	114	332
Balance at 30 June 2010	778	400	186	1,364

(in millions of Euro)				
	Credit Agreement	Bond	Other borrowings	Total
Balance at 31 December 2008	995	–	159	1,154
Currency translation differences	(2)		(3)	(5)
Drawings	–		–	–
Repayments	–		(99)	(99)
Amortisation of bank and financial fees and other expenses	1		–	1
Other	(2)		–	(2)
Total movements	(3)	–	(102)	(105)
Balance at 30 June 2009	992	–	57	1,049

On 21 January 2010, the Group entered a long-term credit agreement for Euro 1,070,000 thousand with a syndicate of prime national and international banks; this agreement expires on 31 December 2014 and may be used to replace the existing Credit Agreement at its natural expiry on 3 May 2012. This is a "Forward Start Credit Agreement" negotiated in advance of its period of use, under which the lenders will provide Prysmian S.p.A. and some of its subsidiaries (the same as in the existing credit agreement) loans and credit facilities for a total of Euro 1,070,000 thousand, split as follows:

(in thousands of Euro)	
Term Loan Facility	670,000
Revolving Credit Facility	400,000

The Term Loan's repayment schedule is structured as follows:

31 May 2013	9.25%
30 November 2013	9.25%
31 May 2014	9.25%
31 December 2014	72.25%

The Bonding Facility was not covered by the new agreement.

The risks relating to sources of finance and to financial investments/receivables are discussed in the section entitled "Risks foreseeable in 2010" forming part of the directors' report.

Further to the resolution adopted by the Board of Directors on 3 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market on 30 March for a total nominal amount of Euro 400 million.

The bond, whose issue price was Euro 99.674, has a 5-year term and will pay a fixed annual coupon of 5.25%. The bonds were settled on 9 April 2010.

The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market.

NET FINANCIAL POSITION

(in millions of Euro)

	Note	30 June 2010	Of which related parties (Note 22)	31 December 2009	Of which related parties (Note 22)
Long-term financial payables					
Term Loan Facility		780		864	
Bank fees		(3)		(4)	
New Credit Agreement	10	777		860	
Bond	10	396			
Finance leases	10	2		2	
Forward currency contracts on financial transactions	5	35		3	
Interest rate swaps	5	20	1	2	
Other financial payables	10	44		22	
Total long-term financial payables		1,274		889	
Short-term financial payables					
Term Loan Facility	10	1		100	
Bank fees		–		–	
Bond	10	4			
Finance leases	10	1		2	
Securitization	10	50		–	
Interest rate swaps	5	4	2	12	3
Forward currency contracts on financial transactions	5	17		8	
Other financial payables	10	92		50	1
Total short-term financial payables		169		172	
Total financial liabilities		1,443		1,061	
Long-term financial receivables					
Long-term financial receivables	3	2		2	
Available-for-sale financial assets (non-current) ¹	3	102			
Long-term bank fees	3	16		4	
Interest rate swaps	5	–		–	
Forward currency contracts on financial transactions (non-current)	5	7		5	
Forward currency contracts on financial transactions (current)					
Forward currency contracts on financial transactions (current)	5	12		6	
Short-term financial receivables	3	63		33	
Available-for-sale financial assets (current) ¹	3	50			
Short-term bank fees	3	3		3	
Financial assets held for trading	6	51		42	
Cash and cash equivalents	7	462		492	
Net financial position		675		474	

¹ These refer to bonds held solely for investing the Group's liquidity, which are not instrumental to its business and are highly liquid.

The Group's net financial position is reconciled below to the amount that must be reported under Consob Communication DEM/6064293 issued on 28 July 2006 and under the CESR recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(in millions of Euro)					
	Note	30 June 2010	Of which related parties (Note 22)	31 December 2009	Of which related parties (Note 22)
Net financial position – as reported above		675		474	
Long-term financial receivables	3	2		2	
Long-term bank fees	3	16		4	
Net forward currency contracts on commercial transactions	5	22		(3)	
Net metal derivatives	5	5		(11)	
Recalculated net financial position		720		466	

11. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)				30 June 2010
	Non-current	Current		Total
Trade payables	–	818		818
Total trade payables	–	818		818
Other payables:				
Tax and social security payables	11	76		87
Advances	–	82		82
Payables to employees	–	47		47
Accrued expenses	–	83		83
Others	6	72		78
Total other payables	17	360		377
Total	17	1,178		1,195

(in millions of Euro)				31 December 2009
	Non-current	Current		Total
Trade payables	–	561		561
Total trade payables	–	561		561
Other payables:				
Tax and social security payables	9	62		71
Advances	–	103		103
Payables to employees	–	37		37
Accrued expenses	–	74		74
Others	4	50		54
Total other payables	13	326		339
Total	13	887		900

Advances include Euro 41 million due to customers for construction contracts at 30 June 2010 compared with Euro 58 million at 31 December 2009. This liability represents the gross amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

Other includes Euro 26 million for put options given to minority shareholders in companies not wholly-owned by the Group.

Trade payables include some Euro 100 million in positions relating to the supply of strategic metals (copper, aluminium and lead), whose payment terms extend beyond those normally applied to this type of transaction.

12. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)		30 June 2010		
	Non-current	Current	Total	
Restructuring costs	2	4	6	
Contractual and legal risks	30	30	60	
Environmental risks	2	5	7	
Tax inspections	2	17	19	
Other risks and charges	5	10	15	
Total	41	66	107	

(in millions of Euro)		31 December 2009		
	Non-current	Current	Total	
Restructuring costs	3	5	8	
Contractual and legal risks	28	29	57	
Environmental risks	–	6	6	
Tax inspections	2	13	15	
Other risks and charges	8	9	17	
Total	41	62	103	

The following table reports movements in these provisions during the period:

(in millions of Euro)		Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Other risks and charges	Total
Balance at 31 December 2009		8	57	6	15	17	103
Currency translation differences		1	5	–	1	1	8
Increases		–	6	1	–	2	9
Utilisations		(2)	(6)	–	(4)	(4)	(18)
Releases		–	(3)	–	(2)	(1)	(4)
Other		(1)	1	–	9	–	9
Total movements		(2)	3	1	4	(2)	4
Balance at 30 June 2010		6	60	7	19	15	107

The utilisation of Euro 2 million from the provision for restructuring costs largely refers to projects to rationalise production in Germany, France and Italy.

The increase of Euro 6 million in the provision for contractual and legal risks mostly refers to:

- contractual risks (Euro 3 million), mainly relating to the Submarine and High Voltage businesses;
- legal risks (Euro 1 million), for legal costs relating to an unfinalised acquisition project.

The decrease of Euro 9 million in the provision for contractual and legal risks mainly refers to the utilisation of Euro 6 million in provisions for contractual guarantees and indemnities.

Provisions for legal risks also include the estimated legal costs of the antitrust investigations currently in progress (see Note 18 for more details).

The increase in the provision for tax inspections mostly refers to disputes relating to the Canadian company and other Group companies that have been reclassified from Other payables.

The utilisation and release of this provision (Euro 6 million in total) are the result of ending a dispute involving one of the Group's foreign companies.

13. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)		
	30 June 2010	31 December 2009
Pension funds	97	88
Employee indemnity liability (Italian TFR)	23	22
Medical benefit plans	21	18
Termination benefits and others	17	14
Total	158	142

Pension funds and medical benefit plans have increased by a total of Euro 12 million, mainly because of actuarial losses recognised in equity and because of lower valuations of pension fund assets in the United Kingdom, United States and Canada.

The impact of employee benefit obligations on the income statement is as follows:

(in millions of Euro)		
	1st half 2010	1st half 2009
Pension funds	5	4
Employee indemnity liability (Italian TFR)	1	1
Medical benefit plans	2	2
Termination benefits and others	4	3
Total	12	10

The average headcount in the period is reported below, compared with the closing headcounts at the end of each period:

	Average 1st half 2010	%	Closing at 30 June 2010	%
Blue collar	9,064	74%	9,254	74%
White collar and management	3,199	26%	3,206	26%
Total	12,263	100%	12,460	100%

	Average 1st half 2009	%	Closing at 31 December 2009	%
Blue collar	8,962	74%	8,629	74%
White collar and management	3,080	26%	3,075	26%
Total	12,042	100%	11,704	100%

14. OPERATING INCOME

Operating income is Euro 115 million in the first six months of 2010 (Euro 223 million in the first six months of 2009) and includes the following non-recurring items:

(in millions of Euro)	1st half 2010	1st half 2009
Release of provision for tax inspections	2	–
Special project costs	(3)	(2)
Environmental remediation	(1)	–
Company reorganisation	(4)	(6)
Antitrust investigation legal costs	–	(5)
Impairment of assets held for sale	(5)	–
Total non-recurring (expenses)/income	(11)	(13)

15. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

(in millions of Euro)	1st half 2010	1st half 2009
Interest on borrowings	8	19
Interest on bond	5	–
Amortisation of bank and financial fees and other expenses	3	2
Interest costs on employee benefits	3	4
Other bank interest	2	3
Costs for undrawn credit lines	–	–
Sundry bank fees	4	4
Other	12	5
Finance costs	37	37
Net losses on interest rate swaps	5	–
Net losses on forward currency contracts	19	1
Losses on derivatives	24	1
Foreign currency exchange losses	124	137
Total finance costs	185	175

Finance income is detailed as follows:

(in millions of Euro)	1st half 2010	1st half 2009
Interest income from banks and other financial institutions	3	4
Other finance income	1	3
Other non-recurring finance income:		
<i>Gain on disposal of available-for-sale financial assets</i>	2	–
<i>Release of provision for interest on disputed tax</i>	–	8
Total non-recurring finance income	2	8
Finance income	6	15
Foreign currency exchange gains	127	142
Total finance income	133	157

16. TAXES

The total tax charge has been estimated on the basis of the expected weighted average tax rate for the full year. Taxes are analysed as follows for each of the periods presented:

The tax rate in the first half of 2010 is 31.9% compared with 27.5% in the same period of 2009. This increase is mainly attributable to less utilisation of carryforward tax losses.

(in millions of Euro)	1st half 2010	1st half 2009
Current income taxes	33	46
Deferred income taxes	(13)	11
Total	20	57

17. EARNINGS/(LOSS) PER SHARE

Basic earnings per share have been calculated by dividing profit for the period attributable to owners of the parent by the average number of the Company's outstanding shares. With regard to the denominator used for calculating earnings per share, the average number of outstanding shares also includes the shares issued following exercise of part of the first, second and third tranches of the Stock Option Plan during 2008, 2009 and the first six months of 2010, involving the issue of a total of 2,021,587 shares.

Diluted earnings per share have been determined by taking into account, when calculating the number of outstanding shares, the potential dilutive effect of options granted under the existing Stock Option Plan.

(in millions of Euro)		
	1st half 2010	1st half 2009
Profit attributable to owners of the parent	45	146
Weighted average number of ordinary shares (thousands)	178,720	177,666
Basic earnings per share (in Euro)	0.25	0.82
Profit attributable to owners of the parent	45	146
Weighted average number of ordinary shares (thousands)	178,720	177,666
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	1,047	1,004
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	179,767	178,671
Diluted earnings per share (in Euro)	0.25	0.81

18. CONTINGENT LIABILITIES

Towards the end of January 2009, the European Commission, the US Department of Justice and the Japanese antitrust authority started an investigation into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive agreements in the Underground and Submarine High Voltage Cable business areas. More recently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations.

The Japanese investigation has been closed without any charge against Prysmian. The other investigations are still in progress and the Group is fully collaborating with the relevant authorities.

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi Energia S.r.l. and two other companies violated antitrust rules in connection with an underground high voltage cable project awarded in 2003. Prysmian Cavi e Sistemi Energia S.r.l. received official notice of this claim in April 2010 and has since filed its defence.

In the event of a proven breach of applicable legislation, the financial penalties imposed by the competent authorities could be significant in relation to the economic and financial situation of the Group. Among other things, the sanction system under European law provides for financial penalties that could reach a maximum of 10% of Group turnover.

Other kinds of legal and fiscal proceedings are also in progress, having arisen in the ordinary course of the Group's business.

19. COMMITMENTS

Contractual commitments to purchase property, plant and equipment, and intangible assets, already given to third parties and not yet reflected in the financial statements, amount to Euro 30 million at 30 June 2010 (Euro 34 million at 30 June 2009).

Prysmian Cavi e Sistemi Energia S.r.l. owns 51% of the shares in Ravin Cables Limited (India).

The related shareholders' agreement establishes that, in the event of a "deadlock" in the company's management, the minority shareholders will have a put option over 49% of the shares.

The option would be exercised at fair market value on the exercise date.

Even if the probability that this option will be exercised is currently remote, Prysmian has recognised its estimated cost among its liabilities.

20. RECEIVABLES FACTORING

As part of its factoring programme, the Group has factored trade receivables without recourse. The amount of receivables factored but not yet paid by customers was Euro 58 million at 30 June 2010 (Euro 37 million at 30 June 2009).

21. SEASONALITY

The Group's business features a certain degree of seasonality in its revenues, which are usually higher in the second and third quarters. This is due to the fact that utilities projects in the northern hemisphere are mostly concentrated in the warmer months of the year. The Group's level of debt is generally higher in the period May–July, with funds being absorbed by higher working capital.

22. RELATED PARTY TRANSACTIONS

During the first half of 2010, The Goldman Sachs Group Inc. sold its interests in Prysmian S.p.A. held through Prysmian (Lux) II S.à r.l. (16.24% of share capital) and Goldman Sachs International (0.564% of share capital).

Transactions between Prysmian S.p.A. and its subsidiaries and associates mainly refer to:

- trade relations involving intercompany purchases and sales of raw materials and finished goods;
- services (technical, organisational and general) provided by head office to subsidiaries worldwide;
- financial relations maintained by Group treasury companies on behalf of, and with, Group companies.

All the above transactions form part of the Group's continuing operations.

The following tables provide a summary of the related party transactions as of and during the six months ended 30 June 2010:

(in millions of Euro)				30 June 2010
	Trade and other receivables	Derivatives classified as assets	Trade and other payables	Financial payables and derivatives classified as liabilities
Associates	5	–	4	–
Other related parties:				
The Goldman Sachs Group Inc.	–	–	–	3
Total	5	–	4	3

(in millions of Euro)				31 December 2009
	Trade and other receivables	Derivatives classified as assets	Trade and other payables	Financial payables and derivatives classified as liabilities
Ultimate parent company	–	–	–	–
Associates	2	–	4	–
Other related parties:				
The Goldman Sachs Group Inc.	–	–	–	4
Total	2	–	4	4

(in millions of Euro)			1st half 2010
	Sales of goods and services	Cost of goods and services	Finance income/ (costs)
Associates	9	2	–
Other related parties:			
The Goldman Sachs Group Inc.	–	–	(5)
Total	9	2	(5)

(in millions of Euro)			1st half 2009
	Sales of goods and services	Cost of goods and services	Finance income/ (costs)
Ultimate parent company	–	–	–
Associates	5	2	–
Other related parties:			
The Goldman Sachs Group Inc.	–	–	1
Total	5	2	1

Transactions with associates

Trade and other payables refer to goods and services provided in the ordinary course of the Group's business. Trade and other receivables refer to goods and services provided in the ordinary course of the Group's business.

Transactions with The Goldman Sachs Group Inc.

Financial receivables/payables and derivatives report the net position with The Goldman Sachs Group Inc., with whom the Group has entered interest rate swap agreements. The cost of goods and services refers to the fees earned by The Goldman Sachs Group Inc. for advisory services provided to the Prysmian Group.

Key management compensation

Key management compensation amounts to Euro 3.3 million at 30 June 2010, virtually the same as at 30 June 2009.

23. FINANCIAL COVENANTS

The New Credit Agreement and the Forward Start Credit Agreement (the "*financing agreements*"), details of which are presented in Note 10, require the Group to comply with a series of covenants on a consolidated basis. The principal covenants, classified by type, are listed below:

a) Financial covenants

- Ratio between EBITDA and Net finance costs (as defined in the *financing agreements*)
- Ratio between Net Financial Position and EBITDA (as defined in the *financing agreements*)

b) Non-financial covenants

A series of non-financial covenants must be observed that have been established in line with market practice applying to transactions of a similar nature and size. These covenants involve a series of restrictions on the grant of secured guarantees to third parties, on the conduct of acquisitions or equity transactions, and on amendments to the company's by-laws.

Default events

The main default events are as follows:

- default on loan repayment obligations;
- breach of financial covenants;
- breach of some of the non-financial covenants;
- declaration of bankruptcy or submission of Group companies to other insolvency proceedings;
- issuing of judicial measures of particular significance;
- occurrence of events that may negatively and significantly affect the business, the assets or the financial conditions of the Group.

Should any default event occur, the lenders are entitled to demand full or partial repayment of the outstanding amounts lent under the *financing agreements*, together with interest payable and any other amount due under the terms and conditions of the *financing agreements*. A lien has been placed over the shares in the principal subsidiaries as a guarantee against breach of the above financial covenants.

The ratio between consolidated EBITDA and consolidated net finance costs was 8.45 at 30 June 2010. The ratio between consolidated net financial position and consolidated EBITDA was 1.65 at this same date. The above financial ratios both comply with the covenants contained in the New Credit Agreement and in the Forward Start Credit Agreement.

24. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064296 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during the first six months of 2010.

25. STOCK OPTION PLANS

On 30 November 2006, the Company's shareholders approved a stock option plan which was dependent on the flotation of the Company's shares on Italy's Electronic Equities Market (MTA) organised and managed by Borsa Italiana S.p.A.. The plan was reserved for employees of companies belonging to the Prysmian Group.

Each option entitles the holder to subscribe to one share at a price of Euro 4.65.

More details of the stock option plan are provided in the following table:

(in Euro)				
	30 June 2010		31 December 2009	
	Number of options	Strike price	Number of options	Strike price
Options at start of period	1,560,436	4.65	2,318,974	4.65
Granted	–	–	–	–
Cancelled	(10,895)	–	(69,726)	–
Exercised	(786,548)	4.65	(688,812)	4.65
Options at end of period	762,993	4.65	1,560,436	4.65
of which vested at end of period	94,051	4.65	880,599	4.65
of which exercisable*	–	–	–	–
of which not vested at end of period	668,942	4.65	679,837	4.65

* options can be exercised only in specified periods

On 15 April 2010, the Shareholders' Meeting of Prysmian S.p.A. approved an amendment to the incentive plan, with the introduction of four new option exercise periods, solely for beneficiaries still in the Group's employment.

Vested but unexercised options and options that will vest in future will be exercisable until the thirtieth day after publicly announcing the approval of the Company's draft financial statements for 2012 (the original option expiry date was 30 days after the approval of the draft financial statements for 2010). All the other terms of the plan remain the same.

Since the fair value of unexercised options is largely unaffected by the new terms of exercise, there has been no impact on the income statement.

The amendment of the incentive plan has been accompanied by an extension of the term for the capital increase by Prysmian S.p.A. relating to this plan, involving a consequent revision of article 6 of the Company's by-laws.

26. DIVIDEND PAYMENT

On 15 April 2010, the shareholders of Prysmian S.p.A. approved the financial statements for 2009 and the distribution of a dividend of Euro 0.417 per share, for a total of some Euro 75 million. The dividend was paid on 22 April 2010.

27. EXCHANGE RATES

The main exchange rates used to translate financial statements in foreign currencies for consolidation purposes are reported below:

	Closing rates at		Average rates	
	30 June 2010	31 December 2009	1st half 2010	1st half 2009
Europe				
British Pound	0.817	0.888	0.870	0.894
Swiss Franc	1.328	1.484	1.436	1.506
Hungarian Forint	286.000	270.420	271.622	290.092
Norwegian Krone	7.973	8.300	8.004	8.893
Swedish Krona	9.526	10.252	9.787	10.861
Romanian Leu	4.370	4.236	4.149	4.232
Turkish Lira	1.931	2.171	2.025	2.150
Polish Zloty	4.147	4.105	4.001	4.476
Russian Rouble	38.282	43.154	39.877	44.097
North America				
US Dollar	1.227	1.441	1.327	1.333
Canadian Dollar	1.289	1.513	1.372	1.606
South America				
Brazilian Real	2.211	2.508	2.384	2.921
Argentine Peso	4.824	5.474	5.137	4.845
Chilean Peso	671.592	730.384	696.501	780.879
Oceania				
Australian Dollar	1.440	1.601	1.484	1.878
New Zealand Dollar	1.776	1.980	1.882	2.353
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	1.858	1.897	1.883	1.854
Asia				
Chinese Renminbi (Yuan)	8.322	9.835	9.057	9.106
United Arab Emirates Dirham	4.507	5.291	4.873	4.894
Hong Kong Dollar	9.555	11.171	10.311	10.331
Singapore Dollar	1.716	2.019	1.853	1.988
Indian Rupee	56.987	66.829	60.675	65.552
Indonesian Rupiah	11,121.850	13,626.130	12,193.747	14,753.811
Malaysian Ringgit	3.973	4.933	4.387	4.779
Saudi Riyal	4.602	5.403	4.976	4.998

28. SUBSEQUENT EVENTS

The following mergers between Italian holding companies became effective on 1 July 2010:

- Prysmian Cavi e Sistemi Energia S.r.l. absorbed Prysmian Energia Holding S.r.l.;
- Prysmian Cavi e Sistemi Telecom S.r.l. absorbed Prysmian Telecom S.r.l. in a reverse merger.

These mergers form part of the project to simplify corporate structure, underway for some time in the Prysmian Group.

The Company received notices of resignation from the Board of Directors from Fabio Labruna, Hugues Lepic and Udo Stark on 19 July 2010. On 21 July 2010 the Company's Board of Directors co-opted three new directors in the persons of Claudio De Conto, Sergio Erede and Massimo Tononi, who will remain in office until the next Shareholders' Meeting.

Milan, 3 August 2010

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Paolo Zannoni

SCOPE OF CONSOLIDATION - ATTACHMENT A

The following companies have been consolidated line-by-line:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,071,176	100.00%	Prysmian Energia Holding S.r.l.
Russian Federation					
Limited Liability Company "Investitsionno – Promyshlennaya Kompaniya Rybinskelektrokabel"	Rybinsk city	Russian Rouble	230,000,000	99.00%	Prysmian (Dutch) Holdings B.V.
				1.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	31,800,000	100.00%	Limited Liability Company "Investitsionno – Promyshlennaya Kom Rybinskelektrokabel"
Limited Liability Company "Torgoviy Dom Rybinskelektrokabel"	Rybinsk city	Russian Rouble	8,512,000	100.00%	Limited Liability Company "Investitsionno – Promyshlennaya Kom Rybinskelektrokabel"
Limited Liability Company "NPP Rybinskelektrokabel"	Rybinsk city	Russian Rouble	49,352,000	100.00%	Limited Liability Company "Investitsionno – Promyshlennaya Kom Rybinskelektrokabel"
Finland					
Prysmian Cables and Systems OY	Kirkkonummi	Euro	2,000,000	100.00%	Prysmian Energia Holding S.r.l.
France					
Prysmian (French) Holdings S.A.S.	Paron de Sens	Euro	173,487,250	100.00%	Prysmian Energia Holding S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paron de Sens	Euro	37,000	100.00%	Prysmian (French) Holdings S.A.S.
Prysmian Cables et Systèmes France S.A.S.	Paron de Sens	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Germany					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Prysmian Energia Holding S.r.l.
				6.25%	Prysmian S.p.A.
Bergmann Kabel und Leitungen GmbH	Schwerin	Euro	1,022,600	100.00%	Prysmian Kabel und Systeme GmbH
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme GmbH
UK					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	45,292,120	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	118,653,473	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Industrial) Ltd.	Eastleigh	British Pound	9,010,935	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Supertension) Ltd.	Eastleigh	British Pound	5,000,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prysmian Energia Holding S.r.l.
Cable Makers Properties & Services Limited	Kingston upon Thames	British Pound	33	63.53%	Prysmian Cables & Systems Ltd.
				36.47%	Third parties
Prysmian Cables Limited	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Telecom Cables and Systems Uk Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Metals Limited	Eastleigh	British Pound	15,000,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Focom Limited	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1,000,000	100.00%	Prysmian Energia Holding S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Ireland					
Prysmian Financial Services Ireland Limited	Dublin	Euro	1,000	100.00%	Third parties
Prysmian Re Company Limited	Dublin	Euro	3,000,000	100.00%	Prysmian (Dutch) Holdings B.V.

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Italy					
Prysmian Cavi e Sistemi Energia S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Energia Holding S.r.l.	Milan	Euro	10,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	77.45%	Prysmian Cavi e Sistemi Energia S.r.l.
				22.55%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Telecom S.r.l.	Milan	Euro	10,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Telecom S.r.l.	Milan	Euro	31,930,000	100.00%	Prysmian Telecom S.r.l.
Prysmian Treasury S.r.l.	Milan	Euro	4,242,476	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian PowerLink S.r.l.	Milan	Euro	50,000,000	84.80%	Prysmian Cavi e Sistemi Energia S.r.l.
				15.20%	Prysmian Cavi e Sistemi Italia S.r.l.
Fibre Ottiche Sud – F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Luxembourg					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	3,050,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Norway					
Prysmian Kabler og Systemer A.S.	Ski	Norwegian Krone	100,000	100.00%	Prysmian Cables and Systems OY
Netherland					
Prysmian Cable Holding B.V.	Delft	Euro	54,503,013	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Cables and Systems B.V.	Delft	Euro	5,000,000	100.00%	Prysmian Energia Holding S.r.l.
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Energia Holding S.r.l.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	21,367,920	99.9995%	Prysmian (Dutch) Holdings B.V.
				0.0005%	Prysmian Cavi e Sistemi Energia S.r.l.
Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Energia Holding S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables y Sistemas S.A.	Vilanova I la Geltrú	Euro	14,000,000	85.71%	Prysmian Energia Holding S.r.l.
				14.29%	Prysmian Cavi e Sistemi Telecom S.r.l.
Fercable S.L.	Sant Vicenç dels Horts	Euro	3,606,073	100.00%	Prysmian Cables y Sistemas S.L.
Prysmian Servicios de Tesoreria Espana S.L.	Madrid	Euro	3,100	100.00%	Prysmian Financial Services Ireland Limited
Sweden					
Prysmian Kablar och System AB	Hoganas	Swedish Krona	100,000	100.00%	Prysmian Cables and Systems OY
Switzerland					
Prysmian Cables and Systems SA	Manno	Swiss Franc	500,000	100.00%	Prysmian (Dutch) Holdings B.V.
Turkey					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya Bursa	Turkish New Lira	112,233,652	83.75%	Prysmian (Dutch) Holdings B.V.
				16.25%	Third parties
Hungary					
Prysmian MKM Magyar Kabel Muvek KFT	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Energia Holding S.r.l.
Kabel Keszletertesito BT	Budapest	Hungarian Forint	1,239,841,361	99.999%	Prysmian MKM Magyar Kabel Muvek KFT
				0.001%	Third parties
Noth America					
Canada					
Prysmian Power Cables and Systems Canada Ltd.	New Brunswick	Canadian Dollar	1,000,000	100.00%	Prysmian (Dutch) Holdings B.V.
U.S.A.					
Prysmian Cables and Systems (US) Inc.	Carson City	US Dollar	71,000,001	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Power Cables and Systems USA LLC	Lexington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Prysmian Construction Services Inc	Lexington	US Dollar	1,000	100.00%	Prysmian Power Cables and Systems USA LLC
Prysmian Communications Cables and Systems USA LLC	Lexington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Prysmian Communications Cables Corporation	Lexington	US Dollar	1	100.00%	Prysmian Communications Cables and Systems USA LLC
Prysmian Power Financial Services US LLC	Wilmington	US Dollar	100	100.00%	Prysmian Power Cables and Systems USA LLC
Prysmian Communications Financial Services US LLC	Wilmington	US Dollar	100	100.00%	Prysmian Communications Cables and Systems USA LLC
Central/South America					
Argentina					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	66,966,667	94.68%	Prysmian Consultora Conductores e Instalaciones SAIC
				5.00%	Prysmian (Dutch) Holdings B.V.
				0.32%	Third parties
Prysmian Telecomunicaciones Cables y Sistemas de Argentina S.A./Buenos Aires		Argentine Peso	12,000	95.00%	Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.
				5.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Prysmian (Dutch) Holdings B.V.
				5.00%	Prysmian Cavi e Sistemi Energia S.r.l.

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Brasil					
Prysmian (Brazil) Holdings Limitada	Sao Paulo	Brazilian Real	4,700	99.98%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				0.02%	Prysmian S.p.A.
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	166,825,035	99.83%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.17%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	58,309,129	99.87%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				0.13%	Prysmian Cavi e Sistemi Telecom S.r.l.
Sociedade Produtora de Fibras Opticas S.A.	Sorocaba	Brazilian Real	1,500,100	51.00%	Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.
				49.00%	Third parties
Surflex Umbilicais e Tubos Flexiveis do Brasil LTDA	Vila Velha	Brazilian Real	50,000	99.83%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.17%	Prysmian Cavi e Sistemi Telecom S.r.l.
Chile					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,119,148,955	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
Africa					
Ivory Coast					
SICABLE – Soci�te Ivorienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Syst�mes France S.A.S.
				49.00%	Third parties
Tunisia					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	3,500,000	51.00%	Prysmian Cables et Syst�mes France S.A.S.
				49.00%	Third parties
Oceania					
Australia					
Prysmian Power Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	15,000,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
New Zealand					
Prysmian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Power Cables & Systems Australia Pty Ltd.
Asia					
China					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	20,400,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Baosheng Cable Co.Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd .	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	55,000,000	83.00%	Prysmian Energia Holding S.r.l.
				17.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	55,000,000	100.00%	Prysmian Hong Kong Holding Ltd.
India					
Ravin Cables Limited	Mumbai	Indian Rupee	209,230,110	51.00%	Prysmian Cavi e Sistemi Energia S.r.l.
				49.00%	Third parties
Pirelli Cables (India) Private Ltd.	New Dehli	Indian Rupee	10,000,000	99.998%	Prysmian Cable Holding B.V.
				0.002%	Prysmian Cavi e Sistemi Energia S.r.l.
Indonesia					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Prysmian (Dutch) Holdings B.V.
				0.52%	Prysmian Cavi e Sistemi Energia S.r.l.
Malaysia					
Bicc (Malaysia) Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	–	100.00%	Prysmian Cables Asia-Pacific Pte Ltd.
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
Singapore					
Prysmian Cables Asia-Pacific Pte Ltd	Singapore	Singapore Dollar	213,324,290	100.00%	Prysmian (Dutch) Holdings B.V.
Prysmian Cable Systems Pte Ltd	Singapore	Singapore Dollar	25,000	50.00%	Prysmian (Dutch) Holdings B.V.
				50.00%	Prysmian Cables & Systems Ltd.

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The following companies have been consolidated on a proportionate basis:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Prysmian (Dutch) Holdings B.V.
				60.00%	Third parties
Power Cable Engineering Services (M) Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	100,000	100.00%	Power Cables Malaysia Sdn Bhd
U.A.E.					
Power Plus Cables CO: L.L.C.	Fujairah	U.A.E. Dirham	51,000,000	49.00%	Ravin Cables Limited
				51.00%	Third parties

The following companies have been accounted for using the equity method:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Germany					
Kabeltrommel GmbH & CO.KG	Troisdorf	Euro	10,225,838	1.00%	Bergmann Kabel und Leitungen GmbH
				28.68%	Prysmian Kabel und Systeme GmbH
				70.32%	Third parties
Sykonec GmbH	Neustadt bei Coburg	Euro	300,000	50.00%	Bergmann Kabel und Leitungen GmbH
				50.00%	Third parties
UK					
Rodco Ltd.	Weybridge	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
Poland					
Eksa Sp.Zo.o	Sokolów	Polish Zloty	394,000	20.05%	Prysmian Energia Holding S.r.l.
				79.95%	Third parties

Representation on the half-year condensed consolidated financial statements pursuant to art. 81-ter of Consob Regulation 11971 dated 14 May 1999 and subsequent amendments and additions

1. The undersigned Valerio Battista, as Chief Executive Officer, and Massimo Branda and Jordi Calvo, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., attest, also taking account of the provisions of paragraphs 3 and 4, art. 154-*bis* of Italian Decree 58 dated 24 February 1998, that during the first half of 2010 the accounting and administrative processes for preparing the half-year condensed consolidated financial statements:

- have been adequate in relation to the enterprise's characteristics and,
- have been effectively applied.

2. The adequacy of the accounting and administrative processes for preparing the half-year condensed financial statements at 30 June 2010 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

It is reported that:

- the integration of the companies recently acquired in Russia, India and the United Arab Emirates is in progress at the current date, none of which represents a material risk for the Prysmian Group's consolidated financial statements;
- during the second quarter of 2010, the Prysmian Group's Italian companies were involved in the project of adopting a new information system. The process of fine-tuning and testing the complete accuracy of the new system's operating and accounting functions is still in progress.

3. They also attest that:

3.1 The half-year condensed consolidated financial statements at 30 June 2010:

- a. have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
- b. correspond to the underlying accounting records and books of account;
- c. are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.

3.2 The interim directors' report contains a reliable analysis of the important events that took place in the first six months of the year and their impact on the half-year condensed consolidated financial statements, together with a description of the principal risks and uncertainties in the remaining six months of the year.

The interim directors' report also contains a reliable analysis of the information on significant related party transactions.

3 August 2010

Signed: Valerio Battista

Massimo Branda and Jordi Calvo

Chief Executive Officer

Managers responsible for preparing corporate accounting documents

Valerio Battista

Massimo Branda

Jordi Calvo

AUDIT REPORT

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

To the Shareholders of
Prysmian SpA

1. We have reviewed the condensed consolidated interim financial statements of Prysmian SpA and its subsidiaries (Prysmian Group) as of 30 June 2010 and for the six-month period then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and related explanatory notes. Prysmian SpA's Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.
2. Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the performance of analytical review procedures on the data contained in the above mentioned condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike for an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the comparative amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the prior year presented for comparative purposes, reference should be made to our reports dated 12 March 2010 and 3 August 2009, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Prysmian Group as of 30 June 2010 and for the six-month period then ended have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.
4. As described in the explanatory notes to the condensed consolidated interim financial statements in note 18 "Contingent liabilities", during 2009, the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and on other electrical cable manufacturers aimed at assessing the existence of price fixing agreements in the high voltage land and submarine cables business. At the current stage, the outcome of the investigation is still uncertain; in the event of ascertained breaches of applicable price fixing laws and regulations, the penalties levied could be significant to the Prysmian Group.

Milan, 5 August 2010

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

(This report has been translated from the original version which was issued in accordance with the Italian legislation into the English language solely for the convenience of international readers.)

