


CARRYING OUT IDEAS TO KEEP ON GROWING

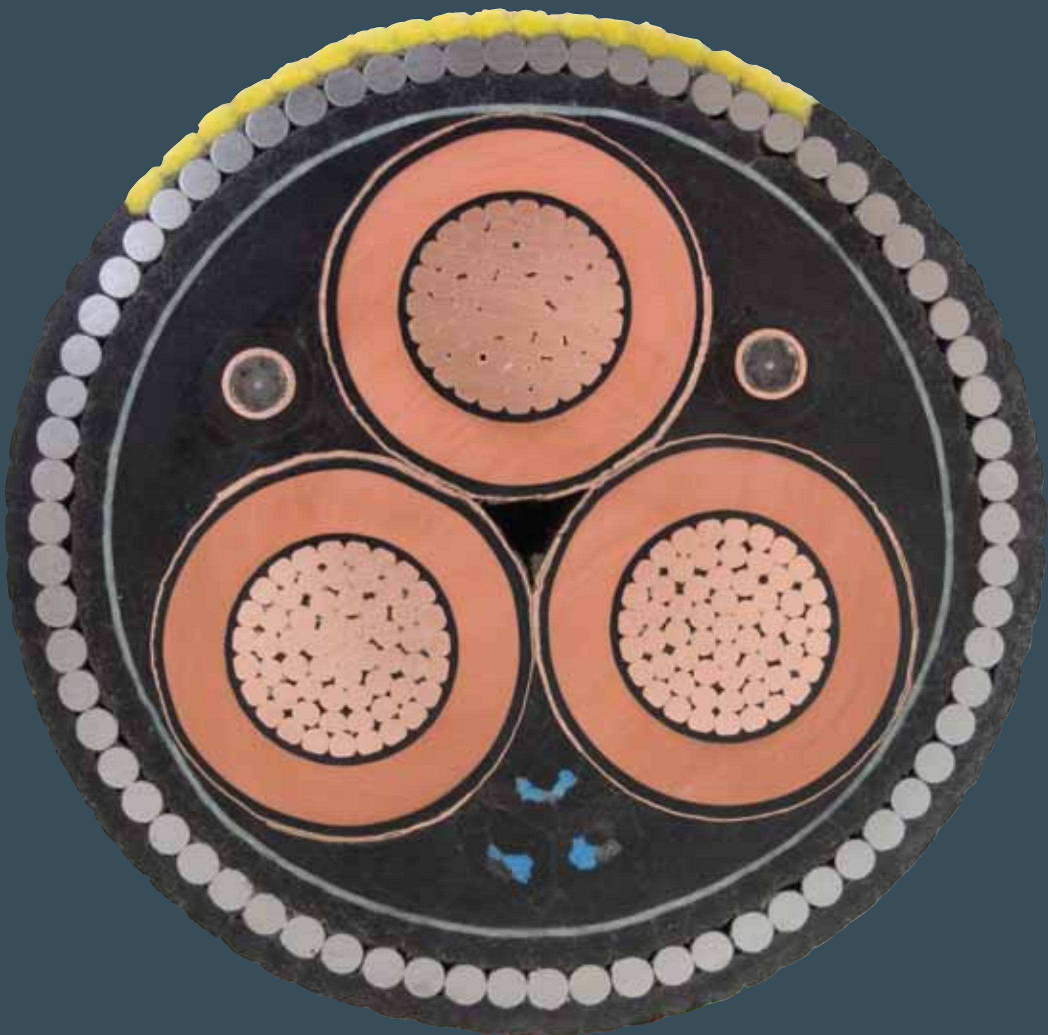
2010 ANNUAL REPORT

PRYSMIAN
CABLES & SYSTEMS

2010 ANNUAL REPORT

PRYSMIAN GROUP

Disclaimer
This document contains forward-looking statements, specifically in the sections entitled "Subsequent events", "Business outlook" and "Risk factors", 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.



CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY DIRECTORS' REPORT

SHAREHOLDERS' MEETING CALL

The Shareholders are invited to attend an Ordinary and Extraordinary Shareholders' Meeting to be held in Milan, via Filodrammatici n. 3 (at the premises of Mediobanca), on the following dates:

- **Tuesday 12th April 2011**, at 15:00 p.m. (CET), in first call in ordinary and extraordinary session, or if necessary;
- **Wednesday 13th April 2011**, at the same time and place, in second call in extraordinary session, or if necessary;
- **Thursday 14th April 2011**, at the same time and place, in second call in ordinary session and in third call in extraordinary session;

to discuss and resolve on the following

AGENDA

Ordinary session

1. Financial statements at 31 December 2010; Directors' report and proposed allocation of profit for the year; report by the Board of Statutory Auditors; report by the Independent Auditors; related resolutions.
2. Resolutions under art. 2386 of the Italian Civil Code; resolutions related thereto.
3. Determination of emoluments of the Board of Directors for financial year 2011.
4. Incentive plan: resolutions under article 114-bis of Italian Legislative Decree 58/98.

Extraordinary session

1. Proposal of a divisible share capital increase, with exclusion pre-emptive right under article 2441, paragraph 8, and article 134 of the Italian Legislative Decree no.58/98 (UFA), until a maximum nominal value of Euro 213,500 by issuance of a maximum of no. 2,131,500 new ordinary shares, with a nominal value of Euro 0.10 each, to be granted to employees of the Prysmian S.p.A. and of its subsidiaries. Consequent amendment of the article 6 of the Company's By-laws "Capital and shares".
2. Proposed amendment of art. 9 of the By-laws; related resolutions.
3. Proposed amendment of art. 14 of the By-laws; related resolutions.
4. Proposed amendment of art. 23 of the By-laws; related resolutions.

The authorized and paid up share capital is equal to Euro 21,385,387.20, divided in 213,853,872 ordinary shares of nominal value 0.10 Euro, each share gives the right to a vote in the Shareholders' Meeting. At the present date the Company owns n. 3,028,500 treasury shares.

Resolutions under art. 2386 of the Italian Civil Code

It is reminded that, pursuant to article 14 of the Company's By-laws, in the case in which there will be no need to appoint the entire Board of Directors, the Shareholder's Meeting will adopt the related resolution by legal quorum not being applicable the slate voting mechanism.

Any proposed candidate names can still be filed at the Company's registered offices in Viale Sarca 222, Milan.

Attendance at the meeting

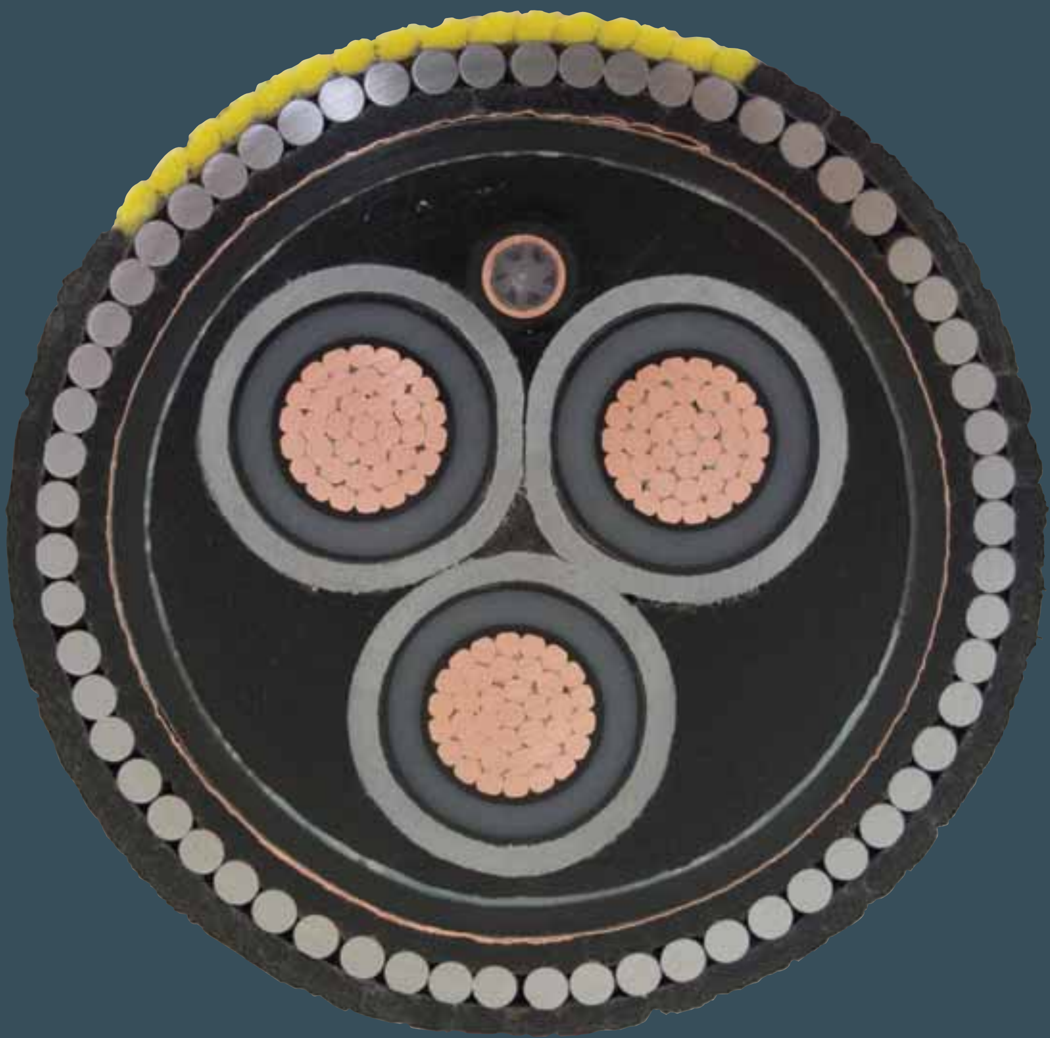
May attend or be represented at Shareholders' Meetings all holders of voting rights provided the certificate issued by authorized intermediaries, on the basis of the evidence resultant from the accounting books, has reached the Company's registered office at least the seventh working day before the date scheduled for the first call of the Shareholder's Meeting, that will coincide with Friday 1st April 2011. All whom will result as owners of the shares only after the above date will not have the right to participate and to vote at the Shareholders' Meeting. In order to facilitate confirmation of their entitlement to vote, the holders of voting rights are requested to display a copy of the

certificate sent by the respective intermediaries to the Company.
Every shareholder may be represented at the Shareholders' Meeting by issuing a written proxy, also by using the proxy form that can be found on the Company's website at www.prysmian.com (in the section Investor Relations/Shareholders Information/Shareholders’ Meeting) or at the Company’s registered office.
The proxy can also be issued by electronic means and can be notified to the Company by sending the document to the certified email address: corporate_pryspa@legalmail.it.
In relation to the present Shareholdes’ Meeting, the Company chosen the lawyer Mr. Dario Trevisan as appointed representative pursuant to article 135-undecies UFA. The proxy to appointed representative can be granted by filling and signing the proxy form that can be found on the website at www.prysmian.com (in the section Investor Relations/Shareholders Information/Shareholders’ Meeting) or at the Company’s registered office. The proxy form and the voting instructions, duly singed, have to be reached either via recorded delivery by Mr. Dario Trevisan at viale Majno 45, 20122 Milan, or via certified electronic mail to the address: info@rappresentante-designato.it, at least the second working day before the date of the first convening of the Shareholders’ Meeting. Within the same deadline, the proxy and the voting instructions, can be revoked. The proxy issued in favor of the representative appointed by the Company will not have effect in relation to the items for which no voting instructions were given.
Pursuant to article 127-ter, paragraph 1, of the Legislative Decree number 58/98, the Shareholders may ask questions in relation to the items of the agenda also before the date of the Shareholders’ Meeting by sending certified mails with advise of delivery to the Company’s registered office or by email to the address: corporate_pryspa@legalmail.it. The questions have to be received within the second working day before the date of the first convening of the Shareholders’ Meeting, together with the certificate issued by authorized intermediaries stating the quality of shareholder; anyway such certificate is non required if the company receives by the same authorized intermediaries the notification necessary to attend the Shareholders’ Meeting. The questions received before the Shareholders’ Meeting will be answered at the latest during the meeting. The Company may give a single answer to the questions having the same content.
Under art. 126-bis of the Legislative Decree number 58/98, the Shareholders who, even jointly, represent at least a fortieth of the share capital may ask, within ten days from the publication of the Shareholders’ Meeting call, the integration of the items of the agenda, specifying in the request the additional items they are proposing to discuss. The request has to be presented in writing at the Company’s registered office by recorded delivery, together with the certificate issued by authorized intermediaries stating the ownership of the number of shares required to present such request. Within the same time-limit and by the same means has to be filed a report on the items proposed to be discussed. The integration of the agenda is not allowed for the items in which the Shareholders’ Meeting will adopt the resolution, pursuant to the applicable law, on proposal of the directors or on the basis of a project or of a report issued by the same, different from the ones envisaged by article 125-ter, paragraph 1, of the Legislative Decree number 58/98. The possible integrated agenda will be published by the same means of the publication of the previous call.

Documentation
At the Company's registered offices, at Borsa Italiana S.p.A. and on the Company's website at www.prysmian.com, will be made available to the public today, the Board of Directors' proposals in relation to the items on the agenda and to the relevant reports and documentation, and by 21 March 2011 the relevant documentation for the financial statements and the annual report on corporate governance. Shareholders have the right to examine them and, upon request, to obtain copy of them.

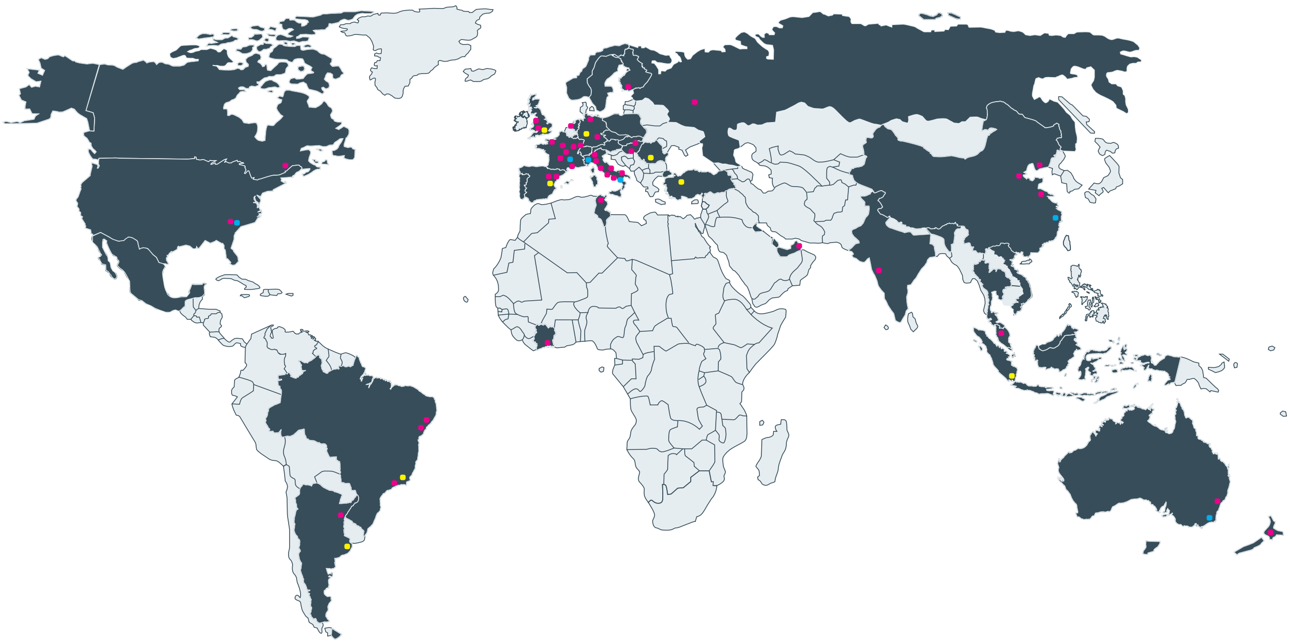
Considering the Company’s Shareholder’s structure, **it is expected that the Shareholders’ Meeting, both in the ordinary and in the extraordinary session, will be held on April 14th, 2011.**

Milan, 10 March 2011
The Chairman of the Board of Directors
Prof. Paolo Zannoni



DIRECTORS' REPORT

A TRULY GLOBAL GROUP

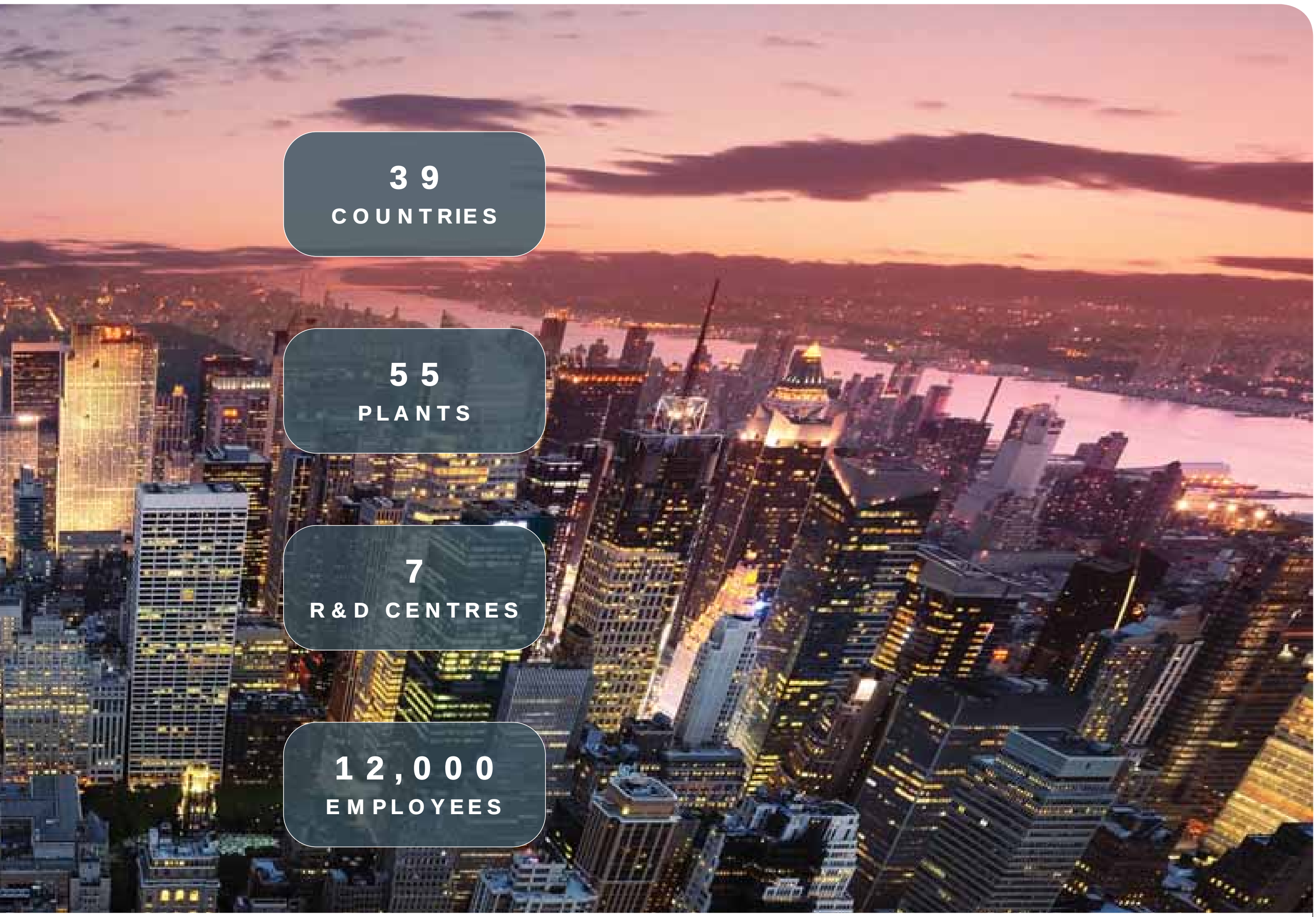


Prysmian global presence

Energy (41)

Telecom (6)

Shared Energy and Telecom (8)



PLANTS

EMEA	**Italy:** Arco Felice, Ascoli Piceno, Battipaglia, Giovinazzo, Livorno, Livorno Ferraris, Merlino, Pignataro Maggiore, Quattordio
	France: Amfreville, Angy, Charvieu, Chavanoz, Gron, Neuf Pre, Paron, Xoulces
	UK: Aberdare, Bishopstoke, Wrexham
	Spain: Sant Vicens dels Hors, Vilanova y la Geltru (2)
	Germany: Eschweiler, Neustadt, Schwerin
	Hungary: Balassagyarmat, Kistelek
	Ivory Coast: Abidjan
	Finland: Pikkala
	Holland: Delft
	Romania: Slatina
	Russia: Rybinsk
	Tunisia: Grombalia
	Turkey: Mudanya
	U.A.E.: Fujairah
APAC	**China:** Baoying, Tianjin (2), Wuxi
	Australia: Dee Why, Liverpool
	India: Pune
	Indonesia: Cikampek
	Malaysia: Kuala Lumpur
	New Zealand: Auckland
NORTH AMERICA	**Canada:** Prescott
	USA: Abbeville, Lexington
SOUTH AMERICA	**Brazil:** Joinville, Sorocaba, St. Andrè, Vila Velha
	Argentina: La Rosa, Quilmes

PRYSMIAN GROUP

With over 130 years of experience and a strong positioning in high-tech market segments, Prysmian is active in the development, design, production, supply and installation of a wide range of cables for the most diverse applications in the energy and telecom industries.

The Group has established strong relationships with the major global players in all the industries it operates in, realising projects often designed to customer specification for grid operators or utilities such as China State Grid, Dong Energy, E.On, Eletropaulo, Endesa, Enel, Iberdrola, National Grid, Qatar General Electricity & Water Corporation, RTE/EDF, Red Electrica de Espana, RWE, TenneT, Terna, Vattenfall, for industrial concerns in a wide variety of sectors such as AKER, Alstom, Changchung Railcars, Petrobras, Rexel, Sonepar, Siemens, STX Marine, and for telecom operators such as Bharti, British Telecom, France Telecom, Telefonica, Telecom Italia, Telstra, Verizon and Vodafone.

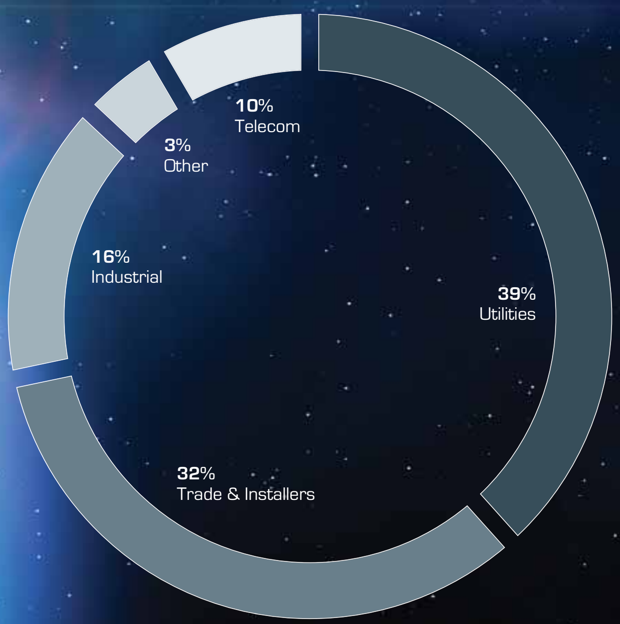
High and Extra High Voltage underground and submarine power transmission cables and systems, industrial cables for applications in high-tech sectors (from Oil, Gas & Petrochemicals, transport and mining to renewable energy), and optical cables for voice, video and data transmission: these are strategic industries and markets for Prysmian. In these industries the level of technology, the ability to constantly innovate and the commitment to providing high value-added services are factors of differentiation and competitive position.

Product quality and innovation are the hallmarks of Prysmian's approach even in sectors where the products are more standardised, such as low and medium voltage cables, within which Prysmian has introduced important innovations such as P-Laser, the first fully recyclable medium voltage cable, or Fire-Resistant and LSOH (Low Smoke zero Halogen) cables, which improve the safety of residential and non-residential buildings.

We carry out major submarine power interconnection projects for utilities and grid operators, such as the Neptune and Transbay projects in the United States, the Spain-to-Majorca project, the SA.PE.I and Sicily-Calabria projects in Europe, the Doha Bay and GCCIA projects in the Middle East and the Basslink project in Australia. We have helped create High Voltage power grids in the world's largest cities, from New York to Buenos Aires, London, Paris, Madrid, Milan, Rome, St. Petersburg,

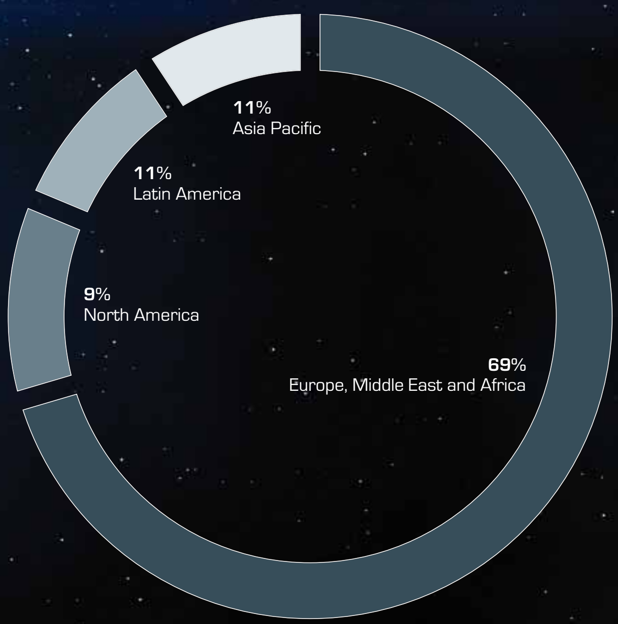
NET SALES BY BUSINESS AREAS AT 31 DECEMBER 2010 (*)

(*) Net of intragroup eliminations.



NET SALES BY GEOGRAPHICAL AREAS AT 31 DECEMBER 2010 (*)

(*) Net of intragroup eliminations.



Dubai, Abu Dhabi,lSingapore, Hong Kong.
In the renewable energy sector, Prysmian is continuously strengthening its world leadership in cables for offshore wind farms. The Group's technology, covering cables for the operation of wind turbines, inter-array cables for linking the various turbines and cables for mainland connection, has allowed Prysmian to become involved in the major projects already developed or under development, such as Walney, Ormonde, Gunfleet Sands, Greater Gabbard and Thanet in the UK, and Alpha Ventus, HelWin1 and BorWin2 in Germany, marking a series of milestones in this industry sector.
We support the petrochemicals industry with a wide range of high-tech products. A strategic technical cooperation agreement with Petrobras has introduced Prysmian to the high-tech sector of flexible pipes for oil extraction, which, combined with our existing production of umbilical cables for offshore oil platforms, allows us to offer OG&P operators a complete range of SURF (Subsea Umbilical, Riser and Flowline) products and services. From Brazil to the Gulf of Mexico, from the Caspian Sea to the Arabian Gulf, from the North Sea to South East Asia, Prysmian cables and systems underpin the Oil & Gas industry's most important international development projects.

In the transport sector, we have cabled the world's biggest ships, like Royal Caribbean's GENESIS fleet, or the fastest trains, like those designed by Alstom and Siemens, and most innovative metro systems, like the one in Istanbul capable of transporting millions of passengers a day. In the construction sector, Prysmian's fire-resistant cables can be found in the very heart of the most spectacular, state-of-the-art developments, like the Wimbledon tennis stadium, the Burj Khalifa in Dubai, the world's tallest ever building, and Masdar City in the Arab Emirates, the world's first carbon-neutral city.
In the telecom cables sector, we carry out the most advanced Fibre To The Home projects for world leaders like Verizon in the United States and provide support to major operators in Latin America, Europe, the Middle East and Asia for their network upgrades. In Russia, the Group has installed a landmark 1,000 km of optical cables thanks to a record project for cabling one of Siberia’s largest cities.

Thanks to this unique track record, Prysmian can present itself throughout the world as a partner of choice for developing infrastructure in two of the most strategic sectors: energy and telecommunications.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION (*)

(in millions of Euro)	2010	2009	% change	2008
Sales	4,571	3,731	22.5%	5,144
Contribution margin [1]	803	791	1.5%	970
EBITDA [2]	365	366	-0.2%	518
Adjusted EBITDA [3]	387	403	-4.0%	542
Operating income	307	386	-20.3%	380
Adjusted operating income [4]	309	334	-7.6%	477
Profit before taxes	213	337	-36.9%	286
Profit/(loss) for the year	150	252	-40.7%	235

(in millions of Euro)	31 December 2010	31 December 2009	Change	31 December 2008
Net capital employed	1,403	1,314	89	1,165
Employee benefit obligations	145	142	3	125
Equity	799	698	101	463
of which attributable to non-controlling interests	43	21	22	16
Net financial position	459	474	(15)	577

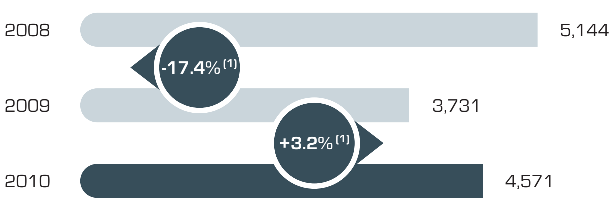
(in millions of Euro)	2010	2009	% change	2008
Investments	102	107	-4.7%	116
Employees (at period end)	12,352	11,704	5.5%	12,372
Earnings/(loss) per share - basic	0.82	1.40		1.32
- diluted	0.82	1.39		1.31

(1) Contribution margin is defined as adjusted EBITDA before fixed costs.
(2) EBITDA is defined as earnings/(loss) for the year, before the fair value change in metal derivatives and in other fair value items, amortisation, depreciation, and impairment, finance costs and income, 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) Adjusted operating income is defined as operating income before non-recurring income/(expenses) and the fair value change in metal derivatives and in other fair value items.

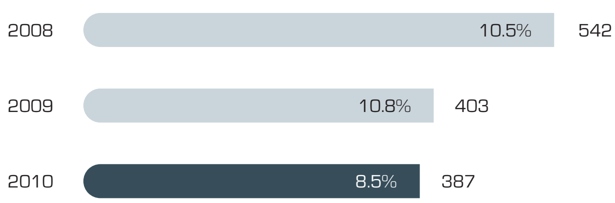
(*) All percentages contained in this report have been calculated with reference to amounts expressed in thousands of Euro.

KEY FINANCIALS (*)

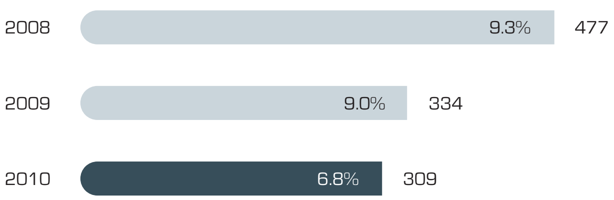
SALES



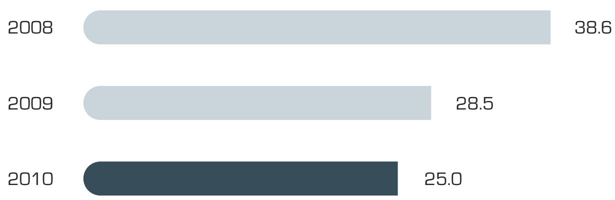
ADJ. EBITDA (2)



ADJ. OPERATING INCOME (3)



ADJ. OPERATING INCOME (2) EMPLOYEE (€/000)



(*) In millions of Euro.

(1) Organic growth: growth net of changes in the group perimeter, in metal prices and exchange rates.
(2) Adjusted EBITDA is defined as EBITDA before non-recurring income/(expenses).
(3) Adjusted operating income is defined as Operating income before non-recurring income and expenses, the fair value change in metal derivatives and in other fair value items.

ADJ. PROFIT [4]

2008	6.5%	332
2009	5.5%	206
2010	3.8%	173

ROCE [5]

2008	40.9%
2009	25.4%
2010	22.0%

NET OPERATING WORKING CAPITAL [6]

2008	9.5%	451
2009	12.2%	465
2010	9.2%	457

NET FINANCIAL POSITION

2008	577
2009	474
2010	459

NET FINANCIAL POSITION/ADJ. EBITDA [7]

2008	1.1x
2009	1.2x
2010	1.2x

FREE CASH FLOW [8]

2008	320
2009	183
2010	120

[4] Adjusted Profit is defined as profit before non-recurring income/(expenses), the effect of derivatives and of other fair value items, exchange rate differences and the related tax effects.
[5] Calculated as Adjusted Operating Income/(Equity + Net Financial Position + Employee benefit obligations).
[6] Net Operating Working Capital means Net Working Capital excluding the effect of derivatives. The percentage is calculated as Net Working Capital/Annualized last-quarter sales.
[7] Calculated as Net Financial Position with third parties/Adjusted EBITDA.
[8] Free Cash Flow is defined as net cash flow provided by operating activities including finance costs.

LETTER TO SHAREHOLDERS

Valerio Battista
CEO Prysmian

The market scenario for Prysmian in 2010 was characterised by widely differing performance between the various periods of the year. The weakness of the first three months, due to the enduring effects of world economic crisis, was followed by a period of progressive recovery starting from the second quarter of the year. The improvement in outlook, especially in the second half of the year, also benefited those businesses most affected by the crisis, like power distribution cables and building wires. Second-half volume growth not only allowed organic growth to accelerate to +9.7%, but above all benefited earnings, with adjusted EBITDA improving on the first six months to Euro 206 million. Raw material and metal price inflation as well as exchange rate fluctuations nonetheless continued to generate uncertainty, making for a still unstable scenario due to persistent price weakness.

The Group's focus on higher-tech business in high-growth markets, coupled with relentless attention to improving industrial and operational efficiency, were once again lynchpins of its strategy in 2010. Furthermore, actions taken during the year helped improve working capital deployment, with working capital on turnover down to 9.2% from 12.2% in 2009.

Group sales amounted to Euro 4,571 million in 2010, marking a return to positive organic growth (+3.2%) and a decisive turnaround from -17.4% in 2009. The Group achieved its originally announced earnings target, with adjusted EBITDA reaching Euro 387 million, and confirmed its considerable cash-generating capacity with free cash flow amounting to Euro 120 million. The financial and capital structure confirmed its particular solidity, as witnessed by a further reduction in net debt to Euro 459 million from Euro 474 million a year earlier. The Group further strengthened its financial structure:

- after entering a long-term Forward Start Credit Agreement for Euro 1,070 million. This agreement has been negotiated with a group of major national and international banks and will replace the existing Credit Agreement at its natural expiry on 3 May 2012;
- after placing a bond for Euro 400 million with institutional investors, whose enthusiasm for the offer resulted in applications for more than Euro 3 billion, an oversubscription of more than 7.5 times.

The market has provided the Group with major endorsements. In its high-tech businesses in particular, Prysmian has further strengthened its global leadership

in power transmission, with an order book worth more than Euro 1,500 million at the end of 2010 and consequently longer sales visibility. This figure is particularly important considering that high voltage cables and systems, along with other priority products for the industrial market and optical telecom cables, have come to account for 65% of the Group's adjusted EBITDA.

Almost Euro 700 million in contracts have been secured in the growing market of offshore wind farm connections, also thanks to the Group's vocation for continuous technological innovation. A particular mention should go to the BorWin2 project, which marks a number of industry milestones. As far as High Voltage underground connections go, the Group has furthered its penetration of high-growth markets like the Middle East, with the acquisition of the TRANSCO project, a 220 kV transmission system in the Arab Emirates, and its penetration of Europe, with projects like INELFE, an interconnection between France and Spain.
The growing use of energy from renewable sources is destined to drive medium and long-term business growth; during 2010 the Group positioned itself as a player ready to take a leading role in this sector by becoming a member of the Friends of the Supergrid, an organisation which promotes the development of a new supergrid in North Europe, and of Transgreen/Medgrid, a partnership between the industry's top European groups to build a subsea cable grid to transport solar power from North Africa across the Mediterranean. In the telecommunications industry, the Group is well positioned particularly in areas most involved in developing broadband projects, like Russia and Asia.

With the goal of capturing growth opportunities in all strategic markets, the Group continued to invest in 2010 in technological innovation and selective expansion of production capacity, spending a total of Euro 54 million. The largest investments were in developing the flexible pipes business for offshore oil extraction in Brazil, and in expanding high voltage cable production capacity in the United States and China and optical fibre production capacity in Italy at the FOS centre of world excellence.

Our Group has always sought to be an industry benchmark even for its ability to constantly anticipate evolving customer needs, as the key asset for success. With this in mind, the Group announced in 2010 that effective January 2011 it was launching a new


72
PRYSMIAN
CABLES & SYSTEMS

customer-centric organisation model, with the introduction of the two important new positions of Chief Operating Officer and Chief Commercial Officer. Massimo Battaini, as COO, has taken responsibility for the entire supply chain with the brief of accelerating decision-making processes and time to market, while Fabio Romeo, as Chief Commercial Officer for both the energy and telecom segments, will help to refocus the entire organisation according to changes in customer and market expectations.

Draka integration for creation of a new global leader
On 22 November 2010 Prysmian announced its intention of making a public mixed exchange and cash offer for the shares of Draka, a Dutch group and one of the world's top cable makers. The offer was launched on 5 January 2011 and concluded successfully on 8 February 2011. The transaction - driven by a compelling strategic and industrial rationale, and by highly complementary know how, product ranges and geographical presence - will lead to the creation of a global industry leader, with a presence in 50 countries, 98 plants and more than 20,000 employees.

As the leader in the strategic sectors of underground and submarine power transmission cables, industrial cables, optical fibre and optical fibre telecom cables, the new combined Group will be in a position to pursue significant new opportunities to create value for its shareholders. The new combined business is expected to generate around Euro 100 million in annual run-rate pre-tax synergies within three years, primarily from optimisation of the manufacturing footprint and procurement of raw materials, overhead savings and operating efficiency improvements. Integration costs to capture these synergies are estimated at Euro 170 million spread over 3 years. In addition to the above cost savings, it is anticipated that the integration will deliver additional positive synergies through the sharing of best practices and through integration at a geographical level.

The Group's shareholder structure, after the exit of The Goldman Sachs Group in March 2010, continues to be that of a public company heavily committed to creating value for all its stakeholders, a mission that guarantees its present and future ability to continue growing and competing successfully.

Valerio Battista, Chief Executive Officer

DIRECTORS AND AUDITORS

Board of Directors

Chairman

Paolo Zannoni

Chief Executive Office & General Manager

Valerio Battista

Directors

Wesley Clark (*)

Fabio Ignazio Romeo

Giulio Del Ninno (*) (1) (2)

Claudio De Conto (*) (1) (2) (4)

Pier Francesco Facchini

Mario Ortu (*) (4)

Massimo Tononi (*) (1) (2) (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 15 April 2010.
(4) Appointed 24 January 2011.

ORGANISATIONAL STRUCTURE

Prysmian CEO
V. Battista

Internal Audit
M. Gough

Group Functions

Research & Development	Finance, Administration, Control & IT	Corporate Development	Human Resources & Organisation	Corporate Affairs	Corporate Communications
A. Valls Prats	P. F. Facchini	M. Tomasi	F. Rutschmann	E. Bernasconi	L. Caruso

Operative Functions

Chief Operating Officer (COO)	Chief Commercial Officer (CCO)
M. Battaini	F. Romeo

Countries

Italy	UK	France	Spain	Germany	Netherlands	Finland	Danubian Region	Turkey
S. Bulletti	P. Atkinson	L. Tardif	F. Acin	H. Nieman	G. Hoefman	J. Arata	F. Carini	F. Fanciulli

North America	Australia & New Zealand	South America	China	ASEAN	Russia	India
H. Ozmen	L. Roberts	A. Comparato G. Etchepare*	P. Bazzoni	M. Klingel	C. Biggiogera	L. Sarogni

(*) Argentina

PRYSMIAN AND THE FINANCIAL MARKETS

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. In addition, since November 2007 the Prysmian stock has been part of the Morgan Stanley Capital International index which includes the world's largest companies by capitalisation.

The listing of Prysmian's ordinary shares, resulting from the sale of 46% of the shares held by Goldman Sachs Group Inc., took place at a price of Euro 15.0 per share, corresponding to a capitalisation of Euro 2.7 billion. Subsequent to the listing, Goldman Sachs Group Inc. gradually reduced its interest in the company, of which it had acquired control in July 2005, by placing the remaining 54% of the shares with selected investors in several successive stages: i) 22% in November 2007, ii) 14% in November 2009, iii) 17% in March 2010. Valerio Battista, Chief Executive Officer of Prysmian S.p.A., announced on occasion of the last sale that he had purchased 1,500,000 shares, corresponding to around 0.8% of share capital and taking his total shareholding to 1.2%.

At 31 December 2010 the Company's free float was equal to 100% of the outstanding shares. Prysmian is now one of Italy's few industrial companies with a global presence that has achieved public company status in recent years.

2010 showed the first signs of a recovery in demand, although at levels well below those reached before the 2008 financial crisis.

The progressive upturn in industrial output and global demand, coupled with a gradual improvement in consumer confidence, was largely driven by strong growth in emerging markets. Furthermore, in the United States, the government's stimulus packages allowed demand to start recovering during the year. Growth in Europe was more muted, also because

penalised by the risk of default by certain euro-zone countries like Greece and Ireland. Europe's best economic performers included Germany, Turkey, Sweden and Poland, trailed by the United Kingdom and France; other countries, like Italy, reported more modest growth, and others, like Greece, Spain, Iceland and Ireland continued the recessionary trend initiated in 2009. Despite evidence of gradual global recovery, there are still concerns and fears mainly over growing unemployment, resurgent inflation and the generalised increase in public debt in the world's major economies.

The world's principal stock markets reflected this uncertainty: while indices climbed in the Americas, in emerging markets and the UK, euro-zone markets were penalised by the growing risk of default by some single currency countries, with the exception of the German index which grew rapidly, in line with economic performance by this country, the continent's real engine of growth.

In this context, the Prysmian stock reported a 5% gain over the course of 2010, but a 15% loss in value since the date of its listing (3 May 2007)[1], while significantly outperforming its competitors and related indices (FTSE MIB: -54% and MSCI Capital Goods Euro: -18% from the date of Prysmian's listing to 31 December 2010), thus increasing its weight in these indices. By way of reference, the principal financial markets performed as follows in 2010: FTSE Italia All Shares: -11%, FTSE MIB: -13%, CAC 40 (France): -3%; IBEX (Spain): -17%; FTSE 100 (UK): +9%; DAX (Germany): +16%; Dow Jones (US): +11%; Nikkei (Japan): -3%.

During the first three months of 2010, the Prysmian stock steadily rallied, going against the uncertain trend in the world's major markets and reaching a high of Euro 15.81 on 9 April (+30% relative to the end of 2009). The subsequent steady retreat by international stock markets, triggered by growing uncertainties over the sustainability of debt in certain countries, took the

[1] The stock's performance, net of dividends paid in the period, was a gain of +8% over the course of 2010 and -7% since the date of flotation.

stock below its year-opening level to a low of Euro 11.27 on 20 May. From July to the end of October the stock enjoyed a moderate rally, in line with the market, and then stabilised in the last few weeks of the year to close at Euro 12.75, up 5% on Euro 12.19 at the end of 2009.

The stock's liquidity grew significantly during 2010, with average daily trading volumes reaching 2.28 million shares, up 21% from 1.88 million in 2009 and up 75% from 1.30 million in 2008. Even the value of average daily trades increased considerably, climbing to Euro 30 million from Euro 19 million in 2009 and from Euro 18 million in 2008. This result was partly due to increased broker coverage (26 brokers covered the stock at the end of 2010 compared with 22 in 2009 and 18 in 2008), and to management activity to increase the Company's visibility in the world's major financial markets.

The shareholders of Prysmian S.p.A. met on 15 April 2010 for the first time since the company had effectively become a genuine public company with a wide shareholder base. The meeting saw the presence of 26% of share capital and adopted resolutions on all items on the agenda by majority vote.

The dividend for 2009 was paid on 22 April 2010 and amounted to Euro 0.417 per share, corresponding to a total of Euro 74 million and a 30% pay-out ratio on the 2009 profit. Earnings per share in 2009 amounted to Euro 1.40 per share.

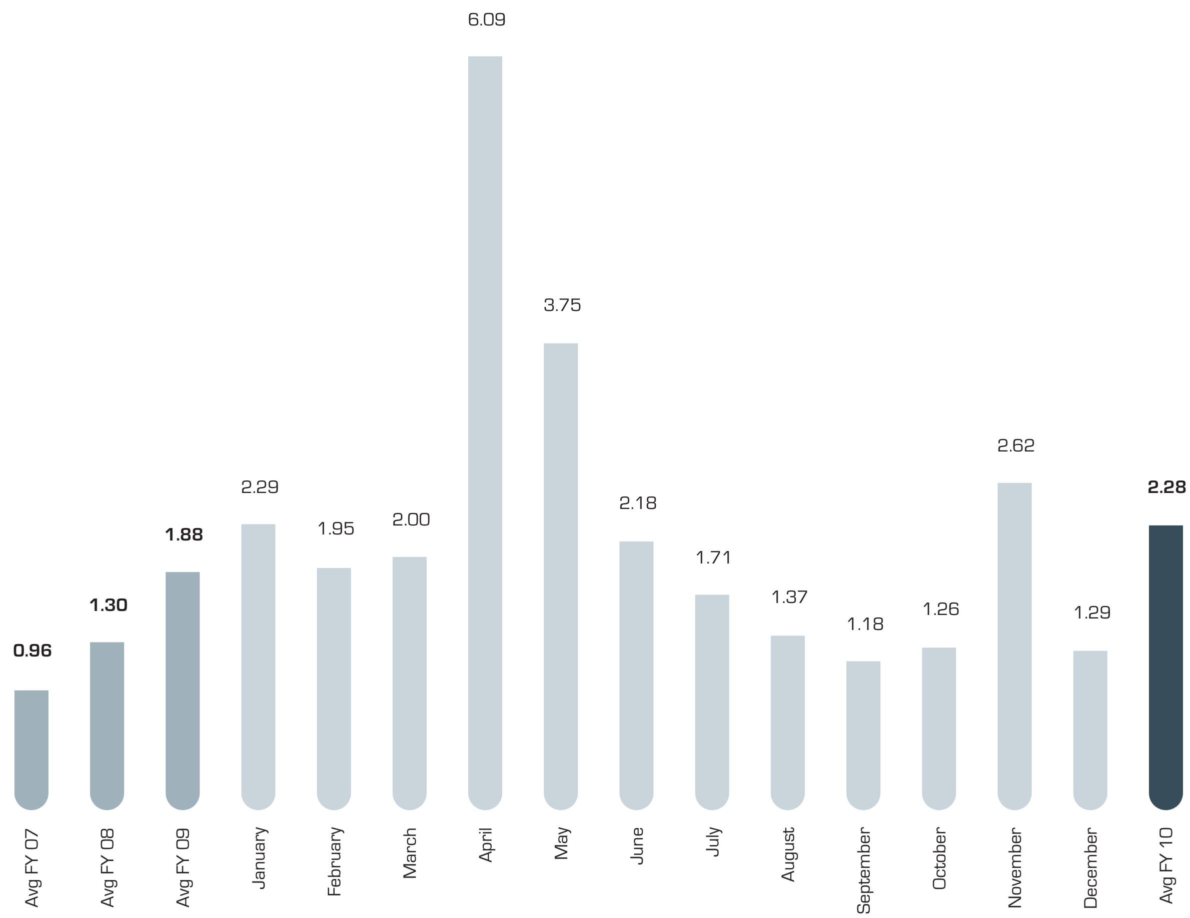
The share buy-back programme, authorised by the shareholders' meeting on 15 April 2008 and renewed in April of the following year, expired in October 2010. As at 31 December 2010 the total number of treasury shares was 3,028,500 with a nominal value of Euro 302,850. More details can be found in the note on "Share capital and reserves", contained in the Explanatory Notes to the Consolidated Financial Statements.

High: € 21.00
Low: € 6.10

Performance: -15.0%
Market capitalisation at 31 December 2010: € 2,321 million

AVERAGE DAILY TRADING VOLUME

Source: Thomson Reuters data. (million shares)



	31 December 2010	31 December 2009	31 December 2008	31 December 2007 (*)
Price	€12.75	€12.19	€11.10	€16.89
Change over period	4.6%	9.8%	-34.3%	12.6%
Average price	€13.13	€10.60	€13.76	€18.36
Maximum price	€15.81	€13.84	€18.54	€21.00
Minimum price	€11.27	€6.10	€6.21	€15.34
Market capitalisation at period end	€2,321 million	€2,209 million	€2,004 million	€3,040 million
Average capitalisation	€2,388 million	€1,918 million	€2,482 million	€3,305 million
Average daily trading volume	2.28 million	1.88 million	1.30 million	0.96 million
Average value of daily trades	€30 million	€19 million	€18 million	€17 million
Number of shares at period end	182,029,302	181,235,039	180,546,227	180,000,000

(*) Period of reference: 3 May 2007 (stock listing date) - 31 December 2007.

INVESTOR RELATIONS

Creating value for shareholders, and other stakeholders, is a key priority for Prysmian as part of its commitment to accuracy, clarity and transparency in the communication of company strategy, objectives and results.

The Group's behaviour and procedures aim to provide the market with credible information, thus boosting market confidence and encouraging a long-term investment approach. The Group seeks to avoid unequal treatment in the disclosure of information and to ensure effective compliance with the principle that all investors and potential investors receive the same information, allowing them to make informed investment decisions.

More specifically, upon publishing its quarterly data, the Group organises conference calls with institutional investors and financial analysts and also invites industry press representatives to take part. In addition, the Group promptly informs its shareholders and potential shareholders of any action or decision that could have a material impact on their investment.

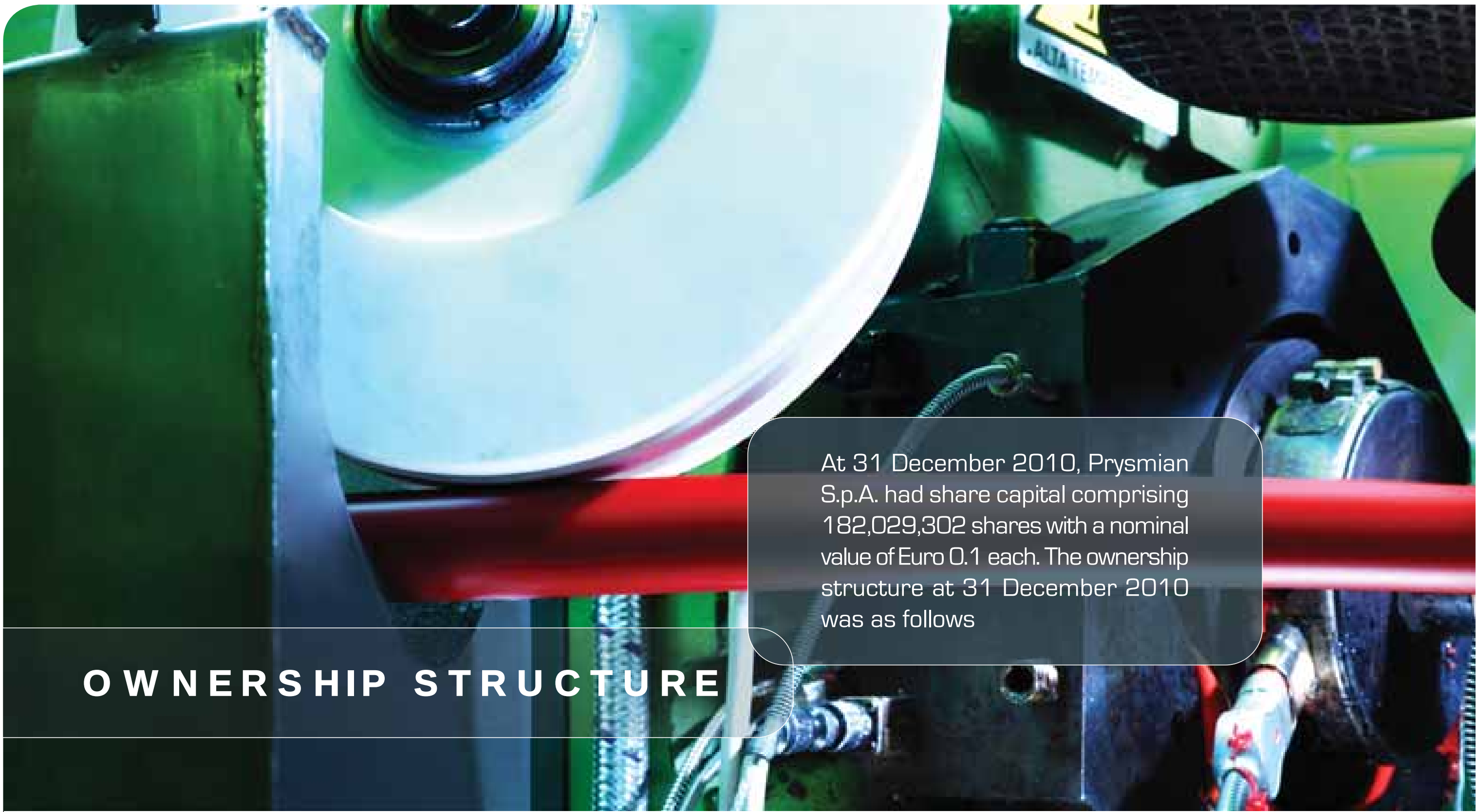
Contact with the financial market was particularly intense in 2010, involving more than 350 meetings held at the Group's offices, during roadshows in the major financial centres of Europe, North America and Asia, as well as during conferences organised by major international brokers.

Coverage of the Prysmian stock increased significantly during the year, confirming growing interest by national and international financial markets in the Group. Twenty-six independent analysts regularly cover the Prysmian stock (twenty-two at the end of 2009): Axia, Banca Akros, Banca Aletti, Banca IMI, Banca Leonardo, Banca Profilo, Berenberg, BoA Merrill Lynch, Cassa Lombarda, Centrobanca, Cheuvreux, Citi, Deutsche Bank, Equita, Exane BNP Paribas, Execution-Noble, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Mediobanca, Natixis, Royal Bank of Scotland, and UniCredit HVB.
The Investor Relations office has also maintained constant contact with institutional investors through its website which includes audio/video recordings of the conference calls and presentations to the financial community, as well as presentation documents and press releases published by the Group. The Investor Relations section of the website also includes the financial calendar and information on corporate governance, the Group's Code of Ethics and the shares.

INVESTOR RELATIONS CONTACT DETAILS

Investor Relations Office
+39 02 6449 1
investor.relations@prysmian.com

Luca Caserta Head of Investor Relations
+39 02 6449 51400
luca.caserta@prysmian.com

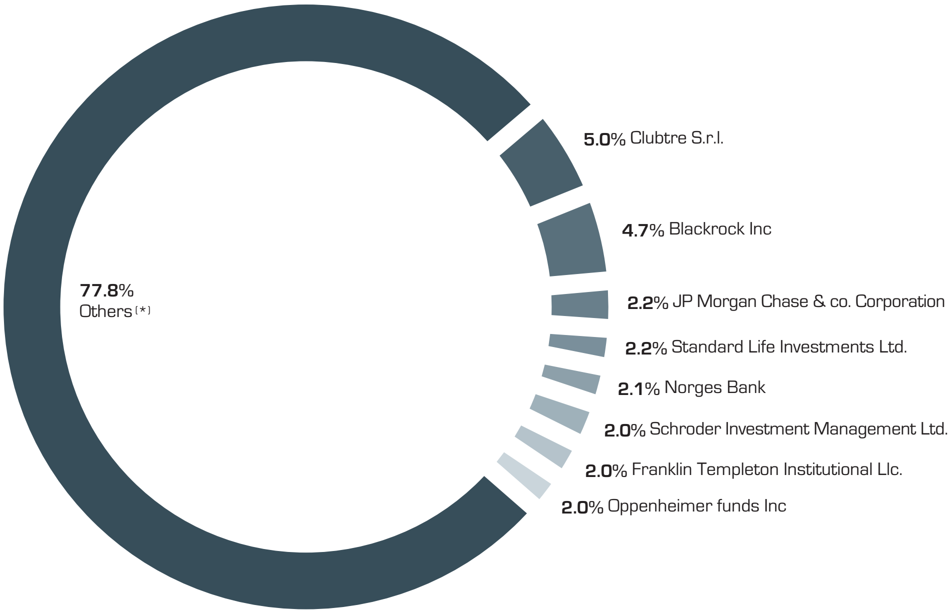


At 31 December 2010, Prysmian S.p.A. had share capital comprising 182,029,302 shares with a nominal value of Euro 0.1 each. The ownership structure at 31 December 2010 was as follows

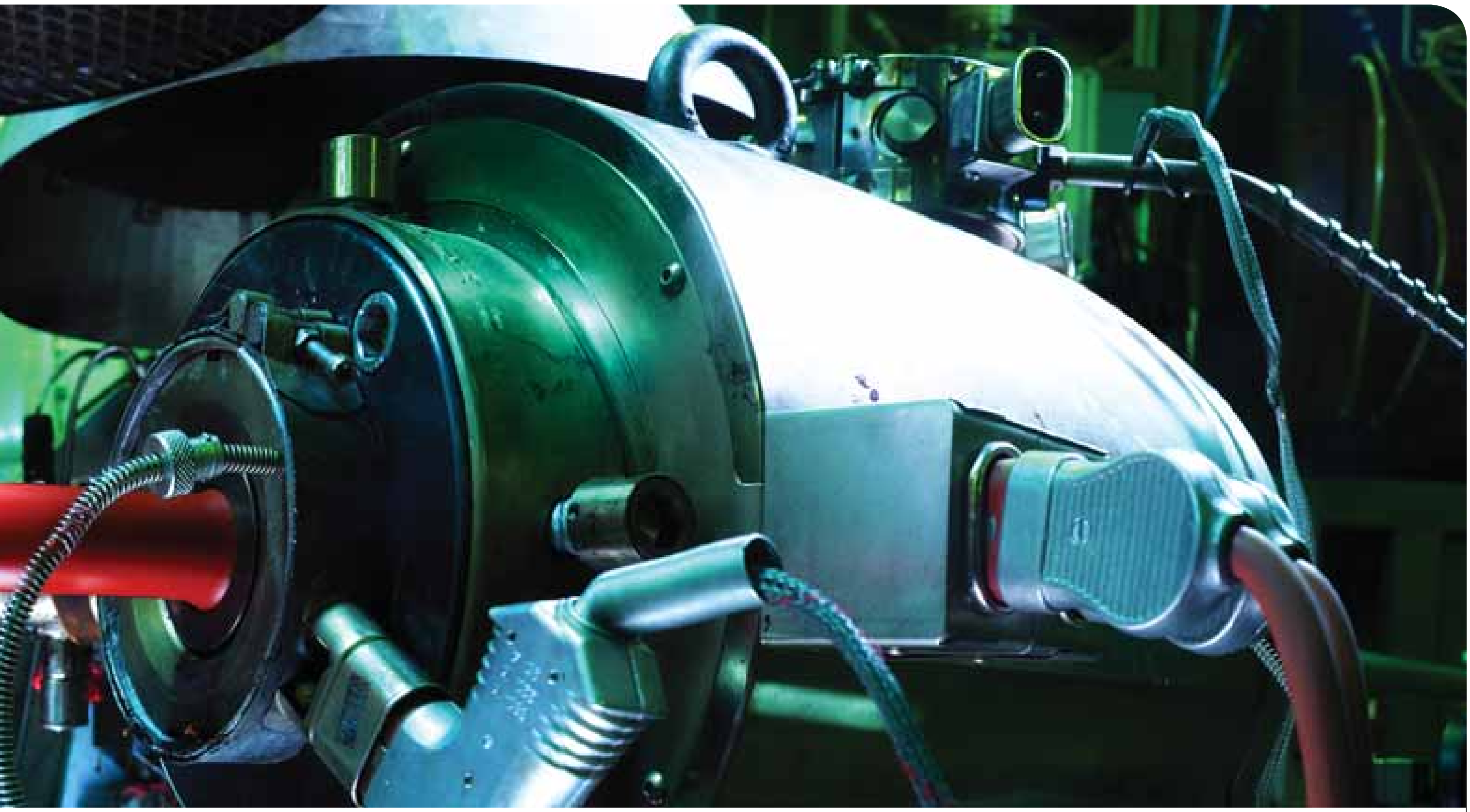
OWNERSHIP STRUCTURE

INVESTORS

(*) Includes 3,028,500 in treasury shares (around 1.7% of total share capital).
Source: CONSOB

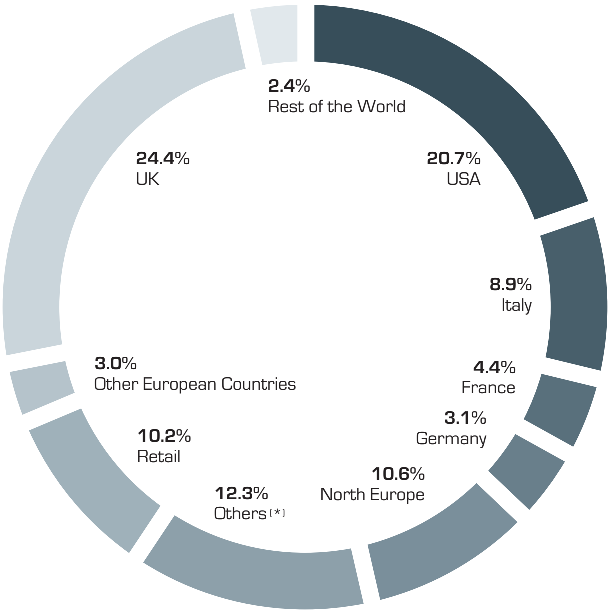


Following the exit of Goldman Sachs Group Inc. and Taihan from share capital during the year, the Company's free float is now 100%. As at 31 December 2010, major shareholdings (in excess of 2%) accounted for around 22% of the total, none of which were controlling interests.

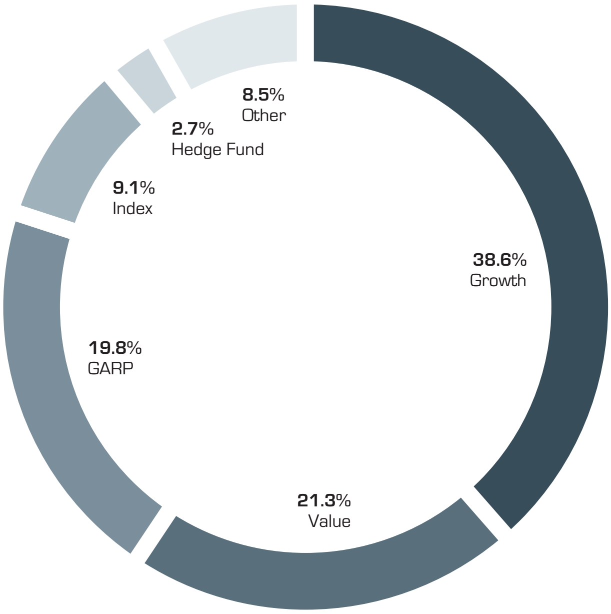


OWNERSHIP STRUCTURE BY TYPE AND GEOGRAPHICAL AREA

(*) Includes 3,028,500 in treasury shares.



INSTITUTIONAL INVESTORS BY INVESTMENT APPROACH



Relative to 31 December 2009 the ownership structure by geographical area reports a major increase in the proportion of UK and US institutional investors, who held 24% and 21% respectively of the Prysmian shares at the end of 2010, as well as a growth in institutional investors from Italy (9%) and North Europe (11%). Major Asian institutional funds also increased their presence during the year.

Approximately 80% of the shares were held by institutional investors with Value or Growth investment strategies. There was also a large increase the proportion of shareholders adopting an Index investment approach, based on the principal stock indices; in fact, this increase is consistent with the greater weight of the Prysmian stock within such baskets.

FINANCIAL CALENDAR

3 March 2011

Board
of Directors Group
Annual Report
and draft Annual Report
of Prysmian S.p.A.
at 31 December 2010

12/13/14 April 2011	12 May 2011	26 August 2011	10 November 2011
Shareholders' Meeting to approve Annual Report	First-Quarter Report at 31 March 2011	Half-Year Report at 30 June 2011	Third-Quarter Report at 30 September 2011

The quality of human resources is a constituent of excellence and a key success factor for Prysmian. We believe at Prysmian that the present and future of our Group depend on the personal and professional development of our employees. Our Human Resources strategy therefore aims to promote ongoing training and the dissemination of best practices throughout the Group, with a particular focus on key people with talent and critical know-how.

HUMAN RESOURCES

PRYSMIAN VALUES

Prysmian has adopted a system of values that unites diverse groups of people and represents the basis of actions, attitudes, conduct and ultimately sustained business success. The Prysmian value system defines the way in which its people communicate and interact with customers, partners, suppliers, shareholders and communities, and the way in which they manage the business and decide priorities.

Professional specialisation
Initiative in self-development
Pragmatism

No boundaries
Global value
Proactive
Cooperation

Continuous improvement
Embrace change
Continuous assessment

Ethics & People
Promote and motivate personal development
Openness and transparency

Solidity
Business acumen
Individual responsibility

Customer satisfaction and innovation
Create value for customers
Vision of future

PRYSMIAN PERSONNEL

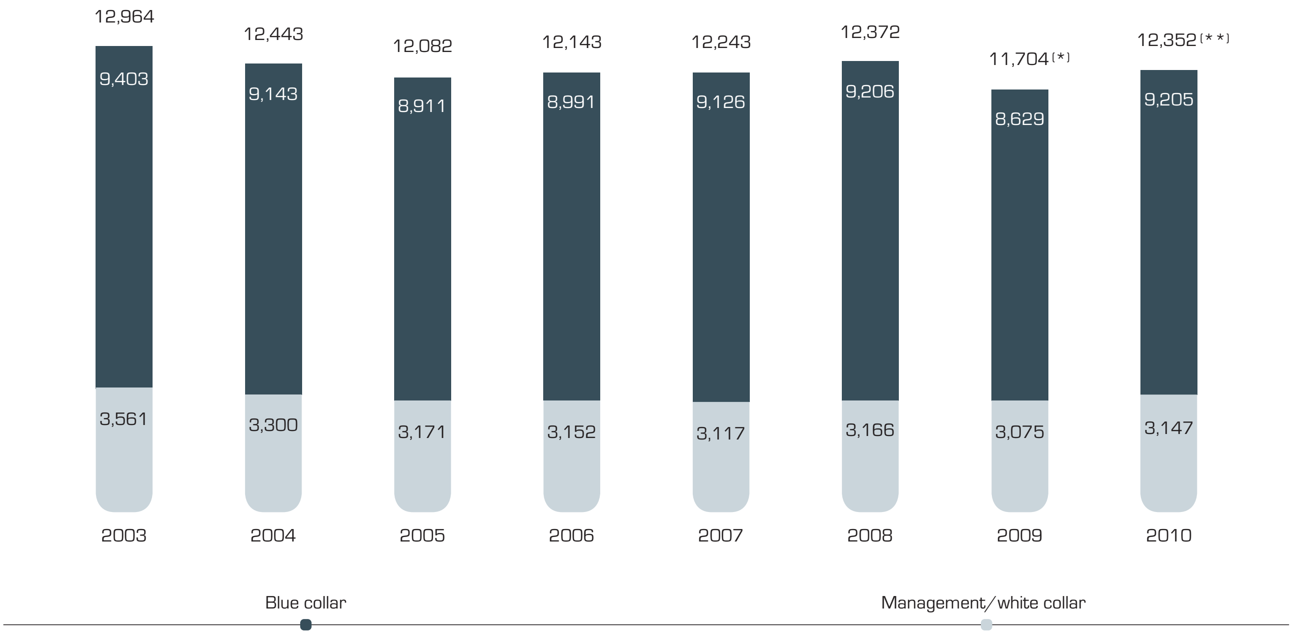
The Prysmian Group had a total of 12,352 employees at 31 December 2010, comprising 3,147 management/white collar staff and 9,205 blue collar staff, of whom 836 under fixed-term contracts (386 temporary workers and 450 agency workers). The headcount can be broken down as follows:

	Management/white collar staff	Blue collar staff	Total
Emea [1] [2]	1,743	6,132	7,875
North America	191	508	699
South America	272	1,066	1,338
Asia [3] Pacific	580	1,417	1,997
HQ Milan	361	82	443
Total	**3,147**	**9,205**	**12,352**

(1) EMEA = Europe, Middle East and Africa.
(2) Includes 49% of Power Plus Cable CO LLC Fujairah (UAE).
(3) Includes 40% of Power Cables Malaysia Sdn Bhd.

PRYSMIAN PERSONNEL

The Prysmian Group had a total of 12,352 employees at 31 December 2010, comprising 3,147 management/white collar staff and 9,205 blue collar staff, of whom 836 under fixed-term contracts (386 temporary workers and 450 agency workers). The headcount can be broken down as follows:



The acquisition of Ravin was completed in 2010, a company that is one of India's most competitive cable manufacturers with a market that extends to Africa and the Middle East. Apart from its principal manufacturing facility in Pune, near Mumbai, Ravin is also present in the Arab Emirate of Fujairah with Power Plus Cable Co LLC, a joint venture with the local government and over which it has charge of operational management. The two companies in India and the Arab Emirates employed a total of 471 people at 31 December 2010.

INVESTING IN TRAINING TO HAVE RESOURCES OF EXCELLENCE

Technical and managerial skills are a key success factor for supporting Prysmian's strategies. In order to create an adequate programme of training and development, Prysmian's Human Resources strategy focuses on strengthening individual skills that best respond to organisational and business needs.

In 2010 Prysmian not only continued its leadership development programme but also focused on:

Development of Talent: we continued to focus on *Talent Management*, by promoting awareness that everyone has specific talents that can be used to achieve the

(*) December 2009 inclusive of acquisition of Rybinsk Elektrokabel (Russia).
(**) December 2010 inclusive of acquisitions of Ravin Cables (India) and Power Plus Cable CO LLC Fujairah (UAE).
Note: Malaysia 40% Fujairah (UAE) 49%%.

company mission and also by assisting managers in applying the talent management policy, where applicable.

Talent management receives constant attention so that such Talents are aware of the key role they play particularly in the promotion of organisational innovation and cultural change: Talents are enthusiastic agents of change.

Prysmian attaches fundamental importance to the internal development of Critical Know-How to have the essential knowledge and skills for continuously improving product quality, expanding markets, managing customers and winning new business.

The Personnel Department operates closely with the business so as to always have the right people in the right job. Prysmian has identified and mapped its Key People, in other words those people who must support the achievement of strategic objectives by holding key positions thanks to their ability, aspirations and commitment.

Leadership Development: the *Developing Leadership Programme* aims to enhance the leadership skills of young talents and senior management internationally, through assessment, classroom instruction and workshops.

Managerial Development: a series of courses for senior managers, line managers and staff aims to enhance managerial skills at all levels within the Group. The courses conducted in 2010 covered: "People and Self Management", "Finance Fundamentals", "Intercultural Orientation", "Communication Skills" and "Influencing & Risk Taking".

Operational Excellence: training of plant technical staff has continued with a series of "Continuous Improvement" modules consisting of theoretical and practical sessions, focusing on Problem Solving, Quality, Maintenance and Industrial Engineering.

Change Management: this course, organised in 3 sessions in 2010, aims to improve the ability of its mixed nationality participants to deal with and manage change, drawing from their own personal, subjective resources, with motivation, energy and vision, those qualities of self-diagnosis, reflection, courage, and cognitive plasticity that form and drive the capability of knowing how to change.

The *Slem Project*, which started in 2010 and involved the top tier of Prysmian's R&D team, is a practical example of Change Management. Over a 4-month period of classroom activities, practical experience and coaching, the participants were able to enhance and develop certain skills such as those of integration and adaptation, leadership, responsibility and trust.

Prysmian also devotes attention to the induction of young staff; in 2010 it once again offered its now established training programme for newly-qualified engineers.
This programme, a 6-month Masters in Engineering Procurement & Installation, starts after an initial selection and assessment process and focuses on Sales, Engineering and Project Management. The training process involves both lessons in the classroom and on-site workshops. This masters programme also serves to create and expand a personal network between our young recruits.

Training in Italian Decree 231: The Group's Italian companies have carried on, once more in 2010, with this special training programme, involving classroom teaching of the principles contained in this decree and illustration of the Organisational Models adopted by the individual companies.

INTERNATIONAL MOBILITY

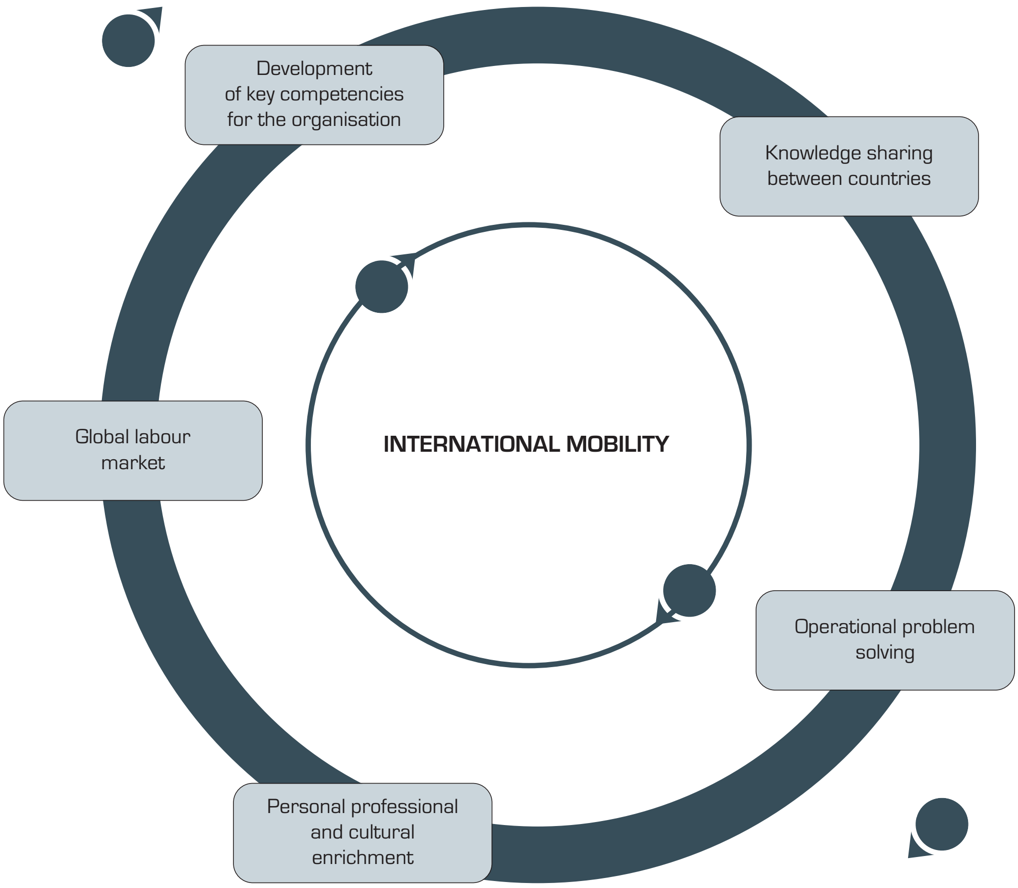
International mobility continues to be one of the prime ways of managing and developing the organisation and its Key People. In fact, in view of the Group's international development, Prysmian now considers the management of international staff mobility to be ever more important and strategic.

Now and in the future, such management represents a "strategic" process to which Prysmian intends devoting the utmost attention, since it:

- contributes to developing the business and enhancing specific key competencies in the various markets and Group companies;
- ensures and supports the professional and personal development of resources involved in the process;
- reinforces the Group identity;
- allows "young talents" to become accustomed to working in a genuinely "international" environment.

During 2010 Prysmian drew up a policy in this area with the aim of providing guidelines to ensure consistent and uniform treatment of the resources concerned, with particular reference to application of the individual contracts for temporary employment abroad and establishment of the related remuneration packages.

During 2010, around 2% of the total management and staff population was on foreign secondment.



INITIATIVES IN 2010

In the second half of 2010 Prysmian announced the *Prysmian Reloaded* project involving a new group-level organisational structure. The main rationale for the new structure, formally in effect from January 2011, is to give renewed priority to the Group's overall growth, by creating competitive advantages focused on "customer centricity" and distinctive product innovation, while also ensuring competitiveness of costs and capital employed. One of the new structure's primary goals is to strengthen team spirit and the level of engagement, through constructive international team rotation, making it possible to make the most of high-potential staff and to enhance the internal network and headquarters-country relations.

Prysmian also continued and started initiatives to revise structures and processes in several of the Group's operating units, involving assessments of both staff functions and those operating in "core" areas with the goal of improving efficiency (by rationalising structures, revising processes and changing the mix of resources), with consequent benefits for growth and fixed costs.

Lastly, particular attention was given to integrating the new acquisitions in Russia and India; international teams, including members of Group Human Resources and Organisation, assessed the local structures in order to identify areas for improvement, and plan and implement reorganisation activities for facilitating process standardisation and integration of the new subsidiaries within the Group.

INDUSTRIAL RELATIONS

In general, the Group's relationship with trade unions focused on maintaining and/or improving the efficiency and competitiveness of individual production units and on containing the growth in personnel costs.
Accordingly, wage increases negotiated by the individual affiliates were in line with inflation.
In certain specific cases of businesses in particular difficulty, it was agreed to freeze wages.
The process of renewing the Energy segment contract in Australia was particularly demanding; after several months of negotiation and not without strikes, it was agreed to introduce some important changes in terms of working hours flexibility (possibility of weekend working) and of personnel costs.

As regards transnational information and consultation, the agreement establishing a European Company Committee comprising company and worker representatives was renewed until April 2014 in view of its past successful operation.

VerTV™, THE NEW FIBRE OPTIC SYSTEM FOR SATELLITE TV

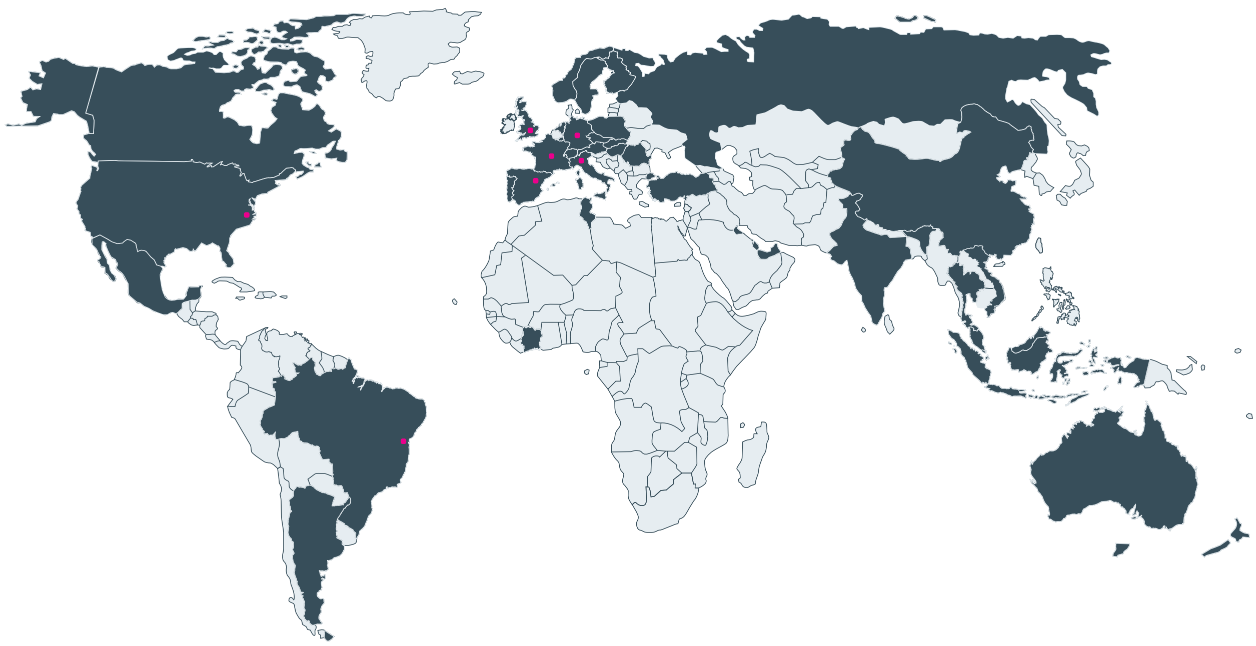
Prysmian's commitment to seeking innovative solutions even in sectors beyond its traditional business has led it to develop the VerTV™ fibre optic system, designed for today's rapidly and continuously evolving broadband society.

Satellite TV, which has traditionally used coaxial/copper cable for end customer connection, is gradually migrating towards the use of fibre optic technology, driven by the ever growing demand for new high bandwidth services offered by the market.
The transmission capacity of fibre is basically unlimited, and due to their extreme resistance, small size and huge flexibility, fibre optic cables can be easily installed in the reduced spaces often present in the domestic housing environment.

The opportunity to apply this technology to satellite television has convinced Prysmian to undertake an extensive product development programme aimed at producing a fibre optic system for the cabling of this type of television.
The VerTV™ system is the result of this work and is a testimony to Prysmian's experience in optical fibres, cables and systems. Designed to be compatible with every multi-dwelling unit satellite TV cabling requirement, it consists of pre-connectorised patchcords, floor boxes and a dedicated mini-connector whose small size makes it easy to install in existing ducts. All parts of the system, whose number of components are kept to a minimum, have been designed in line with the strictest environmental requirements including full compliance with all safety and fire regulations for indoor cabling.

RESEARCH AND DEVELOPMENT

Prysmian has always placed great strategic importance on Research & Development with a view to providing its customers with innovative solutions at competitive costs. The Group has: 7 Research & Development centres (Italy, France, UK, Germany, Spain, United States, and Brazil) with headquarters in Milan; strong cooperation relationships with major universities and research centres (including the Polytechnic in Milan, the Polytechnic in Bologna, the University of Genoa and the Bruno Kessler Foundation in Trento, all in Italy, the University of Barcelona in Spain, the University of Sao Paolo in Brazil and the University of Delft in Holland); more than 400 qualified professionals, and about 3,000 patents granted or filed. The Group's total R&D expenditure amounted to approximately Euro 46 million in 2010, basically in line with the prior year.



Prysmian global presence | **7** R&D Professionals | **400** R&D Professionals | **3.000** Patents Granted and Filed

Among the main achievements in 2010:

- in the petrochemical sector, development of high-tech flexible pipes for offshore oil extraction was completed at the Vila Velha plant in Brazil; new hybrid umbilical cables were also experimented, which unlike traditional cables use steel rather than plastic pipes, thus improving reliability and performance also when installed at depths of more than 2,000 metres;
- new generation high voltage direct current extruded XLPE cables which use innovative insulating materials that allow cables to carry voltages of 300 kV, compared with 250 kV previously. This new technology, suitable for both mainland and submarine installations, will be used for the first time in the BORWIN2 - 800 MW submarine project, which is the first high voltage 300 kV direct current link using extruded materials for insulation, and the first 800 MW link for an offshore wind farm;
- development of the first P-Laser high voltage cables at the Gron plant in France, with the aim of

progressively extending this technology to high and extra high voltage products. In addition, product certification of the medium voltage P-Laser cable was completed for the Dutch and UK markets;

- extension of the IQ-Protolon system to mining applications. This system allows constant monitoring of cable wear and tear, thus permitting early replacement. Other areas of application of this new technology are being studied, having been thus far used solely in the field of dockside logistics;
- in the field of solar energy, and particularly in connection with the ambitious European co-funded Ephestus project, in which Prysmian is a partner, work continued on developing micro-umbilical cables specifically designed for cogeneration solar plants. The electricity generation principle being studied for the first time in the Ephestus project is based on a non-photovoltaic physical phenomenon, that does not require the use of silicon;
- a new fire-resistant insulating compound has been developed for optical fibre telecom cables, that permits data transmission even in the event of fire. The new compound, made using special nanocharges, is currently being developed at the Pignataro Maggiore plant;
- a new range of high-density fibre cables for FTTH applications, with a maximum diameter of 20 mm that can contain up to 864 fibres. At the same time, passive connectivity development has continued with the goal of expanding the VERTICASA product portfolio.

INTELLECTUAL PROPERTY RIGHTS

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

The Group's intense R&D activities have allowed it to obtain a particularly large number of patents in high-tech and higher value-added sectors, confirming its major investment in such areas over recent years.

The most important products, typically involving specific characteristics or production processes, are covered by trademarks that allow them to be identified and guarantee their uniqueness.

As at 31 December 2010, the Prysmian Group had 2,887 patents and patent applications throughout the world (of which 1,649 relating to the Energy segment and 1,238 relating to the Telecom segment), covering 463 inventions (of which 246 in the Energy segment and 217 in the Telecom segment). Of these, 1,129 are patent applications or patents filed in one or more European country (both as national filings, and through the European Patents Office) and 366 are patent applications or patents filed in the United States.

At the end of 2010, the Prysmian Group also owned 693 trademarks for products or product lines, whose main purpose is product identification on the basis of specific characteristics or production processes.

"FRIENDS OF THE SUPERGRID" AND "MEDGRID" TO PROMOTE CLEAN ENERGY

Prysmian's commitment to supporting the development of transmission and distribution grids for energy from renewable sources has been reflected in its support for two important European projects being promoted by the industry's leaders.

In 2010 the Group launched the "Friends of the Supergrid", together with nine other energy-sector players. This is an international organisation whose mission is to support, including by raising policymaker awareness, the development of a pan-European offshore supergrid to exploit energy from renewable sources and so create an alternative to the existing methods of electricity generation, transmission and consumption.
The supergrid does not aim simply to connect sources of generation to places of consumption using a point-to-point model, but it will incorporate a new idea, largely based on DC power transmission that will make available large volumes of energy generated in remote locations from renewable sources to the various centres of consumption, through the creation of "supernodes" to connect, integrate and route the renewable energy to its point of demand.

During the year Prysmian also launched an industrial partnership with 11 leading European energy groups to study the feasibility of "Medgrid", a trans-Mediterranean supergrid for routing renewable energy from North Africa to Europe. The project forms part of the Mediterranean Solar Plan, which involves various projects in North Africa and the Middle East to exploit renewable sources and help accelerate the shift, in future years, towards "clean" energy.

PRYSMIAN FOR THE ENVIRONMENT

Management of its business on an environmentally sustainable basis is not just an ethical commitment for the Group but a key factor in its very business competitiveness. As part of its activities, Prysmian constantly endeavours to implement managerial and production processes that help improve environmental sustainability and occupational safety, in accordance with the guidelines of its HSE policy. These guidelines, approved and supported by the Chief Executive Officer, find their practical application in various areas, including certifications, investments and product innovation.
At group level, the Environmental and Safety Committee (ESC) is responsible for obtaining through the Health, Safety and Environment (HSE) department, the information needed to analyse and assess the activities and systems adopted for the Group's environmental and health and safety management, in order to define objectives, modifications and improvements.

ISO 14001 AND OHSAS 18001 CERTIFICATIONS

The ISO 14001 certification of the Environmental Management System (EMS), combined with the OHSAS 18001 certification for occupational health and safety management, gives rise to an integrated environmental/safety system able to control and reduce the environmental impact of processes and also ensuring high standards of worker safety.
At the start of 2010, 80% of the plants were certified ISO 14001, all of which maintained their certification in the year following maintenance and renewal audits by the certifying body. Those sites already certified were joined in 2010 by the Joinville plant in Brazil, which successfully passed the ISO 14001 compliance audit, while another of the uncertified plants is carrying out activities needed to obtain this certification.

As regards the OHSAS 18001 standard, work is continuing to extend the number of certified plants in accordance with the target established by headquarters: during 2010, 6 operating units (in Indonesia, Italy and Malaysia) were certified for the first time, while others are preparing to be certified. About 40% of Prysmian plants throughout the world now have this certification, including the above operating units certified during 2010.

ENVIRONMENTAL INVESTMENTS

In keeping with its HSE policy, Prysmian made around Euro 4.5 million in groupwide investments with a positive impact on the environment.

The benefits of such investments have been and will be: reduced emissions of polluting substances, reduced water and energy consumption, prevention of fires and pollution by waste water, elimination of equipment containing PCB.
These investments, made partly as a result of decisions by headquarters and partly at the proposal of individual plants, form part of the annual programme of improvements under the Environmental Management System (EMS) and have also been made to comply with ISO 14001 requirements.

PRODUCT INNOVATION

In recent years Prysmian's Research & Development department has studied, and then created numerous innovative products and processes, which have not only represented technological progress but also have a lower environmental impact than the solutions being replaced.
The most recent examples are presented below.

- Having eliminated lead salts from PVC compounds over the years and having studied Afumex (Low Smoke 0-Halogen) materials to replace PVC-based ones, Prysmian R&D is focusing on replacing lead derivatives in traditional EPR (Ethylene Propylene Rubber) power distribution cables. Towards the end of 2010 new lead-oxide-free compounds were produced for insulating type of cable, which will be certified and produced during 2011 at the Abbbeville plant in South Carolina.

- An important step forward was taken during the year for developing the range of products using the new P-Laser technology. After replacing traditional cross-linked EPR insulation with thermoplastic, recyclable HPTE material, the Group is now using lead-oxide-free insulating compounds, in line with its environmental policy aimed at eliminating potentially harmful materials from its products.
- The R&D department is developing technology for in-line soldering of copper pipes in extra high voltage cable production. This technology will soon make it possible to replace existing lead-based sheaths used in underground cables and will later be extended to submarine cables.

TRAINING AND SHARING OF EXPERIENCE

Training activities relating to the topics of environment and safety were once again carried out in 2010, with the continued aim of preventing accidents and safeguarding both the environment and worker health. The quality of such training has been confirmed in the positive results of the audits performed in 2010 to maintain or obtain new ISO 14001 and OHSAS 18001 certifications.

Apart from scheduled training conducted on-site or at country level, the headquarters HSE department organised two meetings during 2010: the first was for persons in charge of HSE at Prysmian plants throughout the world and was aimed at sharing experience and objectives, while the second was for the heads of selected operating units, namely plants about to be certified and recently acquired plants, where integration activities are in progress.

HEALTH AND PREVENTIVE MEDICINE

In addition to ensuring the occupational safety of its workers, Prysmian, has also undertaken initiatives in the field of health.

In detail:

- it has renewed an agreement with a clinic at which employees of Prysmian's Milan office can enjoy services at particularly beneficial rates;
- once again in 2010, it offered all employees the opportunity of having a free flu vaccination in their workplace.

AN INTEGRATED SUPPLY CHAIN

SOURCING

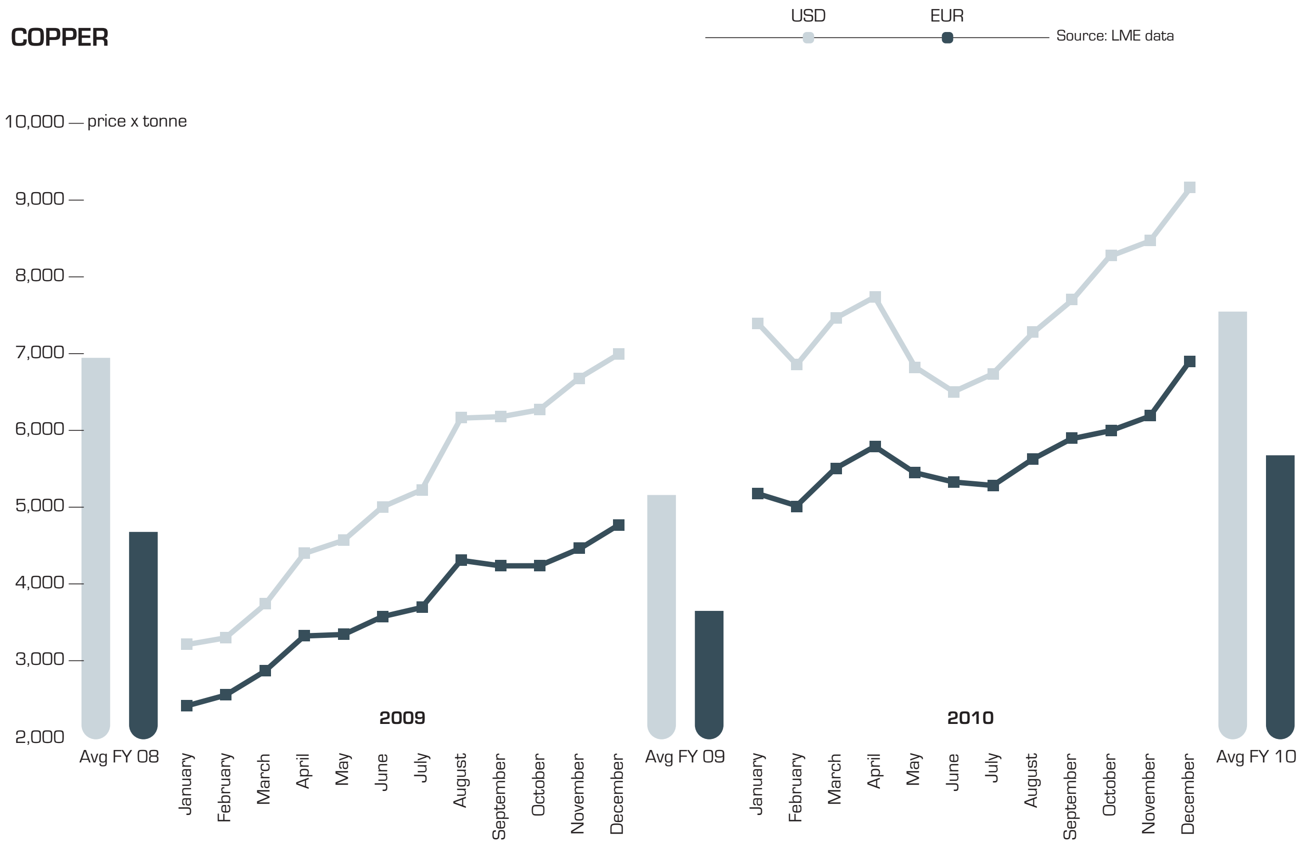
The main raw materials used by the Group in its production processes are copper, aluminium, lead and oil derivatives, such as PVC and polyethylene.

The average prices of all the Group's main raw materials significantly increased in 2010 on the prior year, when prices had been affected by the exceptional fall in demand following the world economic and financial crisis. In fact, commodity prices were highly volatile throughout 2010, reporting a rapid upswing particularly in the second half.

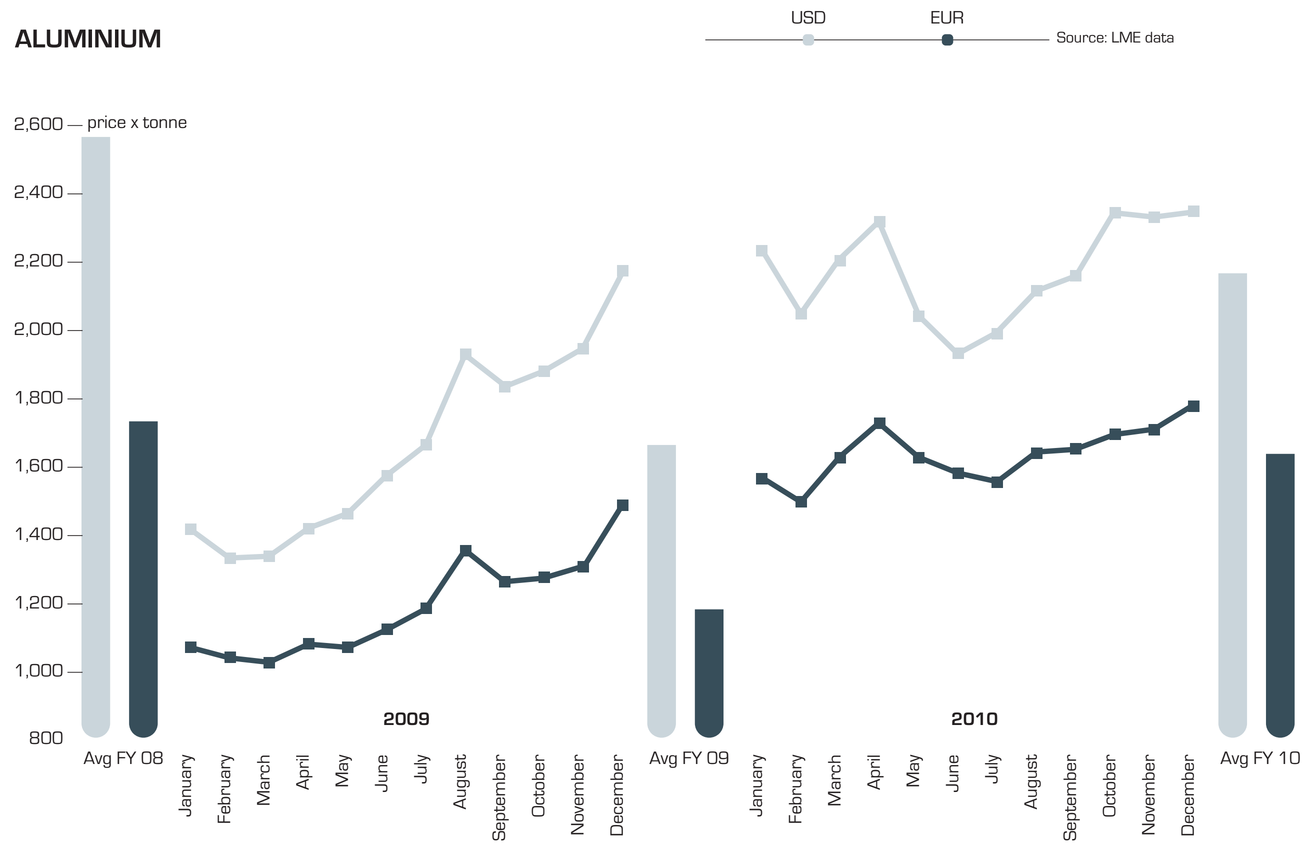
- Copper: the average price per tonne of copper on the London Metal Exchange reached USD 7,535 in 2010 (Euro 5,680), up 46% on USD 5,150 in 2009 (+55% in Euro). The price fluctuated over the year between a low of USD 6,091 in June and a high of USD 9,740 in December.
- Aluminium: the average price per tonne of aluminium on the London Metal Exchange reached USD 2,173 in 2010 (Euro 1,638), up 31% on USD 1,664 in 2009 (+38% in Euro). The price fluctuated over the year between a low of USD 1,829 in June and a high of USD 2,461 in December.
- Lead: the average price per tonne of lead on the London Metal Exchange reached USD 2,148 in 2010 (Euro 1,617), up 25% on USD 1,719 in 2009 (+32% in Euro). The price fluctuated over the year between a low of USD 1,559 in June and a high of USD 2,594 in November.
- Oil: the average price per barrel of brent was USD 80 in 2010, up 28% on USD 63 in the prior year, reaching a peak of USD 95 in December 2010. The corresponding price in Euro increased by 36% from Euro 45 to Euro 61. As a result, the average price of oil derivatives, like PVC and polyethylene, was also about 30% above the year before.

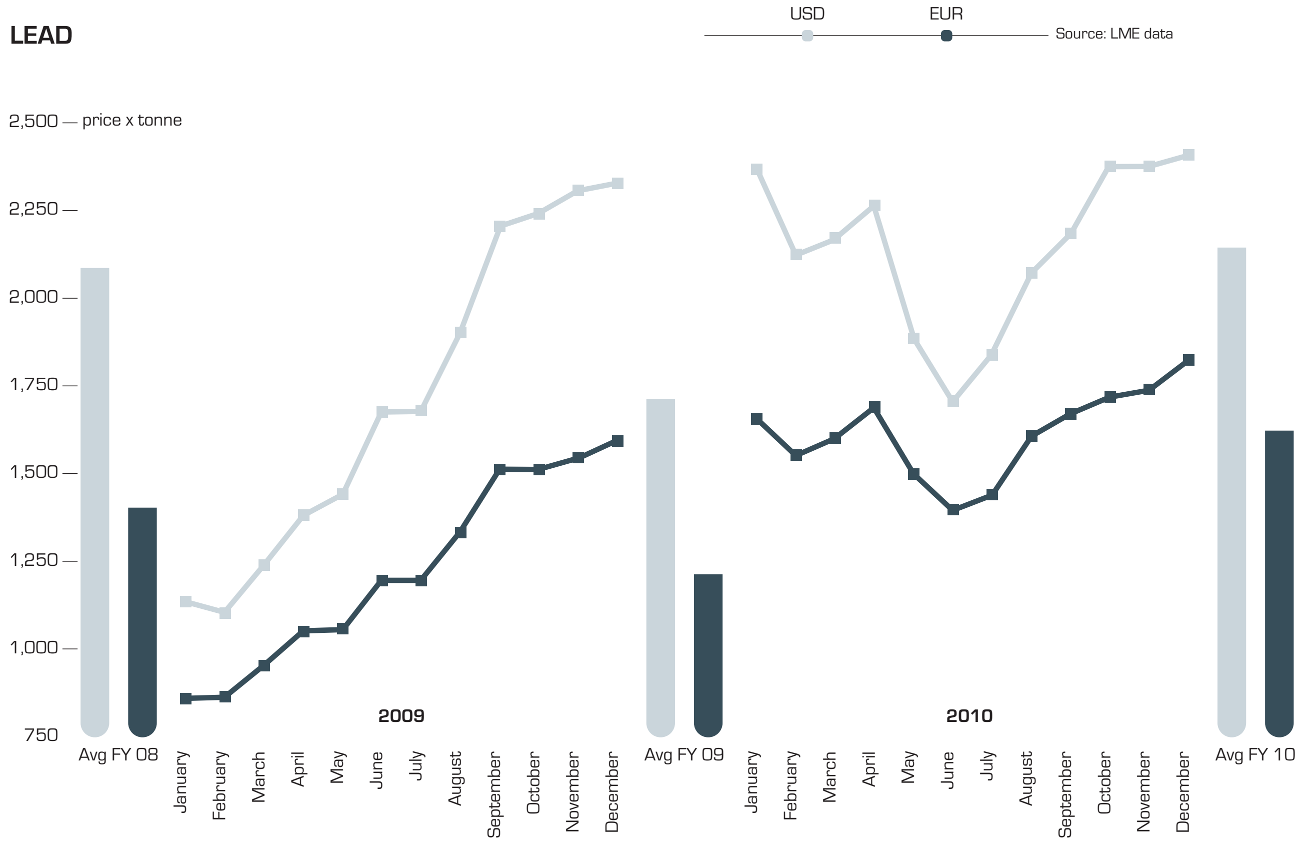
Prysmian was able to confront these fluctuations thanks to strict application of its hedging policies. In addition, by constantly monitoring global supplies and adopting various cost-cutting initiatives, Prysmian was also able to optimise raw materials procurement without compromising quality. Sale price adjustment mechanisms, combined with prudent hedging, helped mitigate the impact of price fluctuations on the income statement. During the year Prysmian further consolidated relationships with its major suppliers, thus avoiding any disruption in supplies and affording the Group both a short and long-term benefit.

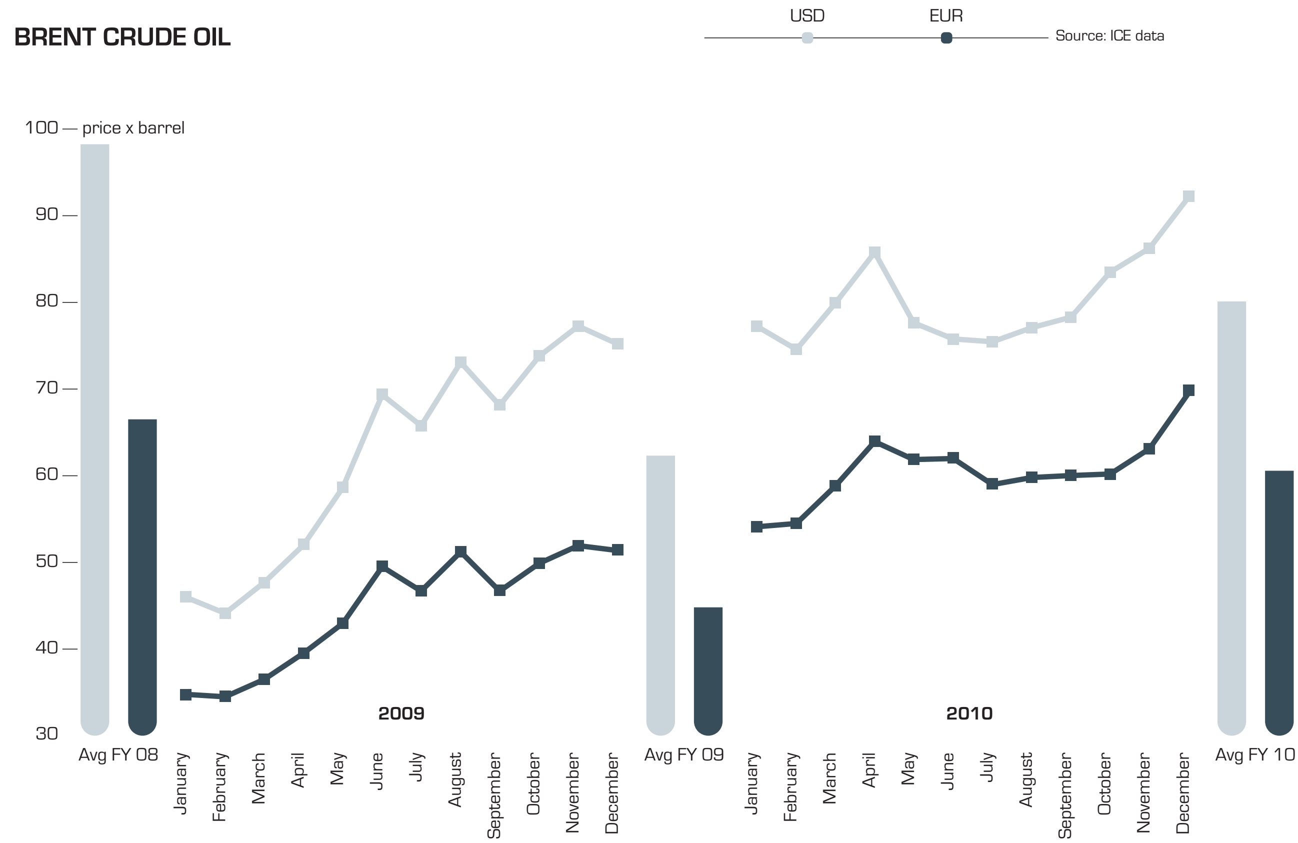
COPPER



ALUMINIUM




LEAD
USD
EUR
Source: LME data
2,500 — price x tonne
2,250
2,000
1,750
1,500
1,250
1,000
750
Avg FY 08
2009
January
February
March
April
May
June
July
August
September
October
November
December
Avg FY 09
2010
January
February
March
April
May
June
July
August
September
October
November
December
Avg FY 10


BRENT CRUDE OIL
USD
EUR
Source: ICE data
100 — price x barrel
90
80
70
60
50
40
30
Avg FY 08
2009
January
February
March
April
May
June
July
August
September
October
November
December
Avg FY 09
2010
January
February
March
April
May
June
July
August
September
October
November
December
Avg FY 10

PRYSMIAN EXPANDS IN "NEW" MARKETS

Prysmian made a number of important investments during 2010 in line with its strategy of expanding in high-growth countries and in the high-tech cables and systems sector.

In China the Group started a project to double production capacity and install a second "vertical tower" at its Baoying plant for EHV and HV cables. This project brings the total resources invested by Prysmian in China to some Euro 120 million since entering this country.
The aim is to further strengthen the Group's technological leadership, and market share, in China, particularly in the area of systems of up to 500 kV (in fact, China State Grid recently awarded Prysmian a contract for an EHV cable system, the first in China in this strategic sector). China represents upwards of 20% of the worldwide cables market and the Chinese government has announced the construction of approximately 26,000 km of new power lines.

In India, whose cables and systems market is expected to double in size over the next three years, the recent joint venture between Prysmian and Ravin Cables Ltd. defined strategies over the course of the year for developing the local market. With the goal of becoming one of the top three Indian players in the sector by securing some 10% of the local market, the Group intends to implement a long-term programme of investment in resources, training, technology and manufacturing facilities, particularly in a new line for HV cable up to 220 kV. Thanks to a contract from Reliance Infrastructure to develop a 220 kV power transmission system in Mumbai, Prysmian cables will enter the Indian market for the first time.

INDUSTRIAL ACTIVITIES

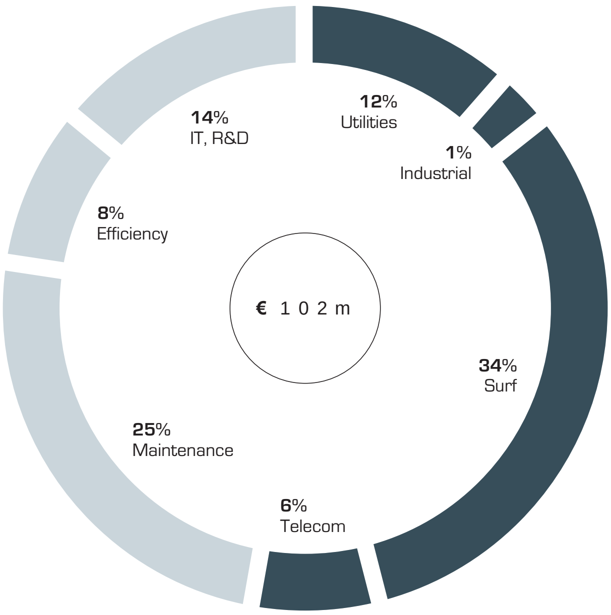
The Group's manufacturing operations are carried out through a highly decentralised model, involving 55 plants in 24 different countries. The wide geographical distribution of its plants is a strategic factor, allowing the Group to react to changing market demand in relatively short time. Over the course of 2010 Prysmian continued to implement an industrial strategy based on: (i) focus on higher value-added products, while maintaining a well diversified geographical presence to minimise distribution costs; (ii) concentration of manufacture of high-tech products in a limited number of plants to leverage on economies of scale, increase manufacturing efficiency and reduce net capital employed.

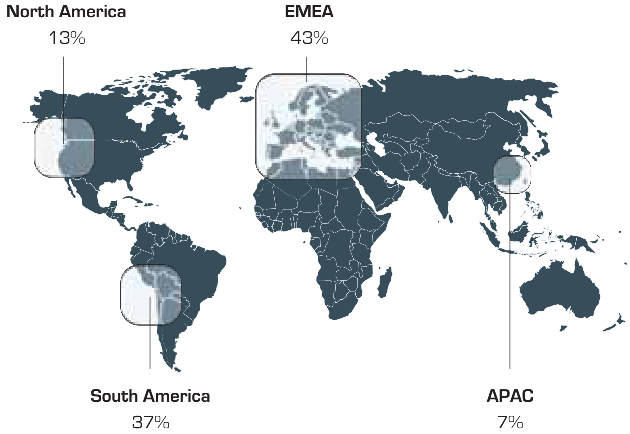
During the year the Group completed integrating the industrial activities of the two companies acquired in India and Russia, with a consequent application of the Group's organisational models and systems of control to the two new plants in Pune, India and Rybinsk, Russia. The St. Jean plant in Canada was finally closed, with a consequent transfer of machinery to the plant in Prescott. This concentration of production activities was carried out to optimise the country's cost structure.

The upturn in the market, even if differing by geographical area, led to an increase in production volumes, with a consequent realisation of better industrial efficiencies than in the prior year.

Gross investments amounted to Euro 102 million in 2010, basically in line with the prior year. Investments for increasing production capacity accounted for 53% of the total. Production capacity increases mostly referred to the Utilities and Industrial (Surf) business areas as well as the optical cables business line. In particular, the Vila Velha plant in Brazil, due to produce flexible pipes for offshore oil extraction, completed its first phase of enlargement during the year. The Baoying plant in China, specialising in the manufacture of Extra High Voltage (EHV) cables, completed the first cycle of investments to increase production capacity and the next phase of investment was started with the dual goal of satisfying growing demand by the local market and of increasing Prysmian market share. The Chinese plant also successfully completed all the certification tests on 500kV cables. Lastly, of particular relevance were the investments in the Battipaglia optical fibre factory in Italy, aimed at reducing fibre manufacturing costs and increasing production capacity.

The following charts show how the Group's investments in 2010 were split by type and geographical area:





Incremento capacità produttiva

Structural maintenance capex accounted for 25% of total investments. Among the various projects, undoubtedly the most important was the transfer of production from the plant in St. Jean to Prescott, Canada, involving entire production lines and improvements for increasing output, efficiency and product quality.

A significant share of the investments (over 12% of the total) was devoted to the ongoing development of information systems. In particular, there was continued expenditure on implementing the SAP Consolidation project, aimed at standardising the information system in all the Group's operations over the next few years. In 2010 the new information system was rolled out to all the Italian companies, the Finnish company and those in the Danube region. Lastly, 8% of total investments went on making material usage and product layout more efficient, contributing to a saving of around Euro 19 million in variable production costs over the course of the year.

LOGISTICS

The Logistics department manages all the Group's intercompany flows in terms of both the budget and everyday operations with the aim of satisfying demand in all markets that do not have a local production source for reasons of capability and/or production capacity. Logistics also manage short and medium-term production allocations and planning through Sales & Operations Planning (SOP), which acts as the link between the demand cycle (sales) and the supply cycle (operations). The Group plans production according to whether a product is classified as "assembly to order" (ATO), "make to order" (MTO) or "make to stock" (MTS). The ATO approach allows a fast response to demand for articles that use standard components but differ only at the final stages of production or packaging. This approach has the dual objective of fast response to market demand while at the same time keeping finished goods levels to a minimum. Under the MTO approach, production is activated and goods shipped only after receipt of a customer order, significantly reducing unused inventory levels and the time that raw materials and finished goods remain in stock. In contrast, under the MTS approach, generally used for more standardised products, inventory management focuses on producing items for stock to allow a fast response to demand. Prysmian continues its policy adopted in recent years of prioritising customer service, with the ultimate objective of improving flexibility, reliability, and time to market. The "Improving Factory Reliability" project made further progress in 2010, making it possible to improve the reliability of planning and the execution of manufacturing output, in terms of both mix and volumes in ever faster response times.

Improved Factory Reliability has also permitted rigorous control of every category of inventory: raw materials, semi-finished products and finished goods; this has allowed the Group to deal efficiently and effectively with the recovery in demand and consequent increase in production volumes through rapid adjustment of inventory levels.

In addition to the Customer Centricity and Factory Reliability projects, Prysmian has also started Supply Chain Integration projects with some of its most important European customers with the aim of improving process effectiveness and efficiency throughout the supply chain, from the end cable user to the producers of raw materials and semi-finished products used in production. Prysmian has also carried on rolling out the "SAP Consolidation" project to Italy, Hungary, Austria, Slovakia and Romania. This project entails harmonising and standardising all IT processes worldwide. In particular, once this project is implemented in all the Group's countries of operation, the supply chain, from procurement to physical distribution, will benefit from ever greater process integration and centralisation of decision-making and operations, allowing more efficient use of resources, greater sharing of information and a big reduction in market response times.

QUALITY

A rigorous and revised approach to Quality has contributed to Prysmian's maintenance of its market leadership and position as a benchmark for the quality of the products supplied.
In particular, activities in 2010 were concentrated on completing the system of rules for managing the Group (Prysmian Quality Management System) with the issue of the PQMS Manual and a complete set of Corporate Operating Procedures; this work was supported by training sessions and the consequent alignment of operating procedures used by individual affiliates with the new Group guidelines.

Work also continued in 2010 according to plan on the "Back to Basics" project aimed at guaranteeing optimal product and process performances through prevention and controls: detailed revision of the procedures for controlling finished goods, an extended process audit campaign and a new approach to procurement management produced their first important results in the form of a significant reduction in customer claims (-20% on 2009).

A STANDARDISED PLATFORM FOR FULL GROUP INTEGRATION

During 2010 the programme for consolidating the SAP ERP (Enterprise Resource Planning) systems used by the Group's various companies into a single platform using a common model of latest release processes, carried on with success.

In fact, Prysmian has made its largest ever investment in IT, by successfully adopting the SAP for Mill Products vertical solution as part of the project to centralise and standardise operating, accounting and management procedures and information. This project aims to support the creation of a single, global identity, by standardising intercompany processes and cost structures to foster product benchmarks and by optimising strategic decisions and reporting to facilitate the analysis of results.

By standardising its ERP systems, Prysmian aims to make its entire supply chain even more efficient, thanks to synergies from increased integration with partners, suppliers and customers. Since starting in 2008, this project has involved many company functions, from accounting to financial control, from sales to logistics, from procurement to production and engineering. The project reached a 30% completion stage in 2010, having been implemented in 17 plants in 9 European countries, with standardisation of the whole of Europe expected to be completed by the end of 2011.
The project's worldwide completion is expected in 2013.

INFORMATION SYSTEMS

The information systems area plays a strategic role in the Prysmian Group. The fixed objective of increasing efficiency and global presence demands advanced, standardised information tools both for systems that support company functions and for personal computing.
The Group continued to invest heavily in ERP (Enterprise Resource Planning) in 2010, without neglecting technology updates and upgrades in other areas to meet the needs of the business.
In India and Russia it is investing in information systems in order to bring these affiliates up to the Group's process and technology standards.
Prysmian monitors IT market changes and our sourcing model is permanently being put to the test to obtain better services at a competitive price.

APPLICATIONS

Consolidation of the Enterprise Resource Planning (ERP) system
Prysmian has the advantage that nearly all its affiliates are on the same ERP system (using SAP technology).
Up until 2008, every affiliate had its own SAP system. In recent years Prysmian has been taking forward, and will continue to do so in 2011, an extensive programme for consolidating its various existing SAP systems into a single platform using a common model of technologically updated processes. The programme reached a 30% completion stage in 2010, having been implemented in 17 plants in 9 European countries.

Other important projects
Projects in 2010 included business intelligence projects in the commercial area, the new company intranet and updating of the SRM platform (Supplier Relationship Management).
Systems centralisation has required constant improvements in controlling maintenance and development activities, through the provision of reliable, robust solutions for supporting the business globally.

INFRASTRUCTURE

Personal computing
In 2010 Prysmian reaped the benefits of implementing an IT asset management system allowing almost 7,000 workstations to be efficiently managed and controlled from both a hardware and software point of view. Apart from efficiency in the deployment of available resources, this also makes it possible to provide users with a better service.
It is planned to update the Group's software standards in 2011.

Infrastructure and Network Consolidation
With the adoption of management tools on servers and network systems, Prysmian has managed to implement an efficient monitoring system using internal competencies working remotely from foreign affiliates and the services of third parties.

Prysmian's policy is to retain the governance and the technological direction most suited to its business and to carry on introducing innovative tools, that improve individual and Group productivity and cut communication costs and employee travel time.

SIGNIFICANT EVENTS DURING THE YEAR

The market scenario faced by Prysmian in 2010 saw an uncertain first quarter with falling prices and volumes, which gradually eased over the rest of the year. In fact, volumes started to recover in the following quarters, while prices remained generally stable. In the fourth quarter of 2010 the Group's sales reported 11.8% year-on-year organic growth thanks to the upturn in Energy segment volumes and in the sector of optical fibre telephone cables.

Given this scenario, the Prysmian Group's overall sales increased on 2009, and posted an organic growth of 3.2% (excluding changes in group perimeter, metal prices and exchange rates). The second half of the year, in particular, enjoyed a clear recovery on the 2009 equivalent period and confirmed the upward trend in progress since the second quarter of 2010.

During 2010, the Prysmian Group further intensified tactical actions for exploiting as many market opportunities as possible, without however subverting its core strategy. The Group concentrated on its ability to react quickly to often discontinuous market demands, while maintaining maximum attention on high value-added business and consolidating its presence on geographical markets with greater future potential; it continued to pay great attention to improving industrial efficiency, to optimising raw materials procurement and customer service in order to defend its profitability and respond rapidly to competitor actions.

PRINCIPAL PROJECTS ACQUIRED AND COMMERCIAL INITIATIVES

Prysmian secured a series of important international contracts over the course of the year, amongst which:

- a "turnkey" system, worth around Euro 250 million, for an extra high voltage transmission grid for Abu Dhabi Transmission and Dispatch company (TRANSCO);
- the BorWin 2 and HelWin1 projects in the North Sea (worth a total of some Euro 400 million) for Transpower, a German transmission system company controlled by the Dutch TenneT group;
- a contract in the United Kingdom with RWE Npower Renewables for the onshore part of the cable linking the Gwynt y Mor wind farm to Britain's electricity grid;
- a contract with the Avrasya Metro Group (AMG) of Turkey to supply fire-resistant and low fire-hazard cables for the new metro line in Istanbul. The new line will transport up to one million passengers a day;
- a project worth in excess of Euro 90 million for a new electrical interconnection between France and Spain. The link will be realised for INELFE, a 50% joint venture between the Spain grid operator Red Electrica de España (REE) and the French grid operator Réseau de Transport d'Électricité (RTE).

INDUSTRY RECORD FOR NEW RENEWABLE ENERGY CONNECTIONS

The Group has recently won a number of important contracts in Europe in the strategic renewable energy sector for the connection of offshore wind farms to the mainland electricity grid.

In June Transpower, the German transmission grid operator, awarded Prysmian a contract worth in excess of Euro 200 million. The Group will supply cable systems for the BorWin2 project to link the Veja Mate and Global Tech 1 wind farm, located 125 km offshore in the North Sea, to the mainland with the purpose of supplying wind-generated renewable power to the German grid. The project marks a number of industry milestones: it will be the first HVDC cable (± 300 kV) using an extruded insulation system, the first 800 MW connection for offshore wind farms and the largest VSC system with a capacity of 800 MW.

One month later Transpower awarded Prysmian another contract worth in excess of Euro 150 million for the HelWin1 project, which will connect the Nordsee Ost and Meerwind (Seawind) wind farms, located 85 km offshore, to the German mainland. The Group will supply 130 km of HVDC submarine and underground cable, which will be manufactured, together with accessories, at its European plants specialised in HV cable, including the dedicated submarine plant in Arco Felice, Naples. Both connections are scheduled to enter operation in 2013.

Other projects in which the Group is involved include the Gwynt y Mor offshore wind farm, due to become the largest in the United Kingdom, to which Prysmian is supplying underground cables for the onshore section. Prysmian will supply RWE Npower Renewables with 132 kV cables for a system that, once fully operational, should satisfy the energy requirements of 400,000 homes.

FINANCE AND M&A ACTIVITIES

On 19 January 2010, the Prysmian Group acquired a majority, controlling interest of 51% in the Indian group of Ravin Cables Limited.
With turnover of around Euro 30 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.

On 21 January 2010, the Group entered a long-term credit agreement for Euro 1,070,000 thousand with a syndicate of major 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 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 bond settlement date was 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market.
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.

On 22 November 2010, Prysmian announced its intention of making a public mixed exchange and cash offer for Draka Holding N.V., a listed company and parent of the Draka Group, with the aim of creating a global leader in the energy and telecom cable-making industry. Details of this transaction can be found in "Subsequent Events".

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	2010	2009	% change	2008
Sales	4,571	3,731	22.5%	5,144
Adjusted EBITDA	**387**	**403**	**-4.0%**	**542**
% of sales	8.5%	10.8%		10.5%
EBITDA	**365**	**366**	**-0.2%**	**518**
% of sales	8.0%	9.8%		10.1%
Fair value change in metal derivatives	28	91		(68)
Remeasurement of minority put option liability	13	-		-
Amortisation, depreciation and impairment	(99)	(71)	40.4%	(70)
Operating income	**307**	**386**	**-20.3%**	**380**
% of sales	6.7%	10.3%		7.4%
Net finance income/(costs)	(96)	(52)		(97)
Share of income from investments accounted for using the equity method and dividends	2	3		3
Profit before taxes	**213**	**337**	**-36.9%**	**286**
% of sales	4.7%	9.0%		5.6%
Taxes	(63)	(85)	-25.7%	(51)
Profit/(loss) for the year	**150**	**252**	**-40.7%**	**235**
% of sales	3.3%	6.8%		4.6%
Attributable to:				
Owners of the parent	148	248		237
Non-controlling interests	2	4		(2)

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

	2010	2009	% change	2008
Operating income (A)	**307**	**386**	**-20.3%**	**380**
EBITDA (B)	**365**	**366**	**-0.2%**	**518**
Non-recurring expenses/(income):				
Company reorganisation	11	13		8
Shutdown of production facilities	-	6		3
Antitrust investigation legal costs	5	11		-
IT system segregation	-	-		1
Special project costs	7	4		3
Environmental remediation	1	3		-
Badwill from Facab Lynen acquisition	-	-		(3)
Recognition/(release) of provision for tax inspections	(2)	-		12
Total non-recurring expenses/(income) (C)	**22**	**37**		**24**
Fair value change in metal derivatives (D)	(28)	(91)		68
Remeasurement of minority put option liability (E)	(13)	-		-
Impairment of production facilities (F)	21	2		5
Adjusted operating income (A+C+D+E+F)	**309**	**334**	**-7.6%**	**477**
Adjusted EBITDA (B+C)	**387**	**403**	**-4.0%**	**542**

The Prysmian Group's sales (excluding changes in group perimeter, metal prices and exchange rates) increased in 2010, reporting a 3.2% organic growth on the prior year, analysed by operating segment as follows:

- Energy +3.4%;
- Telecom +1.2%.

Fourth-quarter sales provided even stronger confirmation of the trend reversal since the second quarter, with organic growth of 11.8% on the prior year equivalent period, analysed by operating segment as follows:

- Energy +11.3%;
- Telecom +15.8%.

This upturn not only benefited the entire Energy segment, with an upsurge in volumes in all its business areas, particularly in Central Europe and South America, as well as the Telecom segment, with renewed demand for optical fibre cables, but also allowed the Group to counteract price pressures.

The Group's adjusted EBITDA (before Euro 22 million in non-recurring expenses) came to Euro 387 million, posting a decrease of Euro 16 million (-4.0%) on the prior year.

During 2010, and particularly in the second and third quarters, the Euro depreciated against currencies in which the Group operates outside the Eurozone, benefiting the result by around Euro 14 million. This positive impact mostly came from the Euro's depreciation against the US dollar, the Brazilian real, the British pound and the Australian dollar.

Fourth-quarter adjusted EBITDA was Euro 106 million, a decrease of Euro 5 million (-4.5%) on the corresponding period in 2009.

INCOME STATEMENT

Group sales came to Euro 4,571 million at the end of 2010, compared with Euro 3,731 million at 31 December 2009, representing a positive change of Euro 840 million (+22.5%).
This increase was due to the following factors:

- addition of Euro 85 million (+2.3%) 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 167 million (+4.4%);
- increase of Euro 468 million (+12.6%) in sale prices due to fluctuations in metal prices (copper, aluminium and lead);
- organic sales growth of Euro 120 million (+3.2%) due to higher volumes.

The contribution margin of Euro 803 million realised in 2010 exceeded the corresponding prior year figure of Euro 791 million by Euro 12 million (+1.5%). The contribution margin benefited from the organic growth in sales and from Euro 32 million in positive exchange rate effects, both of which neutralised the contraction induced by price pressures in all of Prysmian's sectors of activity. Thanks to the growth in volumes, the commercial actions taken and positive exchange rate effects, Prysmian was able to achieve a fourth-quarter contribution margin of Euro 213 million, up 6.5%from Euro 199 million in the corresponding period of 2009.

The commercial and business segmentation strategies,

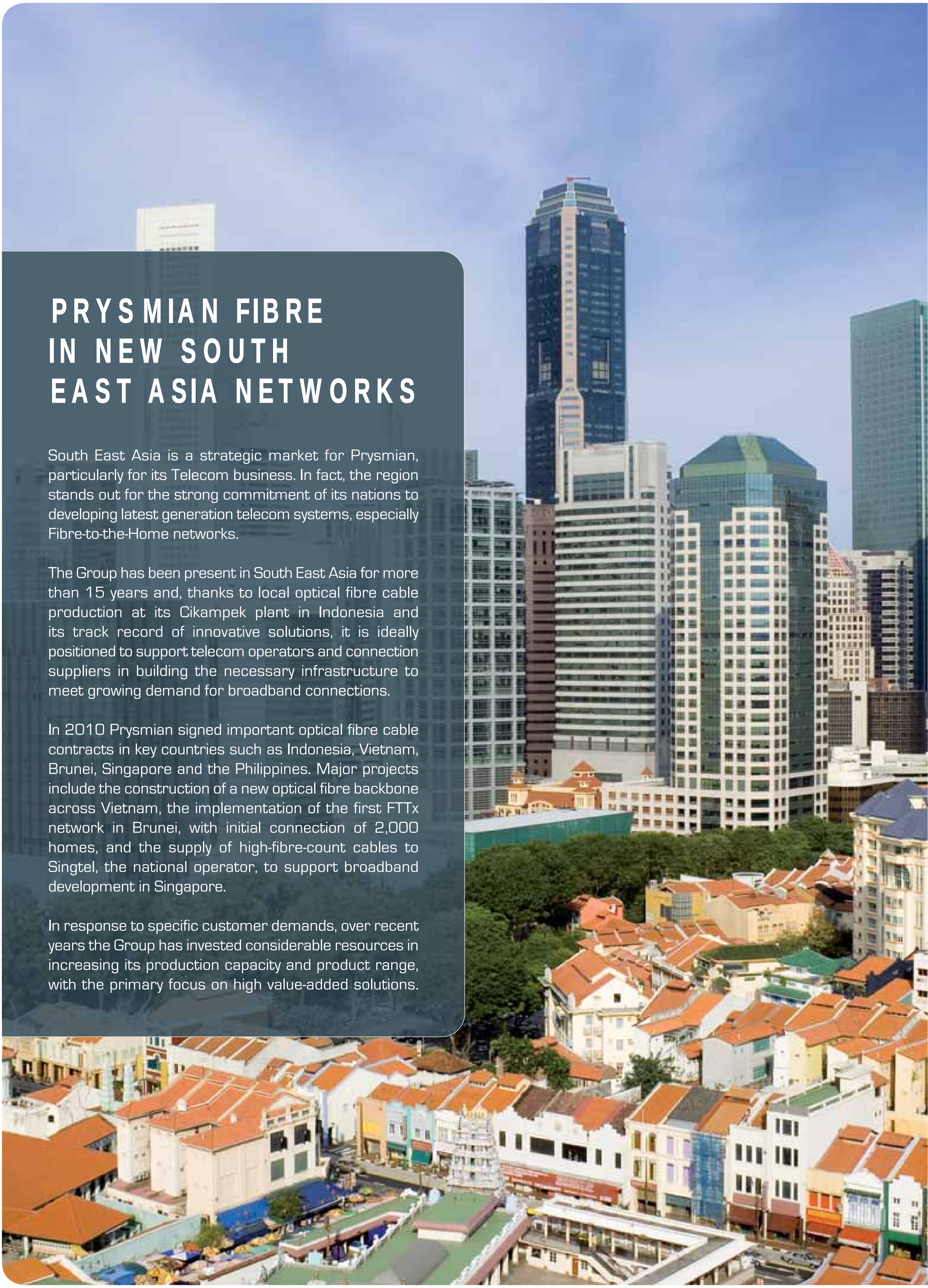
PRYSMIAN FIBRE IN NEW SOUTH EAST ASIA NETWORKS

South East Asia is a strategic market for Prysmian, particularly for its Telecom business. In fact, the region stands out for the strong commitment of its nations to developing latest generation telecom systems, especially Fibre-to-the-Home networks.

The Group has been present in South East Asia for more than 15 years and, thanks to local optical fibre cable production at its Cikampek plant in Indonesia and its track record of innovative solutions, it is ideally positioned to support telecom operators and connection suppliers in building the necessary infrastructure to meet growing demand for broadband connections.

In 2010 Prysmian signed important optical fibre cable contracts in key countries such as Indonesia, Vietnam, Brunei, Singapore and the Philippines. Major projects include the construction of a new optical fibre backbone across Vietnam, the implementation of the first FTTx network in Brunei, with initial connection of 2,000 homes, and the supply of high-fibre-count cables to Singtel, the national operator, to support broadband development in Singapore.

In response to specific customer demands, over recent years the Group has invested considerable resources in increasing its production capacity and product range, with the primary focus on high value-added solutions.



reconfirmed by the Group for the current year, have allowed it to neutralise the effects of competitive market dynamics. In fact, the large order book for long-term high value-added projects (High Voltage and Submarine) has allowed the Group to compensate for worsening conditions for Trade & Installers and Power Distribution and the slow recovery in industrial market volumes.

Adjusted EBITDA amounted to Euro 387 million in 2010, compared with Euro 403 million at 31 December 2009, reporting a decrease of Euro 16 million (-4.0%).

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

(in millions of Euro)

		% change
Energy	**(21)**	
Utilities	(16)	-3.9%
Trade & Installers	(5)	-1.2%
Industrial	(1)	-0.2%
Other	1	0.2%
Telecom	**5**	**1.1%**

Group EBITDA amounted to Euro 365 million, versus Euro 366 million at 31 December 2009.

Fourth-quarter EBITDA fell by Euro 2 million on the prior year equivalent period to Euro 93 million, due to an increase in non-recurring expenses relating to acquisition projects.

Net non-recurring expenses included in EBITDA for 2010 amounted to Euro 22 million, and comprise:

- Euro 7 million in costs for special acquisition projects;
- Euro 11 million in restructuring charges aimed at reducing costs;
- Euro 5 million in legal costs for the antitrust investigation in progress;
- 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 at 31 December 2010 was Euro 28 million higher than the year before at Euro 99 million, of which Euro 79 million in depreciation of property, plant and equipment and Euro 7 million in amortisation of intangible assets. The increase is due not only to investments made during 2010 and negative exchange rate effects, but also to the recognition of impairment losses of Euro 13 million against the goodwill of the newly acquired Ravin Cables Limited and of Euro 8 million, mostly referring to the Eastleigh plant in the UK, which is no longer operational and now being held for sale.
The most significant investments in 2010 related to production capacity increases for flexible pipes in Brazil, for high voltage cables in the United States and China and for optical fibre at the Battipaglia plant in Italy, as well as to advancement of the SAP project in the IT area.
The fair value change in metal derivatives was a positive Euro 28 million at 31 December 2010, compared with a positive Euro 91 million at the end of 2009.

Group operating income, inclusive of the effect of non-recurring items and of the fair value change in metal derivatives and in other fair value items, amounted to Euro 307 million at 31 December 2010, compared with Euro 386 million at the end of 2009, reporting a decrease of Euro 79 million (-20.3%).

Finance income and costs reported a net negative Euro 96 million at the end of 2010, compared with a negative Euro 52 million at 31 December 2009, posting a deterioration of Euro 44 million. This was mainly due to the following factors:

- a negative change of Euro 28 million associated with currency and interest rate derivatives and exchange differences;

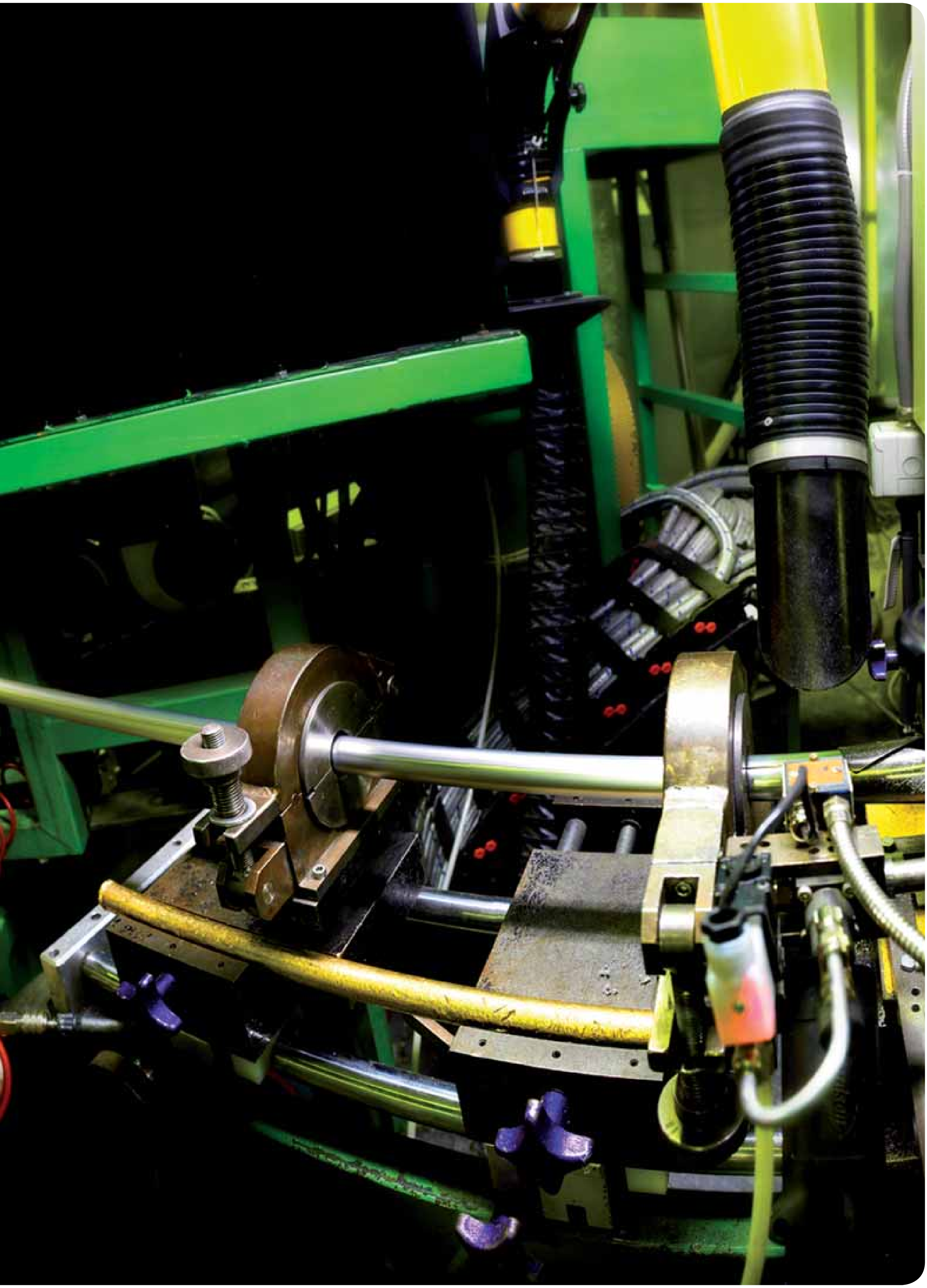
- a negative change of Euro 7 million associated with less non-recurring income;
- a negative change associated with the impact of the Forward Start Credit Agreement and the bond issue, which have nonetheless strengthened financial structure by extending the average maturity of the Group's debt.

Taxes for 2010 amounted to Euro 63 million, representing a tax rate of 29.8%, up from 25.3% in 2009, primarily due to the gradual absorption of carryforward tax losses for which no deferred tax assets had been previously recognised.

Profit came to Euro 150 million at 31 December 2010, down 40.7% from Euro 252 million in 2009.

Adjusted profit[2] amounted to Euro 173 million, compared with Euro 206 million in 2009.

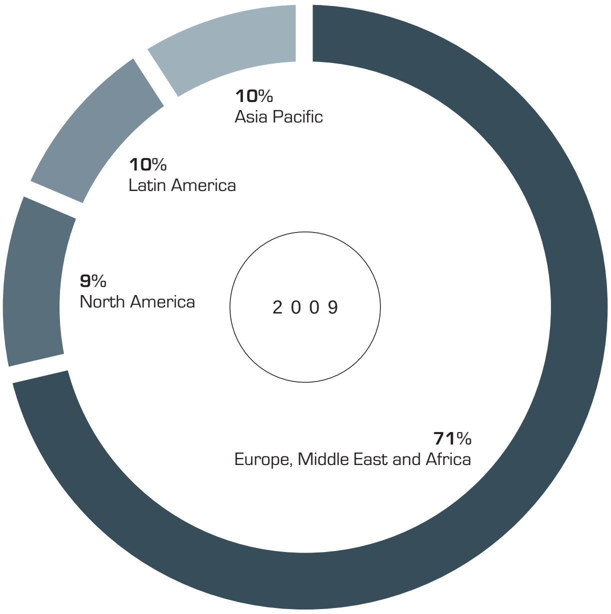
[2] Adjusted profit is defined as profit before non-recurring income and expenses, the fair value change in metal derivatives and in other fair value items, the effect of currency and interest rate derivatives, exchange rate differences and the related tax effects.

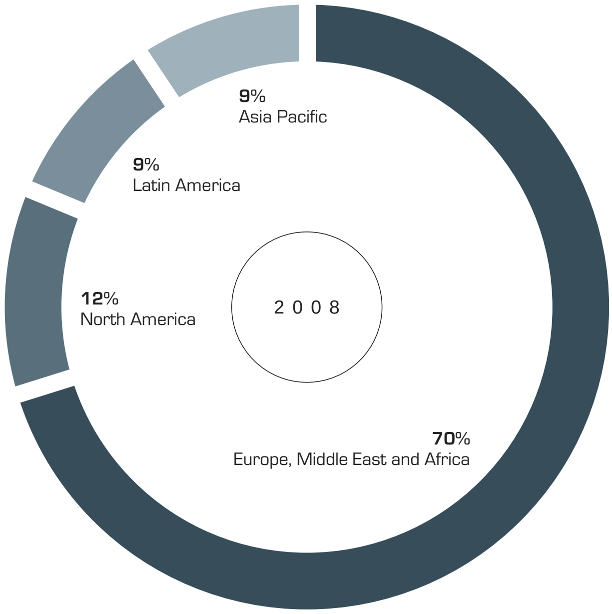



11%
Asia Pacific
11%
Latin America
9%
North America
2 0 1 0
69%
Europe, Middle East and Africa

GEOGRAPHICAL PERFORMANCE

The following charts provide a comparison of sales by geographical area in 2010, 2009 and 2008:





The split of sales by geographical area has not changed significantly with respect to the prior year; however, the share represented by EMEA (69% of total sales), was slightly down on 2009 (71%), to the benefit of the Latin American share, which exceeded 11%. The incidence of North America and Asia Pacific was unchanged despite strong competitive pressures on these markets.

Sales in Europe amounted to Euro 3,163 million at the end of 2010, having increased by Euro 527 million (+19.9%) on the prior year due to a combination of the following factors:

- positive exchange rate effects of Euro 30 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 362 million (+13.7%) in metal prices (reflecting relentless rises throughout the year, amplified by depreciation of the Euro against the US dollar);
- addition of Euro 45 million (+1.7%) due to the acquisition of Rybinsk Elektrokabel in Russia;
- organic increase of Euro 90 million (+3.4%), mainly arising from higher volumes for Trade & Installers and Power Distribution that more than offset negative price movements.

Fourth-quarter sales in Europe reported organic growth of Euro 51 million (+7.4%) on the prior year equivalent period, thanks to an upturn in volumes for Trade & Installers and Power Distribution in Central Europe.

Sales in North America increased by Euro 58 million (+16.6%) on the prior year, due to the combined effect of:

- positive exchange rate effects of Euro 26 million

(+7.2%) following appreciation of the US dollar against the Euro;

- increase of Euro 34 million (+9.9%) in metal prices;
- organic decrease of Euro 2 million (-0.5%), due to general contraction in demand in the United States and the prior year closure of the St. Jean sur Richelieu plant in Canada.

The fourth quarter of the year reported organic sales growth reverse its downward trend in North America, with an increase of Euro 12 million thanks to the strong recovery on the Canadian market and in the Telecom segment.

Sales in Latin America rose by Euro 157 million (+43.0%) on the prior year thanks to the following factors:

- positive exchange rate effects of Euro 55 million (+14.9%) from the steady appreciation of the Brazilian real against the Euro;
- increase of Euro 35 million (+9.7%) in metal prices;
- organic increase of Euro 67 million (+18.4%), thanks to certain projects started in the High Voltage business line and growth in the Telecom segment.

Fourth-quarter sales in Latin America saw ever stronger signs of revival in the High Voltage, Industrial, Trade & Installers and Telecom businesses, resulting in 55.7% organic growth on the same period of 2009.

Sales in Asia Pacific increased by Euro 98 million (+25.7%) on the prior year to Euro 479 million at the end of December 2010, reflecting a combination of the following factors:

- positive exchange rate effects of Euro 56 million (+14.7%), mainly due to depreciation of the Euro against the Australian dollar;
- increase of Euro 38 million (+9.9%) in metal prices;
- addition of Euro 39 million (+10.3%) 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 35 million (-9.2%), almost all of which due to lower volumes for Power Distribution and Industrial Markets in Australia, also because of the strike at the Liverpool plant; demand in the second half of 2010 nonetheless appears to have stabilised at the same level as in the prior year.

SEGMENT PERFORMANCE

ENERGY

(in millions of Euro)

	2010	2009	% change	2008
Sales	4,145	3,344	23.9%	4,623
of which to third parties	4,121	3,328	23.8%	4,608
Adjusted EBITDA	**351**	**372**	**-5.7%**	**493**
% of sales	8.5%	11.1%		10.6%
EBITDA	**339**	**342**	**-0.9%**	**470**
% of sales	8.2%	10.2%		10.1%
Amortisation and depreciation	(71)	(63)	12.7%	(58)
Adjusted operating income	**280**	**309**	**-9.5%**	**435**
% of sales	6.8%	9.3%		9.4%
Contribution margin	**711**	**706**	**0.7%**	**861**
% of sales	17.2%	21.1%		18.6%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	**339**	**342**	**-0.9%**	**470**
Non-recurring expenses/(income):				
Company reorganisation	10	12		8
Shutdown of production facilities	-	6		3
Antitrust investigation legal costs	3	8		-
Special project costs	-	1		3
Environmental remediation	1	3		-
Badwill from Facab Lynen acquisition	-	-		(3)
Recognition/(release) of provision for tax inspections	(2)	-		12
Total non-recurring expenses/(income) (B)	**12**	**30**		**23**
Adjusted EBITDA (A+B)	**351**	**372**	**-5.7%**	**493**

Sales to third parties by the Energy segment amounted to Euro 4,121 million at 31 December 2010, compared with Euro 3,328 million at the end of the prior year. The increase of Euro 793 million (+23.8%) was mainly due to the following factors:

- increase of Euro 454 million (+13.7%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 139 million (+4.2%);
- addition of Euro 85 million (+2.5%) due to the acquisition of Ravin Cables Limited in India, Power Plus Cable CO LLC in the Middle East [3] and Rybinsk Elektrokabel in Russia;
- organic sales growth of Euro 115 million (+3.4%) due to the upturn in volumes and mix.

Contribution margin rose by 0.7% from Euro 706 million at 31 December 2009 to Euro 711 million at

[3] Proportionate consolidation of 49%.

ABU DHABI ELECTRICITY GRID AMONG KEY PROJECTS IN THE MIDEAST

The Group will be responsible for realising an EHV system requiring more than 230 km in cable for a 400 kV grid in Abu Dhabi.
This important new contract, worth around Euro 250 million, has been commissioned by Abu Dhabi Transmission and Dispatch Company (TRANSCO) and is expected to take 24 months to complete.

The new link is strategically important for developing the Abu Dhabi Emirate's power transmission system. It will connect the Bahia and Saadiyat grid stations, via some of Abu Dhabi's most prestigious infrastructure and real estate developments like Yas Island – location of the new F1 race track and the new Abu Dhabi Cultural District that will also host the Louvre and Guggenheim museums. The project will apply some of the sector's most advanced technology and the value of the contract is the highest ever awarded to an individual supplier for an EHV cable system.

This project confirms Prysmian's key role in the huge infrastructure investment in progress in the Middle East, where the Group has already completed and is still working on numerous projects, particularly in the United Arab Emirates, Qatar and Bahrain. These include: HV cable systems for the world's largest aluminium smelter for Emirates Steel and Emirates Aluminium Company Ltd. in Abu Dhabi; the first-ever submarine power transmission link serving Doha and the new 400 kV underground grid connection for Qatar General Electricity & Water Corporation; the GCCIA Bahrain to Saudi Arabia submarine link; several projects in the O&G industry and major fire-resistant cabling projects for infrastructure and buildings, such as the Burj Khalifa and the Abu Dhabi Financial Centre.

31 December 2010, thanks to Euro 6 million in extra margin from the new acquisitions and Euro 27 million in positive exchange rate effects, which neutralised the negative pressures sparked by higher raw material prices.
In fact, the contraction in contribution margin as a percentage of sales primarily reflects pressure on sale prices particularly in lower value-added business, such as Trade & Installers and Power Distribution, in the face of price rises for metals and raw materials in general; this contraction also reflects a shift in mix in the High Voltage and Accessories business lines towards lower value-added products, with volumes basically stable relative to the prior year.
The Energy segment's fourth-quarter contribution margin went from Euro 179 million in 2009 to Euro 187 million in 2010, posting an improvement of Euro 8 million (+4.5%), which reflects the contribution of the new acquisitions, the impact of exchange rates and organic growth in sales.

Adjusted EBITDA came to Euro 351 million at 31 December 2010, compared with Euro 372 million in 2009, reporting a reduction of Euro 21 million (-5.7%). This decline reflects an increase in fixed costs, in turn attributable to the negative impact of exchange rates and of the new acquisitions.
The following paragraphs describe market trends and financial performance in each of the Energy segment's business areas.

UTILITIES

(in millions of Euro)

	2010	2009	% change	% organic change	2008
Sales	1,790	1,598			2,029
of which to third parties	1,790	1,598	*12.0%*	*1.5%*	2,028
Adjusted EBITDA	**250**	**266**			**287**
% of sales	14.0%	16.7%			14.2%
Adjusted operating income	**215**	**237**			**256**
% of sales	12.0%	14.7%			12.6%

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 grids.

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

Power transmission systems (High Voltage)
Prysmian designs, produces and installs high and extra high voltage cables for power transmission both from power stations and in the transmission and primary distribution grids. This line of business mainly focuses on providing turnkey solutions tailored 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 grid management and maintenance services, including grid performance monitoring, grid 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 grids 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.

Grid 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 grid equipment, suitable for industrial, construction or infrastructure applications and for power transmission and distribution systems. Grid 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 2010 saw demand in the first half of the year generally stable at the levels of 2009, followed by slight signs of recovery in the second half in both the distribution and transmission markets.

Activities in the High Voltage market - traditionally highly international both in terms of demand and supply - 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 grids, and in the past six months they reactivated initiatives for large new projects in Europe, the Middle East, South America and China.
As for the Submarine cables business line, 2010 confirmed the growth in investment by utilities in new offshore wind farms and also a gradual reawakening of interest in starting up major new interconnection projects. This trend has been particularly evident in areas of the world where demand for energy has resumed growth, such as North Europe, the Arab Emirates and China.

Demand in the Power Distribution business line generally stayed at the level reached in the last few months of the prior year. This sector showed signs of greater vivacity in the fourth quarter, thanks to resurgence of volumes in Europe, North America and

Asia Pacific. After two years of generally flat, low demand in the absence of grid development or rationalisation projects, demand by the principal utilities in the major European countries started to become steadily stronger. At the same time, competitive dynamics in terms of price and mix got worse, remaining extremely challenging almost everywhere.

The market for grid Accessories and 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 second-half level of 2009 with a recovery in the last three months of the year, driven above all by the nature of the projects undertaken by major utilities, as 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 be showing signs of stabilisation or, in the case of central and north European markets, of evident recovery, directly reflecting trends in the Power Distribution business line, since these products are generally used for ordinary maintenance of secondary distribution grids.

FINANCIAL PERFORMANCE

Sales to third parties by the Utilities business area amounted to Euro 1,790 million in 2010 compared with Euro 1,598 million in the prior year, posting an increase of Euro 192 million (+12.0%) due to the combined effect of the following factors:

- increase of Euro 86 million (+5.4%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 51 million (+3.2%);
- addition of Euro 30 million (+1.9%) due to the acquisition of Ravin Cables Limited in India;
- organic sales growth of Euro 25 million (+1.5%).

Fourth-quarter sales to third parties of Euro 497 million exceeded the prior year figure by Euro 90 million (+22.1%), thanks to the following factors:

- increase of Euro 27 million (+6.6%) in sale prices due to higher metal prices;
- positive exchange rate effects of Euro 13 million (+3.2%);
- addition of Euro 9 million (+2.2%) due to the acquisition of Ravin Cables Limited in India;
- organic sales growth of Euro 41 million (+10.1%).

The growth in volumes, more evident in the second half of the year, benefited every business line, even if with large differences in timing and between geographical areas. In particular, the Power Distribution business line reported a sales stabilization from the second half of the year in areas like the United States, Brazil and Asia Pacific, and recover in bigger European countries like France, Italy and Germany, where the major utilities have stepped up rationalisation and/or maintenance projects. Despite these encouraging signs on the volume front, Prysmian had to contend with pressure on the price and demand for lower value-added products, in the face of rising costs of metals and other raw materials.

Sales by the High Voltage business line were affected by various factors such as the general contraction in demand, caused by the fact that utilities are unable to predict when electricity consumption will resume its growth, and the adverse first-quarter weather conditions in Europe and North America, which delayed work on installation projects acquired in preceding months. Demand subsequently seems to have recovered in the major European nations (except for the United Kingdom), in the United States, South America and China, and appears to be directed towards grids serving the development of renewable energy, while at the same time displaying signs of strong competition in less technological sectors. This trend seems to be

confirmed by the growth in long-term projects and in the value of the High Voltage order book at 31 December 2010, which was higher than at the end of 2009 and provided sales visibility for about a year.

Sales by the Accessories business line completely recuperated the first quarter's slight fall in demand primarily in the Medium and Low Voltage sectors and displayed progressively encouraging signs of recovery, particularly in France and Brazil. Similarly, the order book in the High Voltage Accessories business line started to recover particularly in the second half of the year, thanks to new Submarine projects and other High Voltage initiatives.

Sales by the Submarine business line were stable relative to 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 the start of the Messina II project (Italy), 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 the year provides sales visibility for a period of about two and a half years and has grown primarily thanks to new orders for offshore wind farm connections.
The contribution margin of the Utilities business area decreased by Euro 2 million (-0.5%) in 2010 on the prior year, reflecting the combined impact of positive exchange rate effects of Euro 10 million, the addition of Euro 2 million from new acquisitions and a negative Euro 14 million from a deterioration in sale prices and mix.

The decline in contribution margin, emphasised by the negative impact of exchange rates on fixed costs, was reflected in adjusted EBIDTA, which went from Euro 266 million at the end of 2009 to Euro 250 million at 31 December 2010.

TRADE & INSTALLERS

(in millions of Euro)

	2010	2009	% change	% organic change	2008
Sales	1,467	1,021			1,631
of which to third parties	1,465	1,020	*43.6%*	*6.6%*	1,629
Adjusted EBITDA	**36**	**41**			**113**
% of sales	2.4%	4.0%			6.9%
Adjusted operating income	**20**	**26**			**100**
% of sales	1.4%	2.5%			6.1%

Prysmian produces a wide range of both rigid and flexible low voltage cables for distributing power to and within residential and non-residential buildings in compliance 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 stabilising in 2010; the market generally reported strong competitive price pressures and greater rigidity in accepting and automatically transferring the steep increases in raw material prices to end users.
In Europe, the major markets of France, Germany and Italy reported an 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 to the rest of the world but with more price pressure.
Markets in South America were stable or slightly livelier, like in Brazil, despite growing price pressures, as already seen in the non-residential construction sector during the fourth quarter of 2009.

FINANCIAL PERFORMANCE

Sales to third parties by the Trade & Installers business area amounted to Euro 1,465 million at the end of December 2010 compared with Euro 1,020 million in 2009, posting an increase of Euro 445 million (+43.6%) due to the combined effect of the following factors:

- increase of Euro 283 million (+27.7%) in sale prices

due to fluctuations in metal prices;
- positive exchange rate effects of Euro 50 million (+4.9%);
- addition of Euro 45 million (+4.4%) due to the acquisition of Rybinsk Elektrokabel in Russia;
- organic sales growth of Euro 67 million (+6.6%), primarily as a result of a recovery in volumes in Europe and Brazil.

Fourth-quarter sales to third parties of Euro 370 million exceeded the prior year figure by Euro 104 million (+39.0%), thanks to the combined effect of the following factors:

- increase of Euro 53 million (+20.0%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 12 million (+4.6%);
- addition of Euro 12 million (+4.5%) due to the acquisition of Rybinsk Elektrokabel in Russia;
- organic sales growth of Euro 27 million (+9.9%), thanks to the upturn in volumes.

Prysmian retained its market share on the principal European markets in 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 embarked on a series of commercial initiatives to regain market share in Canada, which had been partially eroded in 2009 after closing the local plant; in fact, volumes in Canada grew by more than 40% on the first few months of 2010. 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. In general, Prysmian sought in 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. During the fourth quarter of 2010, the downward pressure on sale prices that had been so acute in the middle part of the year, especially in places like Spain, Australia and North America, went into reversal, driven by the persistent rise in metal prices and the growth in volumes.

Contribution margin came to Euro 139 million at 31 December 2010, an improvement of Euro 3 million (+2.2%) on the prior year, thanks to recovery in volumes and positive exchange rate effects that neutralised the negative impact of a net price contraction.

Adjusted EBITDA of Euro 36 million was Euro 5 million (-12.2%) below the prior year, mainly because of exchange rate effects.

During 2010 Avrasya Metro Group (AMG) awarded the Group a major contract to supply fire-resistant power cables to the new Kadiköy-Kartal metro line in Istanbul, Turkey.

With 16 stations, 22 km of double track and eight-car trains travelling in both directions every 1.5 minutes, the new metro line will cross the Anatolian side of Istanbul from Kadiköy to Kartal, connecting the European and Asian sides of the city with a link to the Marmaray rail tunnel under the Bosphorus Strait. The project aims to provide safe and fast transportation across the city, carrying up to 90,000 people/hour in both directions for a total of one million passengers a day. The new line is due to be completed by the end of 2011.

Prysmian will supply 300 km of medium voltage wired armoured cables and more than 1,300 km of low voltage fire-resistant, low fire-hazard Afumex™ cables. The Afumex™ family of cables combines low flame spread and heat release with very low emission of smoke and dangerous gases, and helps give more time to evacuate buildings and facilitates the work of rescue teams. Fire-resistant cables also assure continuous operation of the power supply and alarm systems during a fire.

The Group has supplied the same type of cables to some of the world's most prestigious buildings, such as the Emirate Palace (headquarters of Emirates Airlines), the Burj Khalifa (the world's tallest ever building, inaugurated at the start of 2010) in Dubai and the Wimbledon tennis stadium.

FIRE RESISTANT CABLES FOR THE NEW ISTANBUL METRO LINE

INDUSTRIAL

(in millions of Euro)

	2010	2009	% change	% organic change	2008
Sales	742	628			851
of which to third parties	742	628	*18.3%*	*-1.1%*	850
Adjusted EBITDA	**61**	**62**			**93**
% of sales	8.3%	9.8%			10.9%
Adjusted operating income	**42**	**46**			**80**
% of sales	5.7%	7.3%			9.4%

Prysmian's extensive product range, developed specifically for the Industrial market, stands out for 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, docks 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 during 2010 and in some cases of even reversing the trend seen in the second half of 2009.

In fact, the stabilisation in the oil price and the rise in the price of the principal raw materials, combined with growth in certain areas of the world (Middle East, South America), allowed demand in the sectors of Oil & Gas, mining, renewable energy and dockside crane installations to stabilise relative to the second half of 2009, and in some cases even to recover.

In the rail infrastructure sector and transport sector in general, the principal operators continued to be prudent, in view of 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 good signs of recovery, thanks to government policies to encourage energy saving.

FINANCIAL PERFORMANCE

Sales to third parties by the Industrial business area amounted to Euro 742 million at 31 December 2010, compared with Euro 628 million in 2009. The increase of Euro 114 million (+18.3%) is due to the following factors:

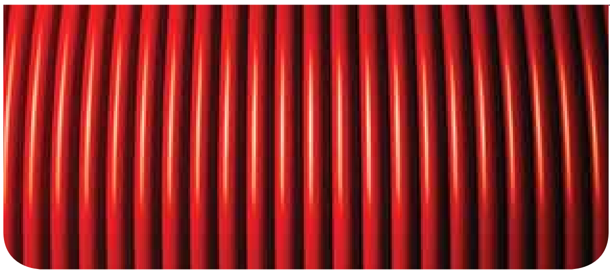
- increase of Euro 76 million (+12.3%) in sale prices due to higher metal prices;
- positive exchange rate effects of Euro 35 million (+5.7%);
- addition of Euro 9 million (+1.4%) from the proportionate consolidation of 49% of Power Plus Cable CO LLC in the Middle East;
- organic decrease in sales of Euro 6 million (-1.1%).

Fourth-quarter sales to third parties amounted to Euro 213 million, up 25.2% on the corresponding prior year figure of Euro 43 million, thanks to:

- increase of Euro 22 million (+12.9%) in sale prices due to higher metal prices;
- positive exchange rate effects of Euro 8 million (+4.8%);
- addition of Euro 4 million (+2.3%) from the proportionate consolidation of 49% of Power Plus Cable CO LLC in the Middle East;
- organic growth of Euro 9 million (+5.2%).

The growth of Euro 4 million (+2.9%) in contribution margin was entirely achieved in the second half of the year thanks to Oil & Gas and Umbilical sales in South America, with a large increase in orders on the equivalent prior year period. In Europe, a slight recovery in sales in the sectors of renewable energy, automotive and branchement allowed Prysmian to counterbalance the reduction in volumes in the sectors of rail and ship and dockside crane installations.

Adjusted EBITDA came to Euro 61 million at 31 December 2010, in line with the prior year.



OTHER

(in millions of Euro)

	2010	2009	2008
Sales	146	97	112
of which to third parties	124	82	101
Adjusted EBITDA	**4**	**3**	**-**
Adjusted operating income	**3**	**-**	**(1)**

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 generate high margins and can vary in size from period to period.

FTTH: 1,000 KM OF OPTICAL FIBRE CABLES INSTALLED IN RUSSIA

The primary role played by Prysmian in developing optical fibre FTTH networks in strategic countries like Russia was confirmed in 2010, when the Group reached the landmark of 1,000 km in optical cables installed thanks to its record project for the cabling of Novosibirsk, Siberia's largest city.

Prysmian's exclusive VertiCasa™ system, designed specifically to bring optical fibre directly into apartments and offices located in high-rise buildings, was first installed in Russia in 2008 in the city of Vladivostok and in the two years since has been deployed in many of the country's major cities.
In fact, the technology developed by Prysmian has proved ideal for providing fast, cost-effective fibre connection to markets where a large proportion of inhabitants live in multiple dwelling units.

This is why the Group is in a prime position to reap the opportunities offered by the numerous projects for building the required broadband infrastructure, in response to the Russian consumer's growing appetite for this service with its consequent social and economic benefits.

TELECOM

(in millions of Euro)

	2010	2009	% change	2008
Sales	454	411	10.5%	547
of which to third parties	450	403	11.7%	536
Adjusted EBITDA	**36**	**31**	**16.8%**	**49**
% of sales	7.9%	7.6%		9.0%
EBITDA	**36**	**30**	**18.6%**	**49**
% of sales	7.9%	7.4%		9.0%
Amortisation and depreciation	(7)	(6)	16.7%	(4)
Adjusted operating income	**29**	**25**	**17.6%**	**45**
% of sales	6.3%	6.1%		8.4%
Contribution margin	**92**	**85**	**8.1%**	**109**
% of sales	20.2%	20.7%		19.9%

Reconciliation of EBITDA ed Adjusted EBITDA

EBITDA (A)	**36**	**30**	**18.6%**	**49**
Non-recurring expenses/(income):				
Company reorganisation	-	1		-
Total non-recurring expenses/(income) (B)	-	1		-
Adjusted EBITDA (A+B)	**36**	**31**	**16.8%**	**49**

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 has the ability 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 non-residential buildings. Cables are designed for high transmission, low interference and electromagnetic compatibility and in accordance with the main international standards and specifications. Prysmian is able to 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 every cable management need 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 VerticasaTM 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 CasaLightTM optical fibre which was specially developed for this application.

MARKET OVERVIEW

The market for optical fibre cables is a global one. The latest CRU bulletin in September 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 nine months of 2010, although the low maturity of these products implies a different evolution in demand by geographical area.

The copper cables market is experiencing a slowdown due to the weak economic situation, which has also driven some major 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 450 million in 2010 compared with Euro 403 million in 2009, reporting an increase of Euro 47 million (+11.7%).

This change was mainly due to the following factors:

- increase of Euro 14 million (+3.5%) in sale prices due to higher metal prices;
- positive exchange rate effects of Euro 28 million (+7.0%);
- organic growth of Euro 5 million (+1.2%).

The organic sales growth in 2010 reflects increased volumes for optical cables, following the resumption of certain important projects, which more than offset the steady weakening of demand for copper cables. Growing demand for optical cables from a different markets and sales channels mix relative to the past drove sales growth in this area despite strong price pressures.

Contribution margin amounted to Euro 92 million in 2010, an increase of Euro 7 million on 2009 thanks to positive exchange rate effects of Euro 6 million and organic volume growth.
Adjusted EBITDA (before non-recurring income and expenses) came to Euro 36 million, up Euro 5 million on 2009.

Prysmian continues to promote 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 2010, 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 grid, serving not only the primary function as a conventional ground conductor but also as a communication cable thanks to its optical fibres.
At the start of the new year, Prysmian won a major contract to supply high-tech optical fibre cable to NBN Co Limited (National Broadband Network), a company set up by the Australian government to build and operate the new national broadband network. This contract, secured by the local subsidiary Prysmian Telecom Cables & Systems Australia Pty Ltd, is worth a total of Euro 223 million (AUD 300 million) over 5 years.

GROUP STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2010	31 December 2009	Change	31 December 2009
Net fixed assets	1,029	958	71	882
Net working capital	494	479	15	370
Provisions	(120)	(123)	3	(87)
Net capital employed	**1,403**	**1,314**	**89**	**1,165**
Employee benefit obligations	145	142	3	125
Total equity	799	698	101	463
of which attributable to non-controlling interests	43	21	22	16
Net financial position	459	474	(15)	577
Total equity and sources of funds	**1,403**	**1,314**	**89**	**1,165**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Net fixed assets were Euro 71 million higher than at 31 December 2009, mainly due to the combined effect of:

- Euro 102 million in investments, of which Euro 19 million relating to intangible assets;
- Euro 99 million in amortisation, depreciation and impairment charges for the period, of which Euro 71 million in depreciation of property, plant and equipment, Euro 7 million in amortisation of intangible assets, Euro 13 million in impairment of the goodwill of the newly acquired Ravin Cables Limited, and Euro 8 million in property impairment mainly relating to the Eastleigh plant in the UK (classified as held for sale);
- Euro 25 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 15 million higher than at 31 December 2009 (Euro 8 million lower excluding the increase in assets for the fair value change in derivatives); this increase mainly reflects the following factors:

- increase in strategic metal prices which caused the value of metal contained in the Group's net working capital to rise by about Euro 100 million relative to December 2009;
- reduction in working capital due to efficiencies introduced during the year;
- reduction of working capital employed in High Voltage and Submarine projects;
- addition of Euro 12 million for changes in the group perimeter following acquisition of the Indian company Ravin Cables Limited and of Power Plus Cable CO LLC;
- reduction of Euro 13 million in working capital following recognition of a liability for minority put options.

The net financial position decreased by Euro 15 million on 31 December 2009, reflecting the following factors:

- net cash inflow from operating activities (before changes in net working capital) of Euro 348 million in 2010;
- negative impact of trends in strategic metal prices, almost entirely offset by a reduction in cash absorbed by long-term projects and by efficiencies introduced during the year;
- net operating investments of Euro 95 million;

- payment of Euro 52 million in net finance costs, including Euro 18 million in 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 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.

EQUITY

The following table reconciles the Group's equity at 31 December 2010 and profit for 2010 with the corresponding figures reported by the Parent Company Prysmian S.p.A.:

(in millions of Euro)

	Equity 31 December 2010	Profit/(loss) for 2010	Equity 31 Decembre 2009	Profit/(loss) for 2009
Parent Company Financial Statements	**237**	**83**	**227**	**49**
Elimination of carrying amount of consolidated companies from Prysmian S.p.A. financial statements and related dividends	(412)	(107)	(305)	(43)
Recognition of equity and profit/(loss) of consolidated companies	1,007	167	792	253
Elimination of intercompany profits and losses included in inventories and other consolidation adjustments	(34)	7	(16)	(7)
Non-controlling interests	(43)	(2)	(21)	(4)
Consolidated Financial Statements	**756**	**148**	**677**	**248**

NET WORKING CAPITAL

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

(in millions of Euro)

	31 December 2010	31 December 2009	Change	31 December 2008
Inventories	600	443	157	514
Trade receivables	764	622	142	734
Trade payables	(862)	(561)	(301)	(650)
Other receivables/(payables)	(45)	(39)	(6)	(147)
Net operating working capital	**457**	**465**	**(8)**	**451**
Derivatives	37	14	23	(81)
Net working capital	**494**	**479**	**15**	**370**

Net operating working capital amounted to Euro 457 million (9.2% of sales) at 31 December 2010, compared with Euro 465 million (12.2% of sales) at 31 December 2009.

This change was mainly affected by the following factors:
- lower net working capital employed in Submarine and High Voltage projects;
- trend in strategic metal prices, causing an increase in the value of metal included in the Group's net working capital relative to December 2009; this impact was almost entirely offset by efficiencies introduced during the year;
- change in the group perimeter following the acquisition of the India company Ravin Cables Limited and 49% of Power Plus Cable CO LLC, with an impact of Euro 12 million relative to December 2009;
- negative impact of exchange rate appreciation by certain currencies;
- reduction of Euro 13 million in working capital following recognition of a liability for minority put options.

FRANCE-SPAIN INTERCONNECTION, A EUROPEAN UNION PRIORITY PROJECT

Among the projects for EHV electricity connections, Prysmian has been awarded by INELFE, a Franco-Spanish group, a contract worth in excess of Euro 90 million for a new interconnection between France and Spain.

The interconnection, classified as a Priority Project by the European Union, will substantially increase transmission capacity between the two countries, thus improving diversification of sources and security of supply, as well as enhancing electricity market integration in South-West Europe. For Spain in particular, the project will make the grid system more stable and, therefore, facilitate the use of renewable energy.

The project comprises a 320 kV HVDC underground cable turnkey system that will be installed along a 64 km route (8.6 km of which in a purpose-built tunnel across the Pyrenees), between the grid stations in Baixas (near Perpignan, in France) and Santa Llogaia (near Figueres, in Spain), for a total of 252 km in cable. The overall transmission capacity of 2,000 MW is a world record for underground interconnections, being the highest direct current voltage level ever reached with cables using extruded technology.

The project, which reconfirms Prysmian's world leadership in the strategic sector of HV energy cables and systems, is scheduled to start by mid 2011, with completion due by mid 2014. The Group will manufacture the cables at its plant in Gron, France, and highly specialised personnel will install them together with a data transmission system using Prysmian optical fibre.

NET FINANCIAL POSITION

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

(in millions of Euro)

	31 December 2010	31 December 2009	Change	31 December 2008
Long-term financial payables				
Credit agreement	671	864	(193)	967
Bank fees	(2)	(4)	2	(6)
Bond	396	-	396	-
Derivatives	44	5	39	23
Other financial payables	46	24	22	8
Total long-term financial payables	**1,155**	**889**	**266**	**992**
Short-term financial payables				
Credit agreement	101	100	1	34
Bond	15	-	15	-
Securitization	-	-	-	99
Derivatives	9	20	(11)	10
Other financial payables	85	52	33	56
Total short-term financial payables	**210**	**172**	**38**	**199**
Total financial liabilities	**1,365**	**1,061**	**304**	**1,191**
Long-term financial receivables	1	2	(1)	1
Long-term derivatives	3	5	(2)	13
Long-term bank fees	16	4	12	7
Short-term financial receivables	42	33	9	45
Short-term derivatives	3	6	(3)	15
Short-term bank fees	3	3	-	3
Short-term available-for-sale financial assets	142	-	142	-
Financial assets held for trading	66	42	24	38
Cash and cash equivalents	630	492	138	492
Total financial assets	**906**	**587**	**319**	**614**
Net financial position	**459**	**474**	**(15)**	**577**

STATEMENT OF CASH FLOWS

(in millions of Euro)

	31 December 2010	31 December 2009	Change	31 December 2008
EBITDA	**365**	**366**	**(1)**	**518**
Badwill from Facab Lynen acquisition	-	-	-	(3)
Share-based compensation	-	1	(1)	2
Changes in provisions (including employee benefit obligations)	(17)	(12)	(5)	2
Net cash flow provided by operating activities (before changes in net working capital)	**348**	**355**	**(7)**	**519**
Changes in net working capital	(6)	36	(42)	66
Taxes paid	(59)	(62)	3	(83)
Net cash flow provided by/(used in) operating activities	**283**	**329**	**(46)**	**502**
Acquisition price adjustment and other settlements	-	-	-	16
Acquisitions	(21)	(3)	(18)	(1)
FNet cash flow used in operational investing activities	(95)	(106)	11	(115)
Net cash flow provided by financial investing activities [1]	5	9	(4)	6
Free cash flow (unlevered)	**172**	**229**	**(57)**	**408**
Net finance costs	(52)	(46)	(6)	(88)
Free cash flow (levered)	**120**	**183**	**(63)**	**320**
Capital contribution and other changes in equity	13	5	8	2
Dividends paid	(75)	(75)	-	(76)
Purchase of treasury shares	-	-	-	(30)
Net cash flow provided/(used) in the year	**58**	**113**	**(55)**	**216**
Net financial position at the beginning of the year	**(474)**	**(577)**	**103**	**(716)**
Net cash flow provided/(used) in the year	58	113	(55)	216
Other changes	(43)	(10)	(33)	(77)
Net financial position at the end of the year	**(459)**	**(474)**	**15**	**(577)**

Net cash flow generated by operating activities (before changes in net working capital) amounted to Euro 348 million in 2010.

This cash flow was absorbed by the increase of Euro 6 million in net working capital described earlier. Therefore, after deducting Euro 59 million in tax payments, net cash flow from operating activities in the period was a positive Euro 283 million.
Net cash flow used for acquisitions was Euro 21 million and relates to the investment in Ravin Cables Limited and in 49% of Power Plus Cable CO LLC.
Net operating investments in 2010 amounted to Euro 95 million, Euro 11 million less than in 2009.
The most important investment projects in 2010 were:
- construction of the new plant in Brazil to design and supply high-tech flexible pipes for offshore oil extraction under a four-year agreement with the oil company Petrobras;
- expansion of high voltage cable production capacity in the United States and China;
- investments in the Battipaglia optical fibre factory in

[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.

Italy, aimed at reducing fibre manufacturing costs and increasing production capacity;
- the SAP Consolidation project relating to information systems.

Net finance costs recognised in the income statement came to Euro 96 million inclusive of non-monetary items; excluding these items, net cash finance costs reflected in the statement of cash flows amounted to Euro 52 million, inclusive of Euro 18 million in bank fees and other incidental expenses relating to the Forward Start Credit Agreement and the Bond issue.

CORPORATE GOVERNANCE

INTRODUCTION

The Company's corporate governance is based on the recommendations and provisions contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies", drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A. and adopted by the Company.

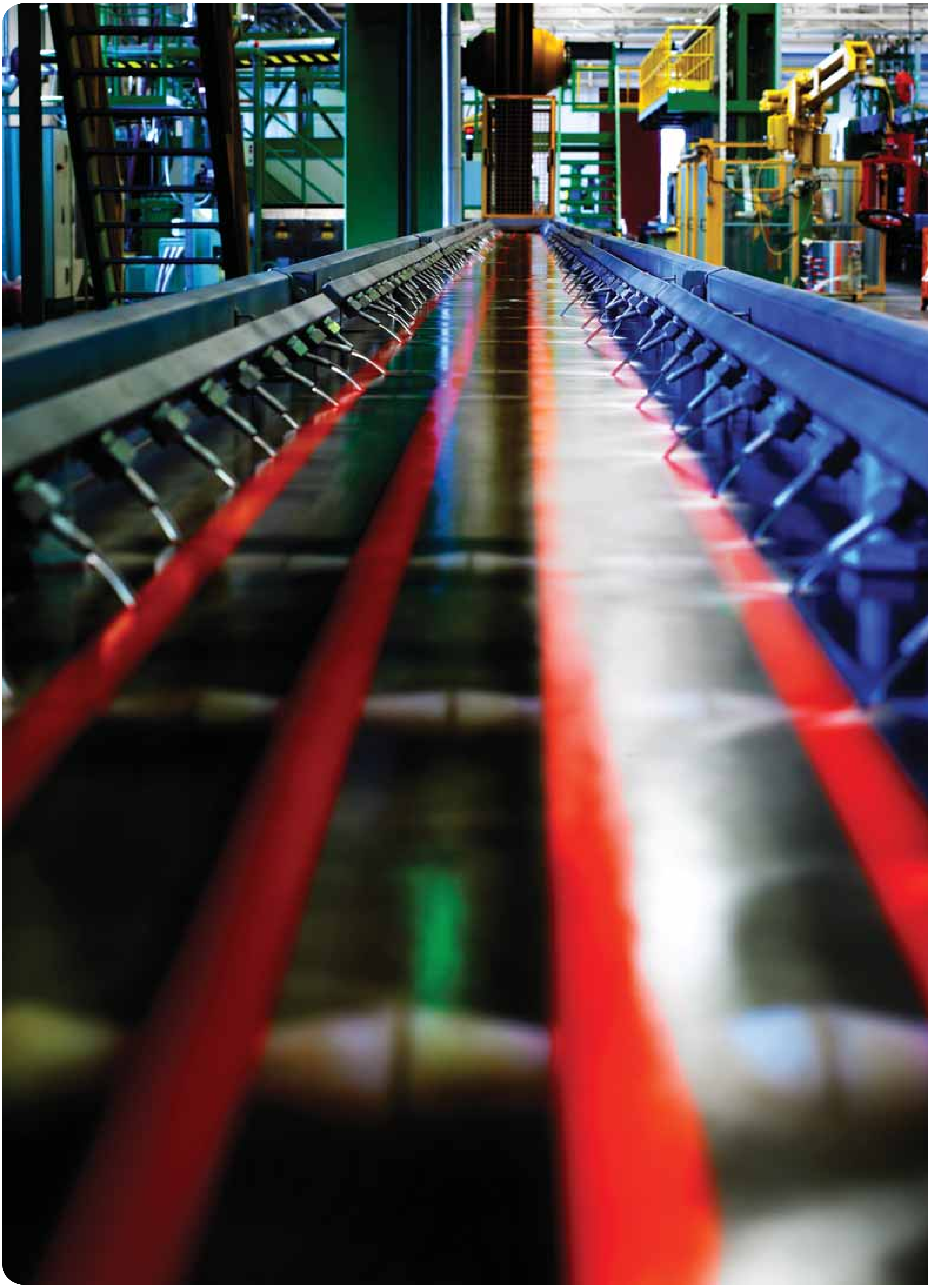
The corporate governance rules contain principles and procedures which the Company has adopted and undertaken to respect in order to guarantee that all operations are carried out effectively and transparently.

Corporate governance structure is based on the central role of the Board of Directors in providing strategic guidance and transparency in decision-making processes, including both internal and external decisions.

Prysmian S.p.A. manages and coordinates the Group's directly and indirectly controlled Italian companies, pursuant to article 2497 of the Italian Civil Code.

After due evaluation, the Company's Board of Directors has confirmed that the Company is not under the direction and coordination of any other company, including by companies which directly or indirectly control it or by companies which are required to consolidate the Company's results in their financial statements. This conclusion was supported by the absence of the following circumstances, which would otherwise indicate the existence of direction and coordination by others: the preparation of Group business, strategic, financial and budget plans, the issue of guidelines relating to financial and credit policy, the centralisation of functions such as treasury, administration, finance and control, the establishment of strategies for the Group's growth and the strategic and market positioning of the Group and of individual companies, especially when these policies may influence and determine actual implementation by the Company's management.

The main aims of the corporate governance structure are:
- to guarantee Prysmian S.p.A. shareholders an appropriate level of supervision over the more important strategic decisions of the Group;
- to organise a multilayer decision-making structure to

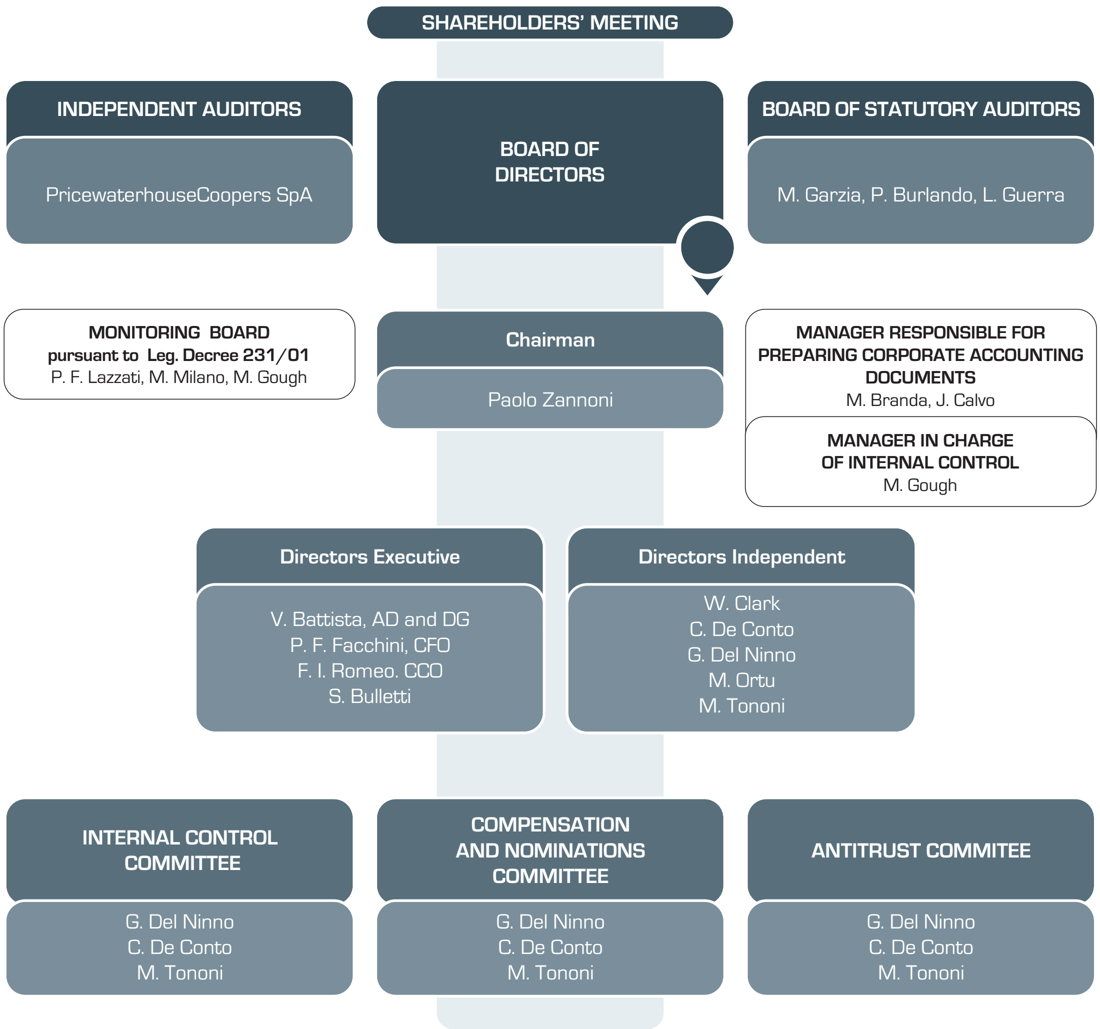


enable appropriate involvement of shareholders and of the Board of Directors in the more important strategic decisions of the Group, with everyday management delegated to managers;
- to require management to closely observe governance procedures and to determine the due consequences in the event of non-compliance.

Further information (i) on the corporate governance system of Prysmian S.p.A. and (ii) on its ownership, as required by art.123-bis of Legislative Decree 58 of 24 February 1998 (Unified Financial Act), can be found in the "Report on Corporate Governance and Ownership Structure", viewable in the Investor Relations/Corporate Governance section of the Company's website at www.prysmian.com, and which has been prepared in accordance with art. 89-bis of the Consob Issuer Regulations.

A summary of the Company's corporate governance structure now follows, together with a description of its main features.

GOVERNANCE STRUCTURE



COMPANY ORGANISATIONAL STRUCTURE

The traditional model of governance and control has been adopted, comprising Shareholders' Meetings, a Board of Directors and a Board of Statutory Auditors. The corporate governance system is based on the core role of the Board of Directors (as the most senior body delegated to manage the Company in the interests of shareholders), on the transparency of decision-making processes, on an effective internal control system, on strict rules governing potential conflicts of interest and on appropriate standards of conduct for related party transactions.

Prysmian has implemented this system by preparing and adopting codes, standards, rules and procedures which govern and regulate the conduct of activities by all the Company's organisational and operating structures.

The Board of Directors has the broadest possible powers of ordinary and extraordinary administration, except for those powers which by law are the exclusive prerogative of the Shareholders' Meeting. The Board of Statutory Auditors oversees compliance with the law and the memorandum of association and observance of the principles of correct administration in the conduct of company activities and monitors the adequacy of the Company's organisational structure, internal control system and administrative and accounting system.

The independent audit of the financial statements is entrusted to a specialised company registered with Consob, and whose nomination is decided by the Shareholders' Meeting.

BOARD OF DIRECTORS

In accordance with art. 14 of the By-laws, the Company is governed by a Board of Directors consisting of no fewer than seven and no more than thirteen members, chosen also from among non-shareholders and who are eligible for re-election.

In compliance with the provisions of Legislative Decree 58/98, the Company has adopted a slate voting system for the appointment of directors in order to allow, where possible, minority shareholders to present and elect candidates to the office of Director. The appointment of the Board of Directors takes place on the basis of slates presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights at the Ordinary Shareholders' Meeting, or such lower percentage established by legal or regulatory provisions. Consob Resolution 17633 of 26 January 2011 has set the minimum shareholding requirement for presenting candidate slates at 1.5% for 2011.

The Company is currently managed by a Board of Directors consisting of ten Directors, who will remain in office until the date of the Shareholders' Meeting that approves the financial statements for the year ended 31 December 2011.

The members of the Board of Directors are as follows:

Name	Office held	Role
Paolo Zannoni	Chairman	Non-executive director
Valerio Battista	Chief Executive Officer and General Manager	Executive director
Pier Francesco Facchini	Director - CFO	Executive director
Wesley Clark	Director	Independent non-executive director
Giulio Del Ninno	Director	Independent non-executive director
Massimo Tononi	Director	Independent non-executive director
Fabio Ignazio Romeo	Director - CCO	Executive director
Claudio De Conto	Director	Independent non-executive director
Stefano Bulletti	Director	Executive director
Mario Ortu	Director	Independent non-executive director

The Board of Directors therefore consists of ten Directors, six of whom are non-executive. In line with the recommendations of the Code, the Non-Executive Directors are sufficiently numerous and have enough authority to ensure that their judgement carries significant weight in Board decision-making. Five of the Non-Executive Directors are also independent, meaning that they do not have and have not recently had direct or indirect dealings with the Company or with other related parties that could affect their independence of judgement.

The information provided by Directors in relation to their

During 2010, Prysmian reached a major milestone for its telecom cable business, having installed more than 150,000 km of Optical Ground Wire (OPGW) cable worldwide in over 80 countries.

OPGW cable is an integral part of an overhead power transmission grid, serving not only the primary function as a conventional earth conductor but also as a communication link thanks to the optical fibres contained therein.
The ambitious target, achieved thanks to the award of a major contract by one of Eastern Europe's largest utilities, confirms Prysmian as leader in the OPGW cable market, in which it has operated for more than 25 years, providing solutions that use aluminium tube technology, with superior performance and long-term reliability in a wide range of environments across all five continents.

Prysmian now produces OPGW at its OPGW centre of excellence in Vilanova i la Geltrú (Spain) and at its plants in Sorocaba (Brazil) and Wuxi (China). These three plants allow the Group to supply cables anywhere in the world, with great flexibility and in quantities that satisfy project timing and requirements.
The optical fibre inserted in these cables is produced at the centre of excellence in Battipaglia (Naples).

150,000 KM OF OPTICAL GROUND WIRE (OPGW) INSTALLED WORLDWIDE

position as Directors or Statutory Auditors in listed or other relevant companies can be found in the "Report on Corporate Governance and Ownership Structure".

The management of the Company is the sole responsibility of the Directors, who undertake the operations necessary to implement its business purpose. The Board of Directors has the broadest possible powers of ordinary and extraordinary administration of the Company, except for those powers which by law are the exclusive prerogative of the Shareholders' Meeting. The Board of Directors also has responsibility for passing resolutions that require notarisation, regarding: (i) mergers or demergers in the cases provided by art. 2505, art. 2505-bis and art. 2506-ter of the Italian Civil Code; (ii) transfer of the registered office within Italy; (iii) establishment or closure of secondary offices; (iv) indication of which Directors may represent the Company; (v) reductions in share capital following shareholder withdrawal; and (vi) updating of the Company By-laws to comply with regulatory requirements (art. 17 of the By-laws).

The Board of Directors has appointed a Chief Executive Officer from its number and granted him all the authority and powers of ordinary administration needed or useful for fulfilling the Company's business purpose.

Pursuant to art.19 of the By-laws and after obtaining a favourable opinion from the Board of Statutory Auditors, the Board of Directors has appointed Massimo Branda (Head of Administration, Tax, Financial Accounting and Compliance of Financial Reporting) and Jordi Calvo (Head of Planning, Control and Reporting) as the Managers responsible for preparing corporate accounting documents.

The Board of Directors has established three internal committees and appointed their members:

- Internal Control Committee, with powers to advise and make proposals to the Board of Directors including in relation to fulfilling the duties relating to management of the internal control system;
- Compensation and Nominations Committee, with powers to advise and make proposals to the Board of Directors regarding, inter alia, determination of the remuneration of the directors and top management of Prysmian S.p.A., the appointment/replacement of independent directors, and the size and composition of the Board itself.
- Antitrust Committee, charged with preparing procedures aimed at avoiding and preventing the occurrence of similar episodes and/or circumstances to those that saw some of the Group's companies involved in allegations of anti-competitive agreements or practices in the submarine and underground high voltage electrical cables market.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors oversees compliance with the law and the memorandum of association and observance of the principles of correct administration in the conduct of corporate activities and controls the adequacy of the Company's organisational structure, internal control system and administrative and accounting system.

The current Board of Statutory Auditors - appointed by the Company's Ordinary Shareholders' Meeting held on 15 April 2010 - will serve until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2012 and consists of the following members:

Name	Office held
Marcello Garzia	Chairman of the Board of Statutory Auditors
Paolo Burlando	Standing Statutory Auditor
Luigi Guerra	Standing Statutory Auditor
Giovanni Rizzi	Alternate Statutory Auditor
Luciano Rai	Alternate Statutory Auditor

The Statutory Auditors serve for three years and their term in office expires on the date of the Shareholders' Meeting called to approve the financial statements relating to their third year in office. They are eligible for re-election. The Chairman of the Board of Statutory Auditors and one of the Alternate Auditors are appointed by the Shareholders' Meeting from among the Statutory Auditors elected by minority shareholders.

The appointment of the Statutory Auditors takes place on the basis of lists presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights, or such lower percentage established by legal or regulatory provisions. Consob Resolution 17633 of 26 January 2011 has set the minimum shareholding requirement for presenting candidate slates at 1.5% for 2011. These lists must be filed at the registered offices at least twenty-five days before the date set for the Shareholders' Meeting in first call. Each list must be accompanied by statements in which the individual candidates accept their candidacy and by the candidates' curriculum vitae.

The information provided by Statutory Auditors in relation to their position as Directors or Statutory Auditors in other companies can be found in the "Report on Corporate Governance and Ownership Structure".

ORGANISATIONAL MODEL (LEGISLATIVE DECREE 231/2001)

By resolution of the Board of Directors on 24 January 2006, the Company adopted an organisational model (the "Model") in compliance with the requirements of Legislative Decree 231/2001. As a result of constant revisions and updates, the Board of Directors approved a new version of this Model on 27 August 2008, which was lasted updated on 10 November 2010.

Revision of the Model has taken account of the extension of corporate administrative liability to new types of offences, and of changes to the Company's organisational structure after adopting the original organisational model.

As a result, the Model fully reflects the guidelines identified by analysing and mapping company processes exposed to the risk of wrongdoing and is appropriate for the Company's specific characteristics, meaning that it meets the effectiveness requirements demanded by the law.

The Model adopted by the Company is reflected in the following documents:

(a) Code of Ethics. This sets out the general principles (transparency, integrity and fairness) which underpin the conduct of business and which are also relevant for the purposes of Legislative Decree 231/2001; it also indicates the goals and values which characterise the Company's operations.

(b) Rules of conduct. These contain specific rules for dealing with public officials and are designed to satisfy the specific requirements of Legislative Decree 231/2001 with regard to the prevention of potential at risk situations. These guidelines set out types of conduct to be actively adopted and conduct to be avoided, thus translating the contents of the Code of Ethics into practical guidelines.

(c) Rules of Governance. This is a descriptive document structured as follows:
- Foreword: this contains a description of the business and organisation of Prysmian, with the purpose of putting the Model into its specific company context.
- Section One: this contains a general description of the contents of the Decree and the purpose of the Model.
- Section Two: this provides details of the Model's specific rules of governance.

This document contains, inter alia, a list and description of the felonies, an organisation chart, contractual clauses and a list of procedures. It also describes how the Model is made known and publicised, how its users are instructed and how it is adopted and continuously updated. It also contains a specific chapter on the Monitoring Board (duties, reasons for members being ineligible, removal, lapse and suspension of members, spending budget for its work).

(d) Decision-making and control procedures. These have the purpose of governing for all the relevant risks mapped:
- roles and responsibilities of persons involved;
- decision-making/authorisation processes;
- how activities at risk are managed and controlled.

In order to guarantee better oversight of internal control activities and in compliance with the recommendation of the Italian Stock Exchange Self-Regulatory Code, the Board of Directors has appointed Valerio Battista, the Chief Executive Officer, as Executive Director in charge of supervising the operation of the internal control system and made him responsible for monitoring its overall adequacy, efficiency and effectiveness. The Board of Directors has also appointed the Head of the Internal Audit Department as the Manager in charge of internal control, with responsibility for verifying that the internal control system is always operating adequately and effectively.

THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

1) Introduction

Internal controls for managing financial reporting risks form part of the overall system of controls. Such controls have the purpose of guaranteeing the reliability, accuracy, completeness and timeliness of financial reporting.

In order to ensure oversight of the internal control system and to comply with the recommendations of the Italian Stock Exchange Self-Regulatory Code, the Board of Directors has appointed Valerio Battista, the Chief Executive Officer, as Executive Director in charge of supervising the operation of the internal control system. Accordingly, he has been formally assigned responsibility for monitoring the overall adequacy, efficiency and effectiveness of the overall internal control system, including the specific controls over financial reporting.

The Board of Directors has also appointed the Head of the Internal Audit Department as the Manager in charge of internal control, with responsibility for verifying that the internal control system is operating adequately and effectively.

Each year the Internal Audit Department prepares an annual Internal Audit plan after performing a top down risk assessment. In order to ensure that an appropriate risk based audit plan is developed, risk factors are considered and reviewed each year. This activity includes performing interviews with Senior Management to identify risks, concerns or audit requirements. A review of the results of internal audit activity is undertaken to identify any possible trends, common internal control weaknesses, or similar internal audit recommendations. The implementation status of previous internal audit recommendations is also considered. Once these activities are performed the annual internal audit plan is submitted for approval by the Internal Control Committee and ultimately the Board of Directors.

In conducting internal audit activities, the Director of Internal Audit and the Internal Audit department are provided with complete access to all relevant data, documentation, information and personnel to enable the performance of each audit.

The Director of Internal Audit attends every meeting of the Internal Control Committee. The results of internal auditing activities are reported to the committee along with key findings and remediation actions. The status of the audit plan is reported during each meeting. Any significant deviations or anticipated deviations are discussed and confirmed with the Internal Control Committee. The implementation status of audit recommendations or remediation actions is reported to the Internal Control Committee.

2) Main features of the system of controls over the financial reporting process

Prysmian maintains a system of administrative and accounting procedures to ensure a reliable system of internal control over financial reporting. Policies, procedures and operating instructions are used by the Prysmian Group to ensure an efficient flow of information from the Prysmian affiliates.

These include the Group Accounting Manual (rules for the use and application of accounting policies), the Administrative Processes Manual, the Procedure for creating and publishing financial information and other procedures for the preparation of the consolidated financial statements and interim financial reports (including the chart of accounts, the consolidation procedures and procedures for related party transactions). The Prysmian Headquarters is responsible for communicating all this documentation to Prysmian affiliates. All Prysmian affiliates can access all these accounting policies, procedures and rules via the Group's intranet site. Local affiliates also establish local policies and procedures, although these must be consistent with the guidelines established by the Prysmian group.

The Company uses the COSO framework to identify the key risks and accordingly the key controls that need to be established to mitigate the risks identified and thus ensure the internal control system is operating effectively. A scoping exercise has been performed to identify the Prysmian Group's critical processes and sub-processes.

For each operating company within the Prysmian Group, the required key controls have been initially independently verified and tested by the Internal Audit Department to ensure they were operating as required. Areas for improvement have been reported to the Company's Senior Management and also to the Internal Control Committee. An action plan to enhance the control system or rectify any weaknesses has been issued in agreement with each relevant Affiliate. The implementation status of these action points is monitored by the Internal Audit Department and updates on the implementation status are provided to Senior Management and the Internal Control Committee.

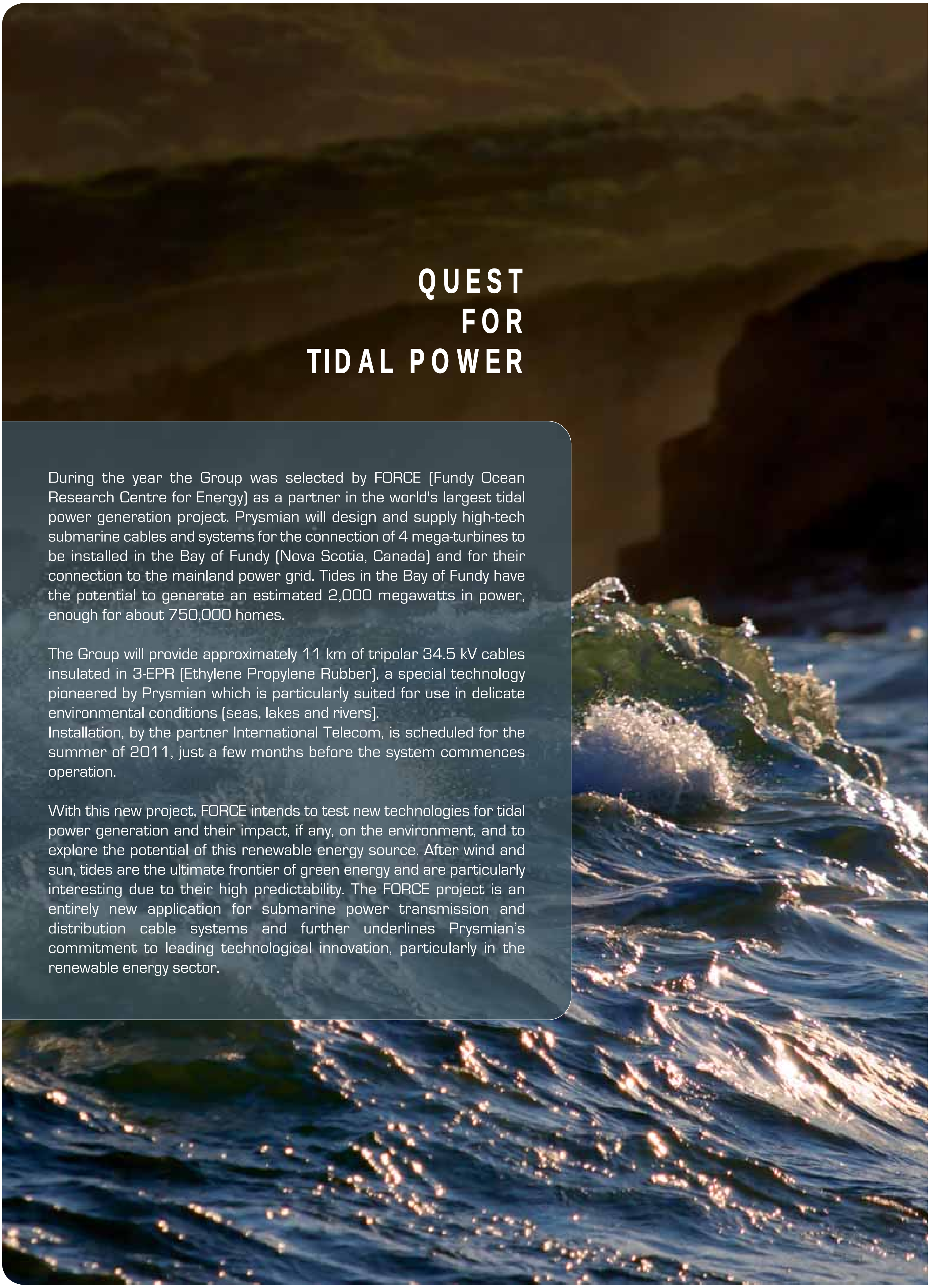
To ensure that the Company is able to assess the adequacy and effectiveness of the internal control system, including controls related to financial reporting, and also to comply with Law 262/05 (Investor Protection Act), the Company has adopted the following requirements.

The Chief Executive Officer and Chief Financial Officer of every Group operating company and the directors of the relevant head office functions and departments are responsible for maintaining an adequate internal control system which includes periodically testing that the key controls identified under Law 262/05 continue to operate effectively and efficiently. These officers are required to submit an attestation every six months confirming that the internal control system is operating effectively. This signed attestation is sent to the Prysmian Group's Chief Financial Officer and to the Director of Internal Audit. To support this attestation the officers must also confirm that testing has been performed to substantiate the conclusions and that evidence supporting these conclusions has been retained for future independent review. To achieve this Prysmian requires each operating company to submit a detailed "Internal Control Questionnaire" (ICQ). The ICQ documents the key controls for each critical business process, provides a description of how the control operates within the operating company and further describes what testing was performed during the reporting period to confirm the adequacy of the control. The owner of the business process must update the ICQ every six months.

The Internal Audit Department reviews the ICQ submissions and accordingly will select a number of operating companies or processes for detailed follow-up audits to confirm the integrity of the submission. The results of these reviews are reported in accordance with the Internal Audit reporting process.

STOCK OPTION PLANS

On 30 November 2006, the Extraordinary Shareholders' Meeting of the Company approved an incentive scheme based on stock options ("the Plan"), reserved for employees of Prysmian Group companies, together with the Regulations governing its operation.
At the same time, the Shareholders' Meeting approved a share capital increase against payment, to be carried out in one or more separate stages, for the purposes of the above Plan, up to a maximum amount of Euro 310,000.00.
In compliance with the terms of the Plan Regulations, options were granted gratis to 99 employees of the Company and other Prysmian Group companies to subscribe to 2,963,250 of the Company's ordinary shares. Each option carries the right to subscribe to one share of nominal value Euro 0.10, at a price of Euro 4.65 per share.
The unit price was determined by the Company's Board of Directors on the basis of the market value of the issuer's share capital at the date of the Plan's approval by the Company's Board of Directors. The value was determined on the basis of the issuer's economic and financial results at 30 September 2006 and took account of (i) the dilution produced by the grant of the options themselves, as well as (ii) the illiquidity of the presumed market value of the issuer's share capital at that date.
The purpose of adopting the stock option plan is to align the interests of beneficiaries with the growth in shareholders' wealth.
At 31 December 2010, there were 86 Plan beneficiaries, all of whom employees of the Company and the Prysmian Group. This figure takes account of those persons identified by the Extraordinary Shareholders' Meeting of 30 November 2006 ("Original Beneficiaries"), those Original Beneficiaries whose options have lapsed and Pier Francesco Facchini, the Director and Chief Financial Officer, identified by the Board of Directors on 16 January 2007 as an additional beneficiary of the Plan. At 31 December 2010, a total of 2,029,302 options had been exercised, involving the issue of a corresponding number of new ordinary shares of the Company, while 740,025 options were still outstanding.
In accordance with the Plan Regulations, no further options can be granted because 31 January 2007 was the final date set by the Extraordinary Shareholders' Meeting of 30 November 2006 by which the Board of Directors could identify further Plan beneficiaries in addition to the Original Beneficiaries.
The options have vested in four equal annual instalments on the anniversary of their grant date; the last vesting date was 4 December 2010.
Vested options can only be exercised during the so-called "Exercise periods" following the respective vesting date. Under the Plan Regulations, "Exercise period" is defined as each period of thirty days starting from the day after publication of the press release informing the public of the Board's approval of the Prysmian S.p.A. annual financial statements or half-yearly financial report.
On 15 April 2010, the Shareholders' Meeting of Prysmian S.p.A. approved an amendment to the Plan, with the introduction of four new option exercise periods, solely for beneficiaries still in the Group's employment. Vested options will therefore be exercisable until the thirtieth day after publicly announcing the Board's approval of the Company's proposed annual financial statements for 2012 (the original option expiry date was 30 days after the Board's approval of the proposed annual financial statements for 2010).
For further information regarding the Plan, please refer to the information memoranda prepared under art. 84-bis of the Consob Issuer Regulations, which can be found on the Company's website www.prysmian.com under Investor relations/Corporate governance.



QUEST FOR TIDAL POWER

During the year the Group was selected by FORCE (Fundy Ocean Research Centre for Energy) as a partner in the world's largest tidal power generation project. Prysmian will design and supply high-tech submarine cables and systems for the connection of 4 mega-turbines to be installed in the Bay of Fundy (Nova Scotia, Canada) and for their connection to the mainland power grid. Tides in the Bay of Fundy have the potential to generate an estimated 2,000 megawatts in power, enough for about 750,000 homes.

The Group will provide approximately 11 km of tripolar 34.5 kV cables insulated in 3-EPR (Ethylene Propylene Rubber), a special technology pioneered by Prysmian which is particularly suited for use in delicate environmental conditions (seas, lakes and rivers).
Installation, by the partner International Telecom, is scheduled for the summer of 2011, just a few months before the system commences operation.

With this new project, FORCE intends to test new technologies for tidal power generation and their impact, if any, on the environment, and to explore the potential of this renewable energy source. After wind and sun, tides are the ultimate frontier of green energy and are particularly interesting due to their high predictability. The FORCE project is an entirely new application for submarine power transmission and distribution cable systems and further underlines Prysmian's commitment to leading technological innovation, particularly in the renewable energy sector.

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS, THE CHIEF EXECUTIVE OFFICER AND KEY MANAGEMENT PERSONNEL

Pursuant to art.79 of Consob Resolution 11971 dated 14 May 1999 as amended, the following table provides details of shares held in Prysmian S.p.A. by members of the Board of Directors and the Board of Statutory Auditors, and by the Chief Executive Officer and key management personnel. The persons indicated hold ownership title to these shares.

SHARES HELD BY DIRECTORS AND KEY MANAGEMENT PERSONNEL

Name	Shares in	Number shares held at end of prior year	Number shares purchased	Number shares sold	Number shares held at end of current year
Battista Valerio	Prysmian S.p.A.	718,607	1,500,000	-	2,218,607
Pier Francesco Facchini	Prysmian S.p.A.	-	142,152	(109,000)	33,152
Stefano Bulletti	Prysmian S.p.A.	5,000			5,000
Key management personnel	Prysmian S.p.A.	-	30,504	(30,504)	-

GOING CONCERN

As stated in the Explanatory Notes to the Consolidated Financial Statements (Section B.1 Basis of preparation), there are no financial, operating or other kind of indicators that might cast doubt on Prysmian's ability to meet its obligations in the foreseeable future (and particularly in the next 12 months). Its going concern status is therefore not in doubt.

The earlier chapters of this report provide a detailed account of the Group's activities and its economic and financial performance in 2010. In particular, the "Letter to Shareholders" and the account of "Significant events during the year" describe the strategies the Group has adopted or intends to adopt to ensure its development. The next chapter on "Risk factors" describes the risks and uncertainties facing the Group in the course of its business and the strategies adopted to mitigate such risks. Financial risks are discussed in detail in the Explanatory Notes to the Consolidated Financial Statements in Section C. Financial risk management.

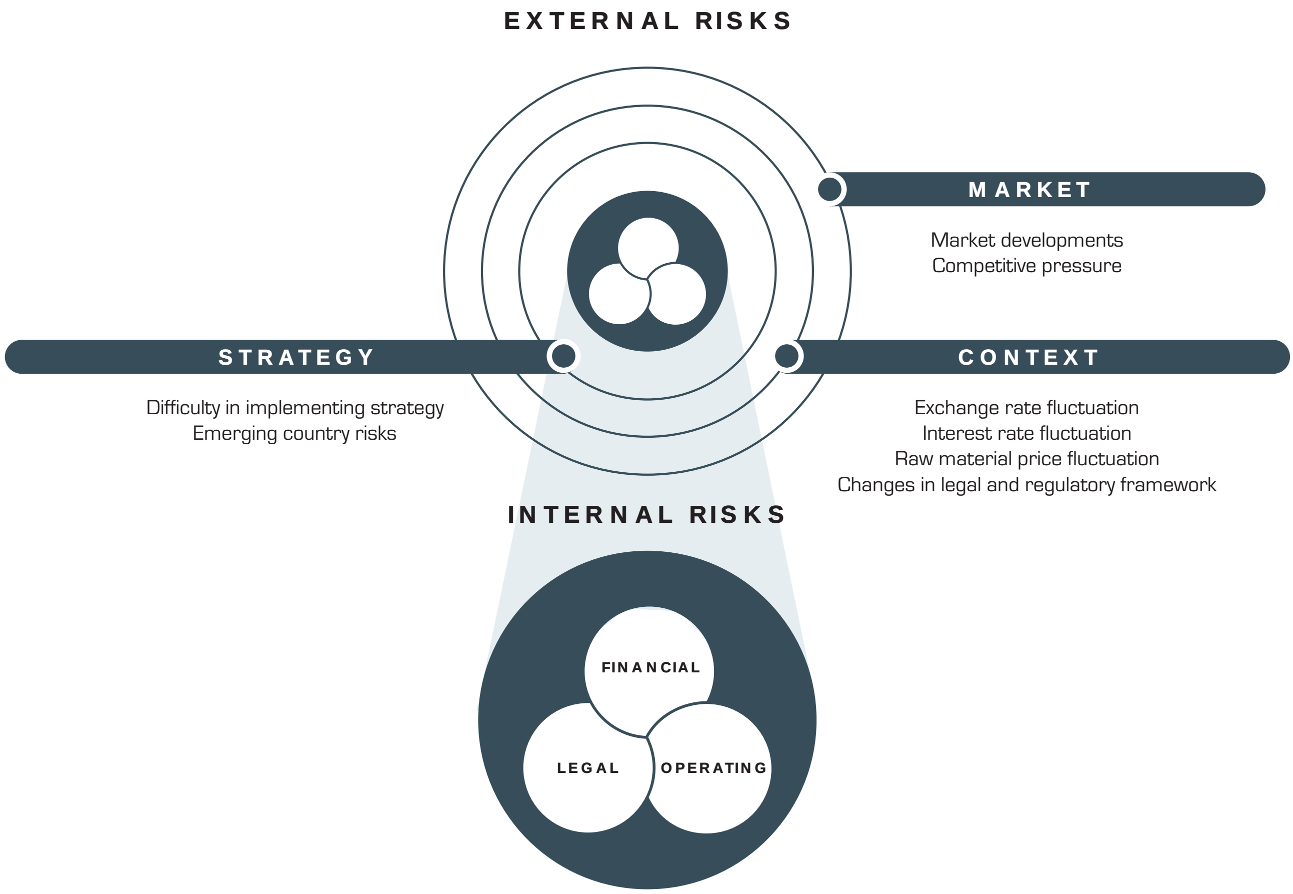
This section reports that the Group's liquidity reserves at 31 December 2009 amounted to Euro 1,611 million, comprising cash and cash equivalents, financial assets held for trading, available-for-sale highly liquid assets, financial receivables comprising short-term bank deposits and unused committed credit lines. Even taking account of a number of factors that might prevent some of the above liquidity reserves from being readily available (including: seasonality of the business and the financial position, restrictions on the availability of the securitization facility due to insufficient securitized trade receivables and trapped cash), the Company believes that such liquidity reserves allow it to meet the financial outlays relating to the Draka acquisition (described in "Subsequent Events"). They also allow it to be able to refinance the Draka debt, which will be repaid early as a result of "change of control" clauses. Lastly, they allow Prysmian to repay the principal instalment of the Credit Agreement (a variable rate loan with a residual value of Euro 770 million at 31 December 2010) falling due in November 2011 (see Note 12 of the Explanatory Notes to the Consolidated Financial Statements).

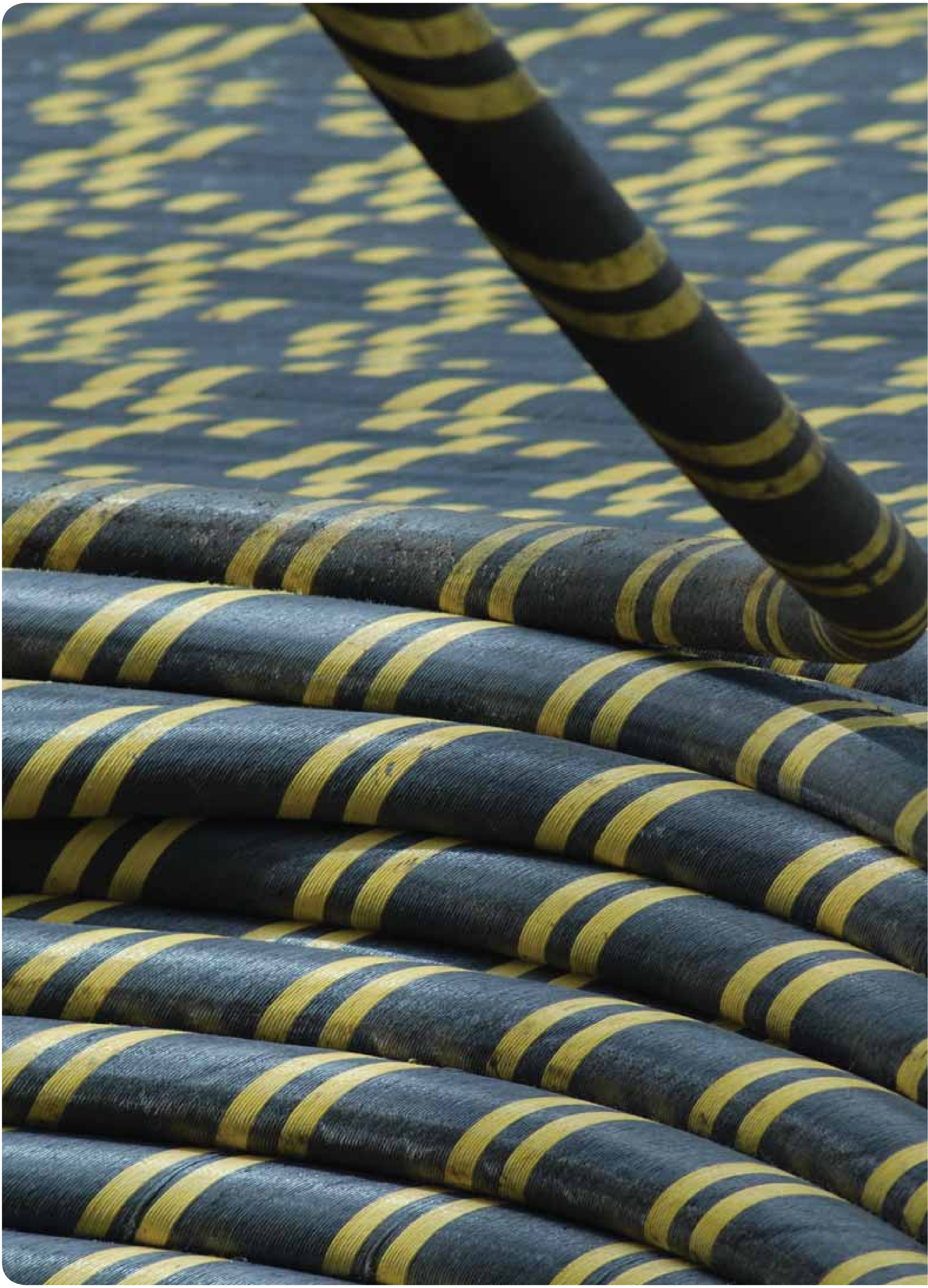
It is also reported that the Group is negotiating a new five-year loan agreement for Euro 800 million in order to re-establish the financial flexibility absorbed by the Draka acquisition (see "Subsequent Events").

The Group's estimates and projections take account of the increase in net debt following the Draka acquisition and of possible changes that could reasonably occur in its business performance, including occurrence of the events described as risk factors, and demonstrate Prysmian's ability to operate in compliance with its financial covenants, as redefined with the banks in February 2011 (see "Subsequent Events").

RISK FACTORS

The Group adopts specific procedures to manage risk factors that may influence the results of its business. These procedures are the result of corporate policy which has always sought to maximise value for shareholders by taking every action needed to prevent the risks inherent in the Group's business. The Board of Directors accordingly voted on 24 January 2006 to adopt a model of organisation, management and control ("Organisational Model"), designed to prevent the commission of the felonies envisaged by Legislative Decree 231/01. In order to reflect the intervening organisational changes since first adopting the Organisational Model, and changes in the above law, the Company's Board of Directors voted on 27 August 2008 to adopt a revised Organisational Model. The revised model has been prepared on the basis of recent pronouncements by the legal and academic profession and the Guidelines of Confindustria (Italian confederation of industry) and satisfies the requirement to have a constantly updated system of corporate governance. The Company's corporate governance structure is based on the recommendations and rules contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies", which the Company has adopted. The chapter of this report on "Corporate governance" provides information on the structure adopted and the related responsibilities and outlines the contents of the documents that comprise the new Organisational Model. Based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2010, the Company believes that, barring any extraordinary events, there are no significant uncertainties, such as to raise substantial doubts as to the business's ability to continue as a going concern. Risk factors may be divided into external and internal risks as described below.





EXTERNAL RISKS

MARKET RISKS

Risks associated with trends on the Group's markets

Some of the markets for the Group's products, mainly relating to business lines such as Trade & Installers, are affected by cyclical fluctuations in demand and are influenced by overall trends in GDP growth. Although the diversified nature of the Group's markets and products reduces its exposure to cyclical trends in demand on certain markets, it is not possible to guarantee that such cyclical trends will not have a significant impact on the Group's activities, results of operations and statement of financial position.

In addition, demand for products in the energy cables segment is also influenced by spending plans by utility companies and by overall energy consumption, as well as in part by construction sector trends, while demand for products in the telecom cables segment is heavily influenced by spending plans by telecom operators.

2010 showed the first signs of a recovery in demand, although at levels well below those reached before the 2008 financial crisis; furthermore, the contraction in volumes experienced in 2009 and continuing in the early part of 2010 brought strong competitive pressures and a consequent reduction in sale prices. Despite these conditions, Prysmian achieved satisfying results both in terms of profits and cash flow; however, if another significant downturn in demand should reoccur in coming quarters in the Trade & Installers, Power Distribution (partly linked with trends in the construction market), Industrial and Telecom businesses, combined with a slowdown in order intake in the underground High Voltage cables business, the Group cannot rule out that the consequent steep downturn in business would not have a major impact on its activities, results of operations and statement of financial position.

Risks associated with competitive pressure

Competitive pressure due to a possible renewed reduction in demand could translate into additional price pressure, primarily in the Trade & Installers business area, but also in the Power Distribution business line, although to a much lesser extent.

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; therefore, in such cases, price is a key factor in customer choice of supplier. Although the competitive scenario for this business may vary by country or geographical area, one constant is the large number of competitors, ranging from those capable of competing on a global scale to smaller ones whose presence, in an individual country or geographical area or an individual business line, may be comparable to that of the principal players. In addition, the price of some of the Group's products, particularly optical fibre cables, has experienced downward price pressure in the past due to excess production capacity in the optical fibres market.

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.

CONTEXT RISKS

Exchange rate risk

The Group operates worldwide and is therefore exposed to exchange rate risk in the various currencies in which it operates (principally the US dollar, British pound, Brazilian real and Australian dollar). Exchange rate risk arises from future trade transactions 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 recognition of foreign currency assets and liabilities, most of the Group companies use forward contracts take out by Group Treasury.
Exchange rate risk occurs when future transactions or assets and liabilities that have already been recognised 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.
A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

Interest rate risk

The interest rate risk to which the Group is exposed is mainly on long-term financial liabilities, carrying both fixed and variable rates.
Fixed rate debt exposes 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 debt exposes 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. A potential rise in interest rates, from the record lows reached in the past two years, is a risk factor in coming quarters; in order to limit this risk, over the course of 2009 and 2010, the Group has taken advantage of the sharp fall in interest rates in the wake of the economic recession, to enter IRS contracts that mitigate the risk of a rise in interest rates until the end of 2014. A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

Risks associated with fluctuations in raw material prices

The principal material used for making the Prysmian Group's products is copper. The other raw materials used are aluminium, lead and steel, as well as different plastic components and resins.
All raw materials have experienced particularly significant price fluctuations in recent years, which could 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 would be unable to quickly pass on the impact of fluctuations in raw material prices to sale prices. In particular, in the case of oil derivative products, by contractual practice changes in purchase price systematically take place 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 (causing a consequent increase or decrease in Group's net debt).

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

Supply Contract	Main Application	Metal influence on Cable Price	Impact	Hedging of Metal Price Fluctuations	Impact
Predetermined delivery date	Projects (Energy transmission) Cables for industrial applications (eg. OGP)	Technology and Design content are the main elements of the "solution" offered. Pricing little affected by metals.		Pricing locked in at order intake. Profitability protection through systematic hedging (long order-to-delivery cycle).	
Frame contracts	Cables for Utilities (eg. power distribution cables)	Pricing defined as hollow, thus automatic price adjustment through formulas linked to publicly available metal quotation.		Price adjusted through formulas linked to publicly available metal quotation (average last month). Profitability protection through systematic hedging (short order-to-delivery cycle).	
Spot orders	Cables for construction and civil engineering	Standard products, high copper content, limited value added.		Pricing managed through price lists (frequently updated). Competitive pressure may result in delayed price adjustment. Hedging based on forecasted volumes rather than orders.	

High Low

Metal price fluctuations are normally passed through to customers under supply contracts. Hedging is performed in order to systematically minimise profitability risks.


dalmec
max 600 Kg

A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

Risks relating to changes in the legal and regulatory framework

The Group, as a manufacturer and distributor of cables, is subject to numerous legal and regulatory requirements in the various countries where it operates, as well as technical regulations, both national and international, applicable to companies operating in the same sector and to products manufactured and marketed by the Group. Environmental protection measures are particularly important in this regard. Although the Group constantly endeavours to reduce its exposure to environmental risks and has taken out insurance against potential liabilities arising from third-party environmental damage, it is nonetheless possible that not all environmental risks have been adequately identified and that not all the insurance policies are completely effective.

The publication of further regulatory provisions applicable to the Group or its products, or changes in the current national and international laws in the segments in which the Group operates, could require the Group to adopt stricter standards or could limit its freedom of action in its own areas of business. These factors could involve compliancy costs for its manufacturing facilities or product specifications.

STRATEGIC RISKS

Strategy implementation risks

The Group's ability to improve its profitability depends, among other things, on its success in implementing its business strategy. Group strategy is based, among other things: on increasing the proportion of sales from high value-added products, on developing its industrial structure to support its strategy and on continuously improving the structure of variable costs, on improving logistics and customer service and on constantly researching and developing new products and processes.

The Group intends to achieve its strategy through both internal growth and external lines; however, it is not possible to guarantee that this strategy will be fully or partly achieved in the time and manner planned.

As far as external growth is concerned, it is recalled that the public offer for all of the shares in Draka Holding N.V. was completed on 22 February 2011 with acceptances received from more than 99% of the shares (more information can be found in "Subsequent Events"). Prysmian expects to incur an estimated Euro 170 million in integration costs over the course of three years and, at the same time, to achieve about Euro 100 million in annual run-rate pre-tax synergies within three years. However, it is not possible to guarantee that these costs and synergies will be realised in the time and manner planned.

The Group expects to finance its organic growth strategy primarily from cash flows generated by operating activities; however, it cannot rule out that acquisition-led growth might require it to seek outside sources of finance, like in the case of the acquisition of Draka Holding N.V., for instance. More information about the acquisition of Draka Holding N.V. can be found in "Subsequent Events".

Risks associated with activities in developing countries

The Group operates and has production facilities and/or companies in Asia and Latin America. The Group's activities in these countries are exposed to different risks linked to local regulatory and legal systems, the imposition of tariffs or taxes, political and economic instability, and exchange rate risks.

Significant changes in the macroeconomic, political, tax or legislative framework of such countries could have a negative impact on the Group's activities, results of operations and statement of financial position.

INTERNAL RISKS

FINANCIAL RISKS

The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's financial performance. Some types of risk are mitigated by using financial instruments (including derivatives).
Risk management is centralised with the Group Finance Department which identifies, assesses and hedges financial risks in close cooperation with the Group's operating units.

The Group Finance, Administration and Control Department provides written guidelines on monitoring risk management, as well as for specific areas such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative instruments, and how to invest excess liquidity.
Such financial instruments are used only to hedge risks and not for speculative purposes.

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.

Prysmian believes that it does not have to face such a risk after taking advantage of favourable market conditions to enter on 21 January 2010 a long-term loan agreement (maturing on 31 December 2014) with a syndicate of major national and international banks for Euro 1,070 million (of which Euro 400 million relates to a Revolving Credit Facility and Euro 670 million to a Term Loan Facility), and which can be used to replace the existing Credit Agreement at its natural expiry on 3 May 2012. This is a "Forward Start Credit Agreement", having been negotiated in advance of its period of use. The existing credit agreement's Bonding Facility for Euro 300 million (maturing on 3 May 2012) has not been covered by the new agreement.
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. Further to the Draka acquisition, this spread comprises an interest margin of 0.80% per annum applied to the Term Loan and Revolving Credit Facility, plus a loyalty fee under the Forward Start Credit Agreement.

The Group's financial structure was made even stronger in March 2010 after completing the placement of an unrated bond with institutional investors on the Eurobond market, for a nominal total of Euro 400 million with a 5.25% coupon and maturity in April 2015.
In addition, 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. A detailed analysis of "Borrowings from banks and other lenders" can be found in the Explanatory Notes to the Consolidated Financial Statements.
The existing Credit Agreement and the Forward Start

Credit Agreement both contain a series of financial and non-financial covenants with which the Group must comply. These covenants limit the amount by which Prysmian can increase its net debt; should the company fail to satisfy one of the covenants, this would lead to a default event which, unless resolved under the terms of the Credit Agreement and the Forward Start Credit Agreement, could lead to their termination and/or an early repayment of any amounts drawn down (including the bond). In such an eventuality, the Group would be unable to repay the amounts demanded early, which in turn would give rise to a liquidity risk. All covenants, both financial and non-financial, had been fully observed at 31 December 2010. In particular, the two financial covenants (i) ratio between EBITDA and Net finance costs (as defined in the Credit Agreement and in the Forward Start Credit Agreement) and (ii) ratio between Net financial position and EBITDA (as defined in the Credit Agreement and Forward Start Credit Agreement) were well within the required limits (namely a ratio of not less than 5.50x for EBITDA / Net finance costs and a ratio of no more than 2.50x for Net financial position/EBITDA). In addition, with reference to the Draka acquisition, during February 2011, the Group obtained a significant extension to its financial covenants from the syndicate of financing banks; under the new terms, the ratio between EBITDA and Net finance costs (as defined in the Credit Agreement and the Forward Start Credit Agreement) and the ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement and Forward Start Credit Agreement) must be not less than 4.00x and no more than 3.50x respectively at 31 December 2011. More information about covenants can be found in the note on "Financial Covenants" in the Explanatory Notes to the Consolidated Financial Statements.

It is recalled that the public offer for all the shares in Draka Holding N.V. was completed on 22 February 2011 with acceptances received from more than 99% of the shares (more information can be found in "Subsequent events"); this acquisition will lead to a substantial increase in the Group's net debt. In addition, the Group reviews potential acquisition targets on a continuous basis and could incur an increase in debt to finance such transactions on each occasion. To the extent that such acquisitions might occur, the Group cannot rule out that the above risks might result in a breach of the covenants. As things stand and in view of the above widening of the financial covenants, the Group nonetheless believes that it will not have to face such risks in the near future.

Credit risk

Credit risk is the Group's exposure to potential losses arising from the failure of customers or financial counterparties to discharge their obligations. This risk is monitored centrally by the Group Finance Department, while customer-related credit risk is managed operationally by the individual subsidiaries. The Group does not have significant concentrations of credit risk. It nonetheless has procedures for ensuring that its customers are of recognised reliability and that its financial counterparties have high credit ratings.

Liquidity risk

Liquidity risk is the risk that an entity does not have sufficient financial resources to meet its obligations to trade or financial counterparties on the agreed due dates. With regard to the Group's working capital cash requirements, they increase significantly during the first half of the year when it commences production in anticipation of order intake, with a consequent temporary increase in net financial debt.

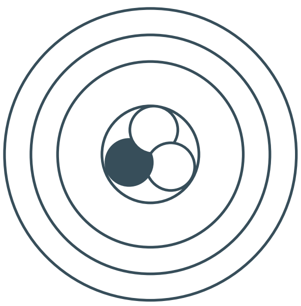
Prudent management of liquidity risk involves the maintenance of adequate levels of cash, cash equivalents and short-term securities, the maintenance


PRYSMIAN
CABLES & SYSTEMS

of an adequate amount of committed credit lines, and timely renegotiation of loans before their maturity. Due to the dynamic nature of the business in which the Group operates, the Group Finance Department favours flexible arrangements for sourcing funds in the form of committed credit lines. Based on unused committed credit lines and available cash, the Group's financial resources amounted to about Euro 1.6 billion at the end of December 2010 (including the undrawn portion of the credit facility of Euro 350 million serving the securitization programme expiring in July 2012).
A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

LEGAL RISKS

Product liability
Any defects in the design and manufacture of the Group's products could give rise to civil or criminal liability in relation to customers or third parties. Therefore, the Group, like other companies in the industry, is exposed to the risk of legal action for product liability in the countries where it operates. The Group, in line with the practice followed by many companies in the same industry, has taken out insurance which it considers adequate for protecting itself against the risks arising from such liability. However, should such insurance coverage be insufficient, the Group's results of operations and statement of financial position could be adversely affected. In addition, the Group's involvement in this kind of dispute and any resulting liability could expose it to a damage in reputation.



Risks associated with intellectual property rights
Although the Group believes it has adopted a suitable system for protecting its own intellectual property rights, it is not possible to rule out that it could face difficulties in defending such rights.
Intellectual property rights owned by third parties could hinder or limit the Group's ability to introduce new products to the market. In addition, it is not possible to rule out the Group's possible involvement in legal actions involving intellectual property rights, the outcome of which is often unpredictable. Such circumstances could have a negative impact on the Group's activities, results of operations and statement of financial position.

Risks relating to legal and tax proceedings
Prysmian S.p.A. and some Group companies are currently involved in tax and legal proceedings in connection with their business, involving civil, criminal and administrative actions. In some of these cases, the company might not be able to accurately quantify the potential losses or penalties. As at 31 December 2010, the Group had a total of Euro 106 million in provisions for risks and charges, an amount that management regards as sufficient to cover losses and penalties arising from any negative outcomes of outstanding litigation. Nonetheless, it is not possible to rule out that the Group might be required to meet liabilities that are not covered by its provisions for risks and which are linked to the negative outcome of legal actions, with a consequently negative impact on the Group's activities, results of operations and statement of financial position.

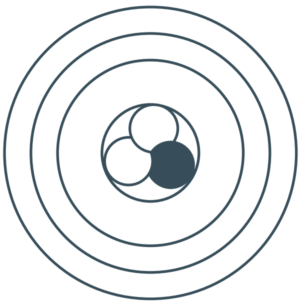
In particular, it is reported that towards the end of January 2009, the European Commission, the US Department of Justice and the Japanese antitrust authority started an investigation into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive agreements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

similar investigations.
The investigations in Japan and New Zealand have ended without any penalties for 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.

OPERATING RISKS



Risks associated with delivery dates and product quality
Some supply and/or installation contracts entered into by the Group include penalties for Group companies if the agreed delivery date or qualitative standards are not met. The application of such penalties, the obligation to compensate any damages as well as the impact of any delayed delivery on the Group cost structure, could adversely affect the Group's activities, results of operations and statement of financial position.

Although over the past three years, Group companies have not been involved in claims for damages of this kind, it is not possible to guarantee that in the future the Group will always manage to fully and promptly meet such commitments.

Risks relating to the operation of industrial facilities
Being an industrial group, Prysmian is exposed to the risk of stoppage of production at one or more of its facilities, due, for example, to machinery breakdown, cancellation of or challenge to permits and licences by the competent public authorities, strikes or shortage of labour, natural disasters, major disruptions in the supply of raw materials or energy, sabotage or terrorist attacks.
Except for a prolonged stoppage in 2009 at the St. Jean plant in Canada due to strikes, none of the Group's plants has experienced any stoppages in the past three years that have significantly impacted their activities. However, it is not possible to rule out further stoppages in the future and, if the cost of such stoppages should exceed the Group's current insurance coverage, its activities, results of operations and statement of financial position could be negatively affected.
In addition, activities relating to the submarine cables business are closely dependent on certain specific assets, such as the Arco Felice plant in the province of Naples and the "Giulio Verne" cable-laying ship. The Group believes that a prolonged stoppage in the operation of these assets could have a negative impact on its activities, results of operations and statement of financial position.
In order to avert such operating risks, Prysmian's Risk Management office reviews risk at all Group companies in order to identify and quantify operating risks and establish and manage policies for addressing such risks. In particular, it periodically reviews the level of insurance coverage, premiums paid, losses incurred and the damages recovered by the Group. A plan for preventing such risks is prepared for every Group company,

indicating the key areas of control.

As part of the Loss Prevention plan applying to every plant, Risk Management personnel periodically inspect the Group's plants to identify and avert potential risks. The following classifications are used to establish the level of risk:

- plants with controlled risks (Excellent HPR - Highly Protected Risk);
- low risk plants (Good HPR);
- medium-low risk plants (Good non HPR);
- medium risk plants (Fair);
- high risk plants (Poor).

The investment needed to reduce the level of risk at each plant is estimated with the goal of achieving a level of "Excellent HPR" at all the Group's facilities.

At 31 December 2010, 98% of plants were classified as "Excellent HPR", "Good HPR" or "Good non HPR", while only one plant was classified as "Fair" and none as "Poor".

Risks associated with the supply and availability of raw materials

Copper is the principal raw material used by the Group for its manufacturing processes. The other raw materials used are aluminium, lead and steel, as well as different plastic components and resins.

The Group has always been able to obtain sufficient supplies of copper to meet its production needs and does not consider itself dependent on any one supplier. As far as possible, the Group seeks to diversify its sources of supply. The Group procures most of its resins and plastic materials from the major world suppliers, signing supply contracts normally for a year with monthly deliveries, and satisfies the remainder of its needs by producing such materials directly within some of its plants.

With particular reference to optical fibre, the Group believes it has sufficient production capacity to meet its needs for the production of optical fibre cables and for sales of such material to third parties. Nonetheless, for commercial and strategic reasons, the Group has decided to adopt a policy of sourcing part of its optical fibre from third-party manufacturers.

Risks associated with IT systems

Prysmian has embarked on a major upgrade to its IT systems in support of the Group's strategic development. The changes include replacing certain important company systems currently in use with more up-to-date, functional ones.

The Group is aware of the risks associated with such projects, primarily in connection with possible inaccuracies in the data uploaded. However, the Group believes that it has taken every step necessary to limit such risks through testing, training, and preparatory work, as well as through appropriate contracts with the suppliers of the replacement technology.


PRYSMIAN

OTHER INFORMATION

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 33 to the consolidated financial statements at 31 December 2010.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during 2010.

SECONDARY OFFICES AND KEY CORPORATE INFORMATION

The list of secondary offices and key corporate information of the legal entities making up the Group can be found in Appendix A of the Explanatory Notes to the Consolidated Financial Statements.

FINANCIAL RISK MANAGEMENT

The management of financial risks is discussed in the Explanatory Notes to the Consolidated Financial Statements, in Section C. Financial risk management.

SUBSEQUENT EVENTS

DRAKA ACQUISITION

On 22 November 2010, Prysmian announced its intention of making a public mixed exchange and cash offer for Draka Holding N.V., a listed company and parent of the Draka Group, with the aim of creating a global leader in the energy and telecom cable-making industry. On the same day, Prysmian had signed a conditional merger agreement with Draka in relation to the public mixed exchange and cash offer and an irrevocable undertaking with Flint, Draka's largest shareholder with an ownership interest of around 48.5%, under which Flint undertook to support the offer and to tender its shares under the offer terms.

The offer consideration comprised Euro 8.60 in cash plus 0.6595 newly issued Prysmian shares for each Draka ordinary share.

The merger agreement obtained the immediate support and unanimous recommendation of Draka's Board of Management and Supervisory Board.

On 5 January 2011, Prysmian S.p.A. formally announced the public mixed exchange and cash offer for all the outstanding ordinary shares of Draka Holding N.V.. The offer price was confirmed at Euro 8.60 in cash plus 0.6595 newly issued Prysmian ordinary shares for each Draka share.

On 26 January 2011, Prysmian announced it had entered into two conditional agreements to purchase all the 5,754,657 issued and outstanding preference shares of Draka Holding N.V. owned by ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V..
Both these agreements were subject to fulfilment of the condition precedent that Prysmian declare the offer unconditional.
The purchase price of the preference shares was approximately Euro 86 million.

On 8 February 2011, Prysmian S.p.A. declared the offer unconditional, having then received acceptances from 44,064,798 shares, representing around 90.4% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).

On 22 February 2011, Prysmian settled the offer for those shares tendered during the offer period, by acquiring 44,064,798 Draka shares and issuing 29,059,677 ordinary shares of Prysmian S.p.A. and paying Euro 378,973,735.24 in cash. The unit price of the ordinary shares acquired, determined in accordance with IFRS 3, was equal to Euro 18.47379.
During the post-closing acceptance period, ending on 22 February 2011, another 4,192,921 shares were tendered for acceptance, representing around 8.6% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Together with the 44,064,798 shares tendered during the offer period ending on 3 February 2011, Prysmian will hold a total of 48,257,719 shares, representing 99.055% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Lastly, taking account of the 5,754,657 Draka preference shares acquired by Prysmian from ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V. on 1 March 2011, Prysmian will hold 99.121% of Draka's total share capital.
Payment of the offer price to the Draka shareholders who accepted the offer during the post-closing acceptance period will be settled on 8 March 2011.

The total consideration paid for the acquisition is Euro 978 million, of which Euro 501 million in cash (including Euro 86 million for purchasing the preference shares) and Euro 477 million through the issue of around 31.8 million shares in Prysmian S.p.A..

At 31 December 2010, Draka reported consolidated shareholders' equity of Euro 590 million (Source: press release by Draka Holding N.V. dated 15 February 2011).

Acquisition-related costs are estimated at around Euro 25 million, before estimated tax of Euro 8 million. The portion of these costs directly associated with the capital increase by Prysmian S.p.A. serving the acquisition will be accounted for, net of tax, as a deduction from Prysmian's equity, while the remaining costs will be recognised in the income statement.

Having acquired more than 95% of Draka's ordinary share capital, Prysmian intends to delist the Draka shares from the NYSE Euronext Amsterdam (Euronext). In agreement with Euronext, the last day of trading in the shares will be 6 April 2011, meaning that the shares will be delisted on 7 April 2011.

Prysmian also intends to initiate a squeeze-out process permitted under the Dutch Civil Code, in order to acquire the remaining shares not tendered to the offer and therefore not yet held by Prysmian.

MAIN RATIONALE FOR THE ACQUISITION

By completing this transaction, Prysmian has obtained control of Draka, thus creating one of the world's leading groups in the energy and telecom cable and systems industry. It will allow Prysmian to further develop its activities in high-tech sectors through an industrial integration, the benefits of which the two companies had already assessed in 2009 when, as announced at the time, they started discussions for proposing a cross-border merger to their respective shareholders.

The acquisition is backed by a strong strategic rationale and significant value creation opportunities. In fact, the reference industries in which both Prysmian and Draka customers operate are expanding on a global scale, meaning that companies are increasingly buying products and services globally and on a centralised basis. Also, a consolidation trend can be observed in the cable industry, both at a supplier and customer level. The globalisation and consolidation of the industry is increasing the need for economies of scale, wide product offering, efficiency and constant innovation.
The new group resulting from the combination of Prysmian and Draka will operate in more than 50 countries, with over 90 plants and a workforce of more than 20,000 employees.

Based on 2010 aggregate pre-synergy figures of the two companies, the new group would have had sales of around Euro 7.0 billion in 2010 and EBITDA (excluding non-recurring items) of Euro 535 million.

Based on 2010 aggregate sales figures, the new group's sales in 2010 would have been split as follows:

(a) by geographical area: EMEA: 64%, Americas 19%, Asia Pacific 14% and rest of world 3%;
(b) by business sector: Energy 82% and Telecom 18%.

The new group will benefit from its strengthened geographical presence thanks to:
(i) the opportunity of exploiting Draka's strength in Nor thern Europe and Prysmian's strong position in Southern Europe;
(ii) a leading presence in Industrial cables with local manufacturing facilities in the key markets of North America, Europe (Germany, France and Italy) and China. In particular, Draka will contribute to the new group its strong position in the North American Industrial market, where Draka operates in comple mentary segments such as the one for applications for the elevator industry; in China, both companies have a significant presence and will leverage the

strengths of their respective product portfolios;

(iii) an increased presence in emerging markets (eg. China, Middle East, Brazil, Mexico, ASEAN, India and Russia). In China, Prysmian is mainly present in the Energy sector, whereas Draka's main focus is in Telecommunications; in the Middle East, Prysmian is mainly active in Power Transmission projects, whereas Draka has a well-rooted presence in the fast-growing Oman market, through a partnership with a leading local player; in South America, the presence of the two companies is highly complementary, with Prysmian mainly active in Brazil and Draka in Mexico; lastly, in ASEAN, the geographical footprints have limited overlaps, with the historical presence of Prysmian in Indonesia and Malaysia well integrated by Draka's leading positions in Singapore and Hong Kong;

(iv) an increased presence in the Telecom business (mainly optical cables and fibre) through complementary geographical presence in EMEA, North and South America and China. In particular, Draka's manufacturing presence in North America will provide an excellent balance in terms of currency exposure in a market which is mainly denominated in US dollars.

OUTLINE OF PRYSMIAN'S PLANS FOR THE ACQUIRED COMPANY

Prysmian believes that the new group can establish itself as one of the leading players in the energy and telecom cable and systems industry and particularly in the various high-tech sectors. In particular:

(a) in submarine and high voltage, the new group will continue to serve the main national grid operators and will be involved in the most important transmission projects worldwide;

(b) it will extend its product offering by acquiring a significant presence in the industrial cables business, and will be in the position to exploit important cross-selling opportunities; for some high value-added industrial applications, like for example wind energy, the new group will be in the ideal position to offer to its enlarged customer base an even more complete offering, thanks to the product and technological complementarity of Prysmian and Draka.

(c) in the Trade & Installers channel, improvements in logistics (due to increased geographical presence) will allow the new group to enhance the service level and the number and type of products offered, thanks once again to the complementarity of the Draka and Prysmian product portfolios;

(d) thanks to access to Draka's optical fibre production technology, the new group will have fibre production facilities spread across the globe and will be a leading player in the optical cable segment, leveraging on an even wider product range.

Thanks to its leadership in key geographical areas and segments, combined with the possibility of sharing best practices and processes developed independently by the two groups in the past (and of applying them to a wider base of customers, products and services), the new group is expected to generate significant synergies and will be ideally positioned to capture the available growth opportunities. In view of the significant experience matured by both Prysmian and Draka in implementing efficiency and cost-saving measures, further areas for improvement have already been identified.

The new combined group is expected to generate approximately Euro 100 million of annual run-rate pre-tax cost synergies, mainly by optimising the industrial footprint and synergies in procurement, by making organisational savings and improving operating efficiency, through optical fibre sourcing, and by exploiting complementarities in the product portfolios. Integration costs to capture these synergies are estimated at Euro 170 million spread over three years. The transaction is already expected to benefit earnings per share in 2011, excluding non-recurring costs.

SOURCES OF FINANCE

The financial outlay for the Draka acquisition has been funded using available liquidity and part of the committed credit lines.

With reference to the Draka acquisition, during February 2011, Prysmian obtained from its group of financing banks a significant extension to its financial covenants; under the new terms, the ratio between EBITDA and Net finance costs (as defined in the Credit Agreement and the Forward Start Credit Agreement) and the ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement and Forward Start Credit Agreement) must be higher than 4.00x and lower than 3.50x respectively at 31 December 2011.

Prysmian is also negotiating with a group of major banks a new five-year loan agreement for Euro 800 million in order to re-establish the financial flexibility absorbed by the acquisition.

OTHER SUBSEQUENT EVENTS

Under anti-dumping measures initiated by China's Ministry of Commerce against US and EU fibre manufacturers, a preliminary determination was issued on 9 February 2011 that requires the initial payment of a tariff by companies that import into China fibre purchased from manufacturers affected by these measures, amongst whom Fibre Ottiche Sud - FOS S.r.l., a Prysmian Group company. This preliminary ruling will be followed by a final determination that could confirm or modify the tariff initially applied. However, this measure is not retroactive, applying only to imports after the date of the ruling.

BUSINESS OUTLOOK

2010 showed the first signs of a recovery in demand starting from the second quarter, although at levels well below those reached before the 2008 financial crisis. The progressive upturn in global demand, coupled with a gradual improvement in consumer confidence, was largely driven by strong growth in emerging markets, while recovery in Europe was weaker, partly because of fiscal tightening in various euro-zone countries. In the United States, the government's stimulus packages allowed demand to start recovering during the year.
Given this economic context, the Group expects to see continued recovery in 2011 for the Trade & Installers and Power Distribution businesses and for those products in the Industrial sector most exposed to cyclical trends. Positive demand development is confirmed in the high value-added businesses of power transmission, renewable energy, oil & gas and optical fibre cables for major telecom operators.
Lastly, during the course of 2011 Prysmian will start the process of integrating the Dutch Draka Group, acquired after successfully completing the public tender offer in February 2011, with the goal of optimising the production and organisational structure of the new Group, now the industry's world leader, in order to further strengthen its presence in all business segments.

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 statements 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 and in other fair value items, the effect of currency and interest rate derivatives, exchange rate differences and the related tax effects;
- **Adjusted operating income:** operating income before non-recurring income and expenses, the fair value change in metal derivatives and in other fair value items, 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 in other fair value items and before 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


SIEMENS

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;
- **ROCE:** the ratio between adjusted operating income and the sum of equity, net financial position and employee benefit obligations.

The alternative indicators used for reviewing the re-classified 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 CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES AT 31 DECEMBER 2010

(in millions of Euro)

	Note	31 December 2010		31 December 2009	
		Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Net fixed assets					
Property, plant and equipment			949		872
Intangible assets			59		43
Investments in associates			9		9
Available-for-sale financial assets			3		6
Assets held for sale			9		28
Total net fixed assets	**A**		**1,029**		**958**
Net working capital					
Inventories	B		600		443
Trade receivables	C		764		622
Trade payables	D		(862)		(561)
Other receivables/payables - net	E		(45)		(39)
of which:					
Other receivables - non-current					
Tax receivables	*5*	*11*		*11*	
Receivables from employees	*5*	*1*		*2*	
Others	*5*	*12*		*9*	
Other receivables - current					
Tax receivables	*5*	*88*		*62*	
Receivables from employees	*5*	*1*		*1*	
Advances		*18*		*2*	
Others	*5*	*55*		*33*	
Construction contracts	*5*	*190*		*225*	
Other payables - non-current	*13*	*(20)*		*(13)*	
Tax and social security payables	13	(10)		(9)	
Others	13	(10)		(4)	
Other payables - current	*13*	*(355)*		*(326)*	
Tax and social security payables	13	(73)		(62)	
Advances	13	(98)		(103)	
Payables to employees	13	(45)		(37)	
Accrued expenses	13	(83)		(74)	
Others	13	(56)		(50)	
Current tax payables		*(46)*		*(45)*	
Total operating working capital	**F=B+C+D+E**		**457**		**465**

(in millions of Euro)

	Note	31 December 2010 Partial amounts from financial statements	31 December 2010 Total amounts from financial statements	31 December 2009 Partial amounts from financial statements	31 December 2009 Total amounts from financial statements
Derivatives	G	37		14	
of which:					
Forward currency contracts on commercial transactions (cash flow hedges) - non-current	*8*	*2*		*-*	
Forward currency contracts on commercial transactions (cash flow hedges) - current	*8*	*(3)*		*(3)*	
Other forward currency contracts on commercial transactions - current	*8*	*-*		*5*	
Other forward currency contracts on commercial transactions - non-current	*8*	*-*		*1*	
Metal derivatives - non-current	*8*	*5*		*1*	
Metal derivatives - current	*8*	*33*		*10*	
Total net working capital	**H=F+G**		**494**		**479**
Provisions for risks and charges - non-current			(44)		(41)
Provisions for risks and charges - current			(62)		(62)
Deferred tax assets			(30)		(47)
Deferred tax liabilities			(44)		(67)
Total provisions	**I**		**(120)**		**(123)**
Net capital employed	**L=A+H+I**		**1,403**		**1,314**
Employee benefit obligations	**M**		**145**		**142**
Total equity	**N**		**799**		**698**
Equity attributable to non-controlling interests			*43*		*21*
Net financial position					
Total long-term financial payables	**O**		**1,155**		**889**
Credit agreement	12	671		864	
Bank fees	12	(2)		(4)	
Bond	12	396		-	
Derivatives		44		5	
of which:					
Forward currency contracts on financial transactions	*12*	*28*		*3*	
Interest rate swaps	*12*	*16*		*2*	
Other payables		46		24	
of which:					
Finance lease obligations	*12*	*1*		*2*	
Other financial payables	*12*	*45*		*22*	
Short-term financial payables	**P**		**210**		**172**

(in millions of Euro)

		Note	31 December 2010 Partial amounts from financial statements	31 December 2010 Total amounts from financial statements	31 December 2009 Partial amounts from financial statements	31 December 2009 Total amounts from financial statements
Credit Agreement		12	101		100	
Bond		12	15		-	
Securitization		12	-		-	
Derivatives			9		20	
of which:						
Interest rate swaps		*8*	*-*		*12*	
Forward currency contracts on financial transactions		*8*	*9*		*8*	
Other payables			85		52	
of which:						
Finance lease obligations		*12*	*1*		*2*	
Other financial payables		*12*	*84*		*50*	
Total financial liabilities	**Q=O+P**			**1,365**		**1,061**
Long-term financial receivables	R	5	(1)		(2)	
Long-term derivatives	R		(3)		(5)	
of which:						
Interest rate swaps (non-current)		*8*	*(1)*		*-*	
Forward currency contracts on financial transactions (non-current)		*8*	*(2)*		*(5)*	
Long-term bank fees	R	5	(16)		(4)	
Short-term financial receivables	R	5	(42)		(33)	
Short-term derivatives	R		(3)		(6)	
of which:						
Forward currency contracts on financial transactions (current)		*8*	*(3)*		*(6)*	
Short-term bank fees	R	5	(3)		(3)	
Available-for-sale financial assets (current)	**S**			**(142)**		**-**
Financial assets held for trading	**T**			**(66)**		**(42)**
Cash and cash equivalents	**U**			**(630)**		**(492)**
Total financial assets	**V=R+S+T+U**			**(906)**		**(587)**
Total net financial position	**W=Q+V**			**459**		**474**
Total equity and sources of funds	**Z=M+N+W**			**1,403**		**1,314**

RECONCILIATION BETWEEN THE PRINCIPAL INCOME STATEMENT INDICATORS AND THE INCOME STATEMENT CONTAINED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES AT 31 DECEMBER 2010

(in millions of Euro)

	Note	2010 Amounts from income statement	2009 Amounts from income statement
Sales	**A**	**4,571**	**3,731**
Change in inventories of work in progress, semi-finished and finished goods		74	(50)
Other income		43	32
Raw materials and consumables used		(2,963)	(2,060)
Personnel costs		(544)	(517)
Other expenses		(803)	(770)
Operating costs	**B**	**(4,193)**	**(3,365)**
Remeasurement of minority put option liability	C	(13)	-
EBITDA	**D=A+B+C**	**365**	**366**
Personnel costs			
of which non-recurring personnel costs	*E*	*(9)*	*(17)*
Other expenses			
of which non-recurring other expenses	*F*	*(13)*	*(20)*
Adjusted EBITDA	**G=D-E-F**	**387**	**403**

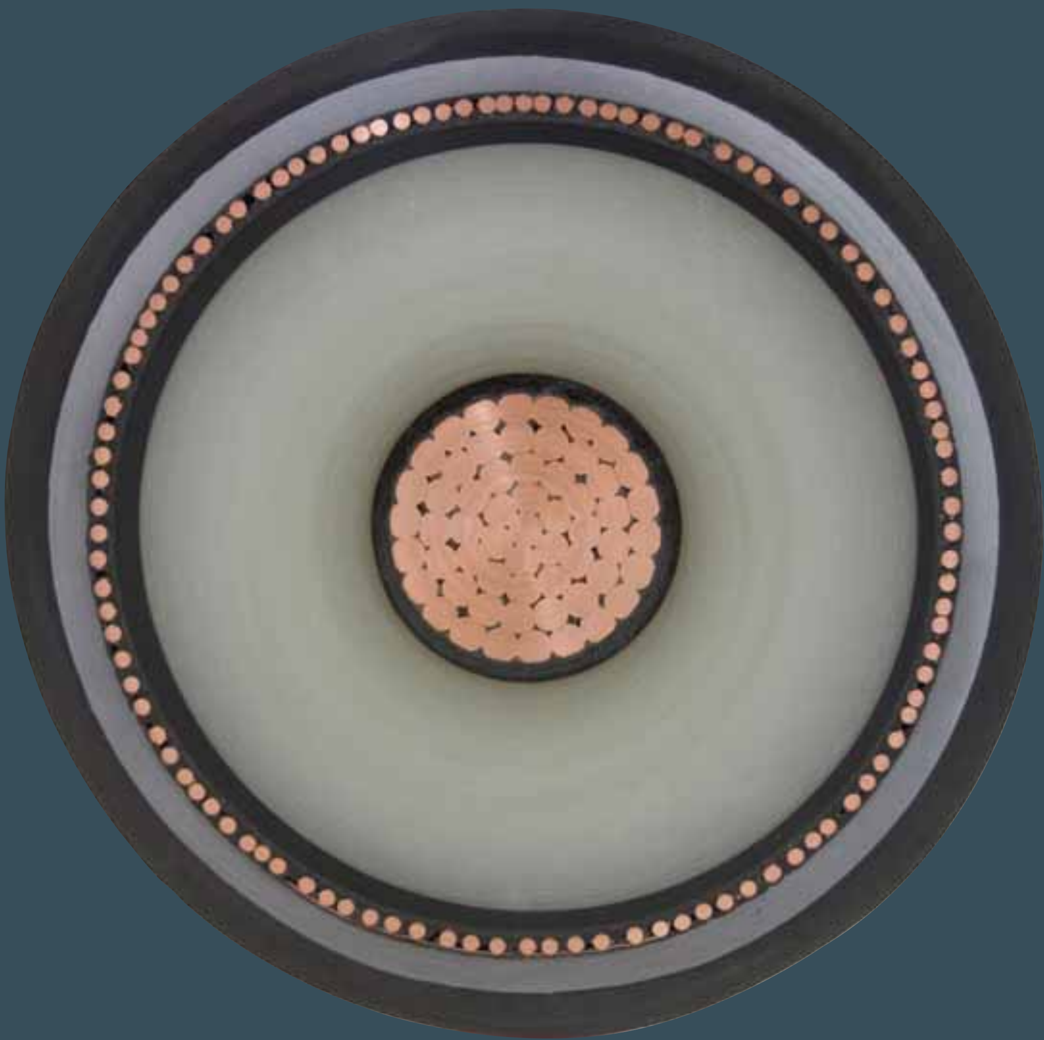
(in millions of Euro)

	Note	2010 Amounts from income statement	2009 Amounts from income statement
Operating income	**A**	**307**	**386**
Non-recurring amortisation, depreciation and impairment		(21)	(2)
Non-recurring personnel costs		(9)	(17)
Non-recurring other expenses		(13)	(20)
Total non-recurring expenses	**B**	**(43)**	**(39)**
Remeasurement of minority put option liability		13	-
Total non-recurring other income	**C**	**13**	**-**
Fair value change in metal derivatives	D	28	91
Adjusted operating income	**E=A-B-C-D**	**309**	**334**

CERTIFICATION PURSUANT TO ART. 2.6.2 OF THE ITALIAN STOCKMARKET REGULATIONS REGARDING THE CONDITIONS CONTAINED IN ART. 36 OF THE MARKET REGULATIONS

The Company is compliant with the provisions of art. 36.1 of the above Regulations with regard to "Conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries" specified in articles 36 and 39 of the Market Regulations.

Milan, 3 March 2011
On Behalf of the Board of Directors, the Chairman
Prof. Paolo Zannoni



CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2010	Of which related parties (Note 33)(*)	31 December 2009	Of which related parties (Note 33)(*)
Non-current assets					
Property, plant and equipment	1	949		872	
Intangible assets	2	59		43	
Investments in associates	3	9		9	
Available-for-sale financial assets	4	3		6	
Derivatives	8	14		9	
Deferred tax assets	16	30		47	
Other receivables	5	41		28	
Total non-current assets		**1,105**		**1,014**	
Current assets					
Inventories	6	600		443	
Trade receivables	5	764	5	622	2
Other receivables	5	397		359	
Financial assets held for trading	7	66		42	
Derivatives	8	52		44	
Available-for-sale financial assets	4	142		-	
Cash and cash equivalents	9	630		492	
Total current assets		**2,651**		**2,002**	
Assets held for sale	10	9		28	
Total assets		**3,765**		**3,044**	
Equity attributable to the Group:		**756**		**677**	
Share capital	11	18		18	
Reserves	11	590		411	
Profit/(loss) for the year		148		248	
Equity attributable to non-controlling interests:		**43**		**21**	
Share capital and reserves		41		17	
Profit/(loss) for the year		2		4	
Total equity		**799**		**698**	
Non-current liabilities					
Borrowings from banks and other lenders	12	1,111		884	
Other payables	13	20		13	
Provisions for risks and charges	14	44		41	
Derivatives	8	48		7	
Deferred tax liabilities	16	44		67	
Employee benefit obligations	15	145		142	
Total non-current liabilities		**1,412**		**1,154**	
Current liabilities					
Borrowings from banks and other lenders	12	201		152	1
Trade payables	13	862	1	561	2
Other payables	13	355	19	326	4
Derivatives	8	28		46	3
Provisions for risks and charges	14	62		62	
Current tax payables		46		45	
Total current liabilities		**1,554**		**1,192**	
Total liabilities		**2,966**		**2,346**	
Total equity and liabilities		**3,765**		**3,044**	

(*) As from financial year 2010 related party information also includes the emoluments of statutory auditors, directors and key management personnel. The comparatives for 2009 have been restated accordingly.

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	2010	Of which related parties (Note 33) (*)	2009	Of which related parties (Note 33) (*)
Sales of goods and services	17	4,571	22	3,731	13
Change in inventories of work in progress, semi-finished and finished goods	18	74		(50)	
Other income	19	43	13	32	
of which non-recurring other income	*36*	*13*		-	
Raw materials and consumables used	20	(2,963)		(2,060)	
Fair value change in metal derivatives		28		91	
Personnel costs	21	(544)	(8)	(517)	(6)
of which non-recurring personnel costs	*36*	*(9)*		*(17)*	
Amortisation, depreciation and impairment	22	(99)		(71)	
of which non-recurring amortisation, depreciation and impairment	*36*	*(21)*		*(2)*	
Other expenses	23	(803)	(5)	(770)	(6)
of which non-recurring other expenses	*36*	*(13)*		*(20)*	
Operating income		**307**		**386**	
Finance costs	24	(324)		(292)	(2)
Finance income	25	228		240	
of which non-recurring finance income	*36*	*2*		*9*	
Share of income from investments in associates and dividends from other companies	26	2		3	
Profit before taxes		**213**		**337**	
Taxes	27	(63)		(85)	
Profit/(loss) for the year		**150**		**252**	
Attributable to:					
Owners of the parent		148		248	
Non-controlling interests		2		4	
Basic earnings/(loss) per share (in Euro)		**0.82**		**1.40**	
Diluted earnings/(loss) per share (in Euro)		**0.82**		**1.39**	

(*) As from financial year 2010 related party information also includes the emoluments of statutory auditors, directors and key management personnel. The comparatives for 2009 have been restated accordingly.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	Note	2010	2009
Profit/(loss) for the year		**150**	**252**
Fair value gains/(losses) on available-for-sale financial assets - gross of tax	4	(4)	3
Fair value gains/(losses) on available-for-sale financial assets - tax effect	16	1	(1)
Fair value gains/(losses) on cash flow hedges - gross of tax	8	7	6
Fair value gains/(losses) on cash flow hedges - tax effect	16	(2)	(1)
Actuarial gains/(losses) on employee benefits - gross of tax	15	1	(13)
Actuarial gains/(losses) on employee benefits - tax effect	16	-	2
Currency translation differences		29	56
Total post-tax other comprehensive income/(loss) for the year		**32**	**52**
Total comprehensive income/(loss) for the year		**182**	**304**
Attributable to:			
Owners of the parent		178	300
Non-controlling interests		4	4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Fair value gains and losses on available-for-sale financial assets	Cash flow hedges	Currency translation reserve	Other reserves	Profit/(loss) for the year	Non-controlling interests	Total
Balance at 31 December 2008	**18**	**1**	**(37)**	**(114)**	**342**	**237**	**16**	**463**
Allocation of prior year profit	-	-	-	-	237	(237)	-	-
Capital contributions	-	-	-	-	3	-	2	5
Dividend payment	-	-	-	-	(74)	-	(1)	(75)
Buy-back of shares	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	1	-	-	1
Total comprehensive income/(loss) for the year	-	2	5	56	(11)	248	4	304
Balance at 31 December 2009	**18**	**3**	**(32)**	**(58)**	**498**	**248**	**21**	**698**
Allocation of prior year profit	-	-	-	-	248	(248)	-	-
Capital contributions	-	-	-	-	4	-	9	13
Future capital increase costs	-	-	-	-	(2)	-	-	(2)
Dividend payment	-	-	-	-	(75)	-	-	(75)
Put options held by non-controlling interests	-	-	-	-	(26)	-	-	(26)
Reclassification of cash flow hedges (net of tax effect)	-	-	14	-	(14)	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	9	9
Total comprehensive income/(loss) for the year	-	(3)	5	27	1	148	4	182
Balance at 31 December 2010	**18**	**-**	**(13)**	**(31)**	**634**	**148**	**43**	**799**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	2010	Of which related parties (Note 33) (*)	2009	Of which related parties (Note 33) (*)
Profit before taxes	213		337	
Depreciation and impairment of property, plant and equipment	71		66	
Amortisation and impairment of intangible assets	20		5	
Impairment of assets held for sale	8		-	
Share of income from investments in associates	(2)		(3)	
Share-based compensation	-		1	
Fair value change in metal derivatives and other fair value items	(41)		(91)	
Net finance costs	96		52	
Changes in inventories	(131)		88	
Changes in trade receivables/payables	164	(3)	23	(1)
Changes in other receivables/payables	(38)	1	(90)	(2)
Changes in receivables/payables for derivatives	(1)		15	
Taxes paid	(59)		(62)	
Utilisation of provisions (including employee benefit obligations)	(50)		(58)	
Increases in provisions (including employee benefit obligations)	33		46	
A. Net cash flow provided by/(used in) operating activities	**283**		**329**	
Acquisitions (1)	(21)		(3)	
Investments in property, plant and equipment	(83)		(91)	
Disposals of property, plant and equipment (2)	7		1	
Investments in intangible assets	(19)		(16)	
Disposals of intangible assets	-		-	
Investments in financial assets held for trading	(18)		-	
Disposals of financial assets held for trading	-		5	
Investments in available-for-sale financial assets (3)	(152)		-	
Disposals of available-for-sale financial assets	12		6	
Dividends received	2		3	
B. Net cash flow provided by/(used in) investing activities	**(272)**		**(95)**	
Capital contributions and other changes in equity	13		5	
Dividends paid	(75)		(75)	(24)
Finance costs paid (4)	(279)		(277)	
Finance income received (5)	227		231	
Changes in net financial payables	233		(124)	
C. Net cash flow provided by/(used in) financing activities	**119**		**(240)**	
D. Currency translation gains/(losses) on cash and cash equivalents	8		6	
E. Total cash flow provided / (used) in the year (A+B+C+D)	**138**		**-**	
F. Net cash and cash equivalents at the beginning of the year	**492**		**492**	
G. Net cash and cash equivalents at the end of the year (E+F)	**630**		**492**	

Please refer to Note 37 for comments on the statement of cash flows.

(*) As from financial year 2010 related party information also includes the emoluments of statutory auditors, directors and key management personnel. The comparatives for 2009 have been restated accordingly.
(1) See section E. Business combinations for details.
(2) Mostly refer to the disposal of the plant in Prescot (United Kingdom), classified as "Assets held for sale".
(3) Refer to purchases of government and blue chip corporate bonds for temporarily investing the Group's liquidity.
(4) Interest expense paid in 2010 amounts to Euro 23 million (Euro 32 million in 2009).
(5) Interest income collected in 2010 amounts to Euro 7 million, unchanged relative to 2009.

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.

On 22 November 2010, Prysmian announced its intention of making a public mixed exchange and cash offer for Draka Holding N.V., a listed company and parent of the Draka Group, with the aim of creating a global leader in the energy and telecom cable-making industry. More details can be found in Note 39 Subsequent events.

The consolidated financial statements contained herein were approved by the Board of Directors on 3 March 2011.

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

B. ACCOUNTING POLICIES AND STANDARDS

The most significant accounting policies and standards used in preparing the consolidated financial statements and Group financial information are set out below.

B.1 BASIS OF PREPARATION

The present 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). Risks and uncertainties relating to the business are described in the Directors' report. Section C. Financial risk management and Section C.1 Capital risk management of these Notes contain a description of how the Group manages financial and capital risks, including liquidity risks.

In application of Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by article 5 of European Regulation 1606/2002 on international accounting standards", the Company has prepared its consolidated financial statements in accordance with the international accounting and financial reporting standards (hereafter also "IFRS") adopted by the European Union.

The term "IFRS" refers to all the International Financial Reporting Standards, all the International Accounting

Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").
IFRS have been applied consistently to all the periods presented in this document. The consolidated financial statements have been prepared in accordance with IFRS and related best practice; any future guidance and new interpretations will be reflected over coming years, in accordance with the recommendations of the relevant accounting standards.

The Group has elected to present its income statement according to the nature of expenses, whereas assets and liabilities in the statement of financial position are classified as current or non-current. The statement of cash flows is 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 issued on 28 July 2006 regarding disclosures.

The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial assets and liabilities, including derivatives, which must be reported using the fair value method.

B.2 BASIS OF CONSOLIDATION

The financial statements consolidated for Group subsidiaries have been prepared for the year ended 31 December 2010 and the year ended 31 December 2009. They have been adjusted, where necessary, to bring them into line with Group accounting polices and standards. The year-end date of all the financial statements of companies included in the scope of consolidation is 31 December, except as follows:

- the group of Russian companies controlled by Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel", which ends its financial year on 31 March and which has been consolidated since the end of December 2009;
- the Indian company Ravin Cables Limited and Power Plus Cable Co. L.L.C., which end their financial year on 31 March and which were consolidated for the first time during the first quarter of 2010.

Subsidiaries

The Group consolidated financial statements include the financial statements of Prysmian S.p.A. (the Parent Company) and the subsidiaries over which the Parent Company exercises direct or indirect control. Subsidiaries are consolidated from the date control is acquired to the date such control ceases. Control is determined when the parent directly or indirectly owns the majority of an entity's voting rights or is able to exercise dominant influence, which is the power to govern, including indirectly under a statute or an agreement, the financial and operating policies of the entity so as to obtain the resulting benefits, also irrespective of the wnership interest held.
When determining control, the existence of potential voting rights exercisable at the reporting date is also taken into consideration.
Subsidiaries are consolidated on a line-by-line basis. The criteria adopted for line-by-line consolidation are as follows:

- assets and liabilities, expenses and income of consolidated entities are aggregated line-by-line and non-controlling interests are given, where applicable, the relevant portion of equity and profit for the period. These amounts are reported separately within equity and the consolidated income statement;
- gains and losses, including the relevant tax effect, from transactions carried out between companies consolidated on a line-by-line basis and which have not yet been realised with third parties, are eliminated; unrealised losses are not eliminated if there is evidence that the asset transferred is impaired. The

following are also eliminated: intercompany payables and receivables, intercompany expenses and income, and intercompany finance income and costs;
- business combinations through which control of an entity is acquired are recorded using the acquisition method of accounting. The acquisition cost is measured as the acquisition-date fair value of the assets acquired, the liabilities incurred or assumed and the equity instruments issued. The assets, liabilities and contingent liabilities acquired are recognised at their acquisition-date fair values. The excess of acquisition cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill under intangible assets. If the acquisition cost is less than the Group's share of the fair value of the identifiable net assets acquired, the difference is recognised as a gain directly in the in come statement, but only after reassessing that the fair values of the net assets acquired and the acquisition cost have been correctly measured;
- if non-controlling interests are acquired in entities which are already under the Group's control, the Group recognises any difference between the acquisition cost and the related share of net assets acquired directly in equity;
- gains or losses arising on the disposal of ownership interests that result in a loss of control of consolidated companies are recognised in the income statement at the amount equal to the difference between the sale consideration and the corresponding share of consolidated equity sold.

In compliance with IAS 32, put options granted to minority shareholders of subsidiary companies are recognised in "Other payables" at their present value. The matching entry differs according to whether:

A) the minority shareholders have a direct interest in the performance of the subsidiary's business. One of the indicators that such interest exists is measurement of the option exercise price at fair value. In this case, the present value of the option is initially deducted from the equity reserves attributable to the Group. Any subsequent changes in the valuation of the option exercise price are recognised through profit or loss, as "Other income" or "Other expenses".

B) the minority shareholders do not have a direct interest in the performance of the business (eg. predetermined option exercise price). The duly discounted option exercise price is deducted from the corresponding amount of capital and reserves attributable to non-controlling interests. Any subsequent changes in the valuation of the option exercise price follow the same treatment, with no impact on profit or loss. There are currently no instances of this kind in the Prysmian financial statements.

The treatment described would be modified for any new interpretations or accounting standards in this regard.

Associates

Associates are those entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recorded at cost. Under the equity method:
- the book value of these investments reflects the value of equity as adjusted, where necessary, to reflect the application of IFRS and includes any higher values identified on acquisition attributed to assets, liabilities and any goodwill;
- the Group's share of profits or losses is recognised from the date significant influence is acquired until the date it ceases. If a company valued under this method has negative equity due to losses, the book value of the investment is reduced to zero and additional losses are provided for and a liability is recognised, only to the extent that the Group is committed to fulfilling legal or constructive obligations of the

investee company; changes in the equity of companies valued under the equity method which are not accounted for through profit or loss, are recognised directly in equity;

- unrealised gains generated on transactions between the Parent Company/subsidiaries and equity-accounted companies, are eliminated to the extent of the Group's interest in the investee company; unrealised losses are also eliminated unless they represent impairment.

Joint ventures

A joint venture is a company characterised by a contractual arrangement between the participating parties which establishes joint control over the company's economic activity. Joint venture companies are consolidated on a proportionate basis.

Under the proportionate consolidation method adopted by the Company, its share of the joint venture's assets and liabilities are consolidated proportionately on a line-by-line basis. The Company's consolidated income statement reflects a line-by-line aggregation of its share of the joint venture's income and expenses. The procedures described above for the consolidation of subsidiaries also apply to proportionate consolidation.

Special purpose entities

During 2007 the Group defined and adopted a trade receivables securitization programme for a number of Group companies. The accounting policies adopted by the Group to present the impact of this programme on the consolidated financial statements at 31 December 2010 are described below.

The securitization programme involves the weekly transfer of a significant portion of trade receivables by some of the Group's operating companies in France, Germany, Italy, Spain, the United Kingdom and the United States. This programme started on 30 January 2007 and will end on 31 July 2012.

These operating companies transfer their receivables, directly or indirectly, to an Irish special purpose entity (Prysmian Financial Services Ireland Ltd), set up solely for the securitization programme. The Irish company purchases these receivables using available liquidity, as well as financing received from vehicles companies, sponsored by the programme's organising and underwriting banks, which issue Commercial Paper in the form of A-1/P-1 rated credit instruments backed by the receivables, which are then placed with institutional investors. Subordinated loans from the Group's treasury companies are also used to fund the purchase of these receivables. In accordance with the provisions of SIC 12 - Consolidation - Special Purpose Entities (SPEs), the Irish special purpose entity has been included in the scope of consolidation of the Prysmian Group because it was created to accomplish a specific and well-defined objective. Until effectively collected, receivables transferred to the SPE are recognised in the Group's consolidated financial statements, together with the payables owed by the SPE to third-party lenders. Group companies can be identified as the SPE sponsors, meaning the companies on whose behalf the SPE was created.

Translation of foreign company financial statements

The financial statements of subsidiaries, associates and joint ventures are prepared in the currency of the primary economic environment in which they operate (the "functional currency"). The consolidated financial statements are presented in Euro, which is the Prysmian Group's functional and presentation currency for its consolidated financial reporting.

The rules for the translation of financial statements expressed in currencies other than the Euro are as follows:

- assets and liabilities are converted using the exchange rates applicable at the end of the reporting period;
- revenues and expenses are converted at the average rate for the period/year;
- the "currency translation reserve" includes both the translation differences generated by translating

income statement items at a different exchange rate from the period-end rate and the differences generated by translating opening equity amounts at a different exchange rate from the period-end rate;
- goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the period-end exchange rate.

If a foreign entity operates in a hyperinflationary economy, revenues and expenses are translated using the current exchange rate at the reporting date. All amounts in the income statement are restated by applying the change in the general price index between the date when income and expenses were initially recorded in the financial statements and the reporting date. Corresponding figures for the previous reporting period/year are restated by applying a general price index so that the comparative financial statements are presented in terms of the current exchange rate at the end of the reporting period/year.

As at 31 December 2010, none of the consolidated companies operated in hyperinflationary economies.

The exchange rates applied are as follows:

	Closing rates at 31 December 2010	Closing rates at 31 December 2009	Average rates 2010	Average rates 2009
Europe				
British Pound	0.861	0.888	0.858	0.891
Swiss Franc	1.250	1.484	1.380	1.510
Hungarian Forint	277.950	270.420	275.472	280.420
Norwegian Krone	7.800	8.300	8.003	8.728
Swedish Krona	8.966	10.252	9.537	10.619
Czech Koruna	25.061	26.473	25.283	26.431
Romanian Leu	4.262	4.236	4.212	4.240
Turkish Lira	2.059	2.171	1.998	2.161
Polish Zloty	3.975	4.105	3.994	4.328
Russian Rouble	40.820	43.154	40.252	44.146
North America				
US Dollar	1.336	1.441	1.325	1.395
Canadian Dollar	1.332	1.513	1.365	1.586
South America				
Brazilian Real	2.226	2.508	2.332	2.780
Argentine Peso	5.313	5.474	5.187	5.203
Chilean Peso	624.941	730.384	675.706	778.567
Oceania				
Australian Dollar	1.314	1.601	1.442	1.773
New Zealand Dollar	1.720	1.980	1.838	2.213
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	1.907	1.897	1.897	1.880
Asia				
Chinese Renminbi (Yuan)	8.822	9.835	8.970	9.526
United Arab Emirates Dirham	4.908	5.291	4.868	5.122
Hong Kong Dollar	10.386	11.171	10.298	10.810
Singapore Dollar	1.714	2.019	1.805	2.024
Indian Rupee	59.728	66.829	60.546	67.366
Indonesian Rupiah	12,002.140	13,626.130	12,038.816	14,445.519
Malaysian Ringgit	4.095	4.933	4.266	4.907
Saudi Riyal	5.011	5.403	4.971	5.230

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 obtained until the date when such control ceases.

The following changes in the scope of consolidation took place during 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

- Surflex Umbilicais e Tubos Flexìveis do Brasil LTDA was formed in Brazil on 9 April 2010 and changed its name to Prysmian Surflex Umbilicais e Tubos Flexìveis do Brasil LTDA on 9 August 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%);
- Eurelectric Tunisie S.A. was formed in Tunisia on 2 December 2010.
  The company is owned by Prysmian Cables et Systemes France S.A.S (99.71%), Prysmian (French) Holdings S.A.S. (0.05%), Prysmian Cavi e Sistemi Energia S.r.l. (0.05%) and third parties (0.19%).

LIQUIDATIONS

- Bicc (Malaysia) Sdn Bhd completed its winding-up process on 21 January 2010;
- Aberdare Cables in the United Kingdom was closed down on 29 June 2010;
- Prysmian (Brazil) Holding LTDA in Brazil completed its winding-up process on 8 December 2010.

MERGERS BY ABSORPTION

- Prysmian Energia Holding S.r.l. completed its merger into Prysmian Cavi e Sistemi Energia S.r.l. on 1 July 2010.
  As a result, Prysmian Energia Holding S.r.l. has ceased to exist and all its former holdings of equity investments have been transferred to Prysmian Cavi e Sistemi Energia S.r.l.;
- Prysmian Telecom S.r.l completed a reverse merger into Prysmian Cavi e Sistemi Telecom S.r.l. on 1 July 2010.
  As a result, Prysmian Telecom S.r.l. has ceased to exist and all the share capital of Prysmian Cavi e Sistemi Telecom S.r.l. is now held by Prysmian S.p.A.

These mergers form part of the Group's ongoing process of simplifying corporate structure.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2010.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2010

The basis of consolidation, the methods applied for translating foreign company 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, except for the accounting standards and amendments discussed below and obligatorily applied with effect from 1 January 2010 after being endorsed by 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 when 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 in the 2009 income statement Euro 0.3 million in acquisition costs relating to Ravin Cables Limited, and in 2010 Euro 6 million in acquisition costs relating to the Draka Group that are not attributable to the capital increase.

The following standards and interpretations are also applicable from 1 January 2010 but address situations and circumstances that are either not relevant or not material to 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.

B.4 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE 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". The revised version of IAS 24 and the amendments to IFRS 8, published in the European Union's Official Journal on 20 July 2010, are applicable from 1 January 2011.

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.
On 28 October 2010, the IASB published new requirements on accounting for financial liabilities. These requirements will be added to IFRS 9 and complete the classification and measurement phase of the project to replace IAS 39.
As at the present document date, the European Union had not yet completed the endorsement process needed for the application of IFRS 9, 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. As at the present document date, the European Union had completed the endorsement process needed for its application. The revised version of this interpretation, published in the European Union's Official Journal on 24 July 2010, applies to annual periods beginning on or after 1 July 2010.

Also on 26 November 2009, 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. As at the present document date, the European Union had completed the endorsement process needed for its application. The revised version of this interpretation, published in the European Union's Official Journal on 20 July 2010, applies from 1 January 2011.

On 6 May 2010, the IASB published a series of *Improvements* to seven IFRSs, as part of its programme of annual improvements to its standards; most of the changes involve clarifications or corrections to existing IFRSs or amendments resulting from other changes previously made to the IFRSs. As at the present document date, the European Union had completed the endorsement process needed for the application of these Improvements. These Improvements were published in the European Union's Official Journal on 19 February 2011 and will apply to annual periods beginning on or after 1 January 2011.

On 7 October 2010, the IASB published a number of amendments to *IFRS 7 - Financial Instruments: Disclosures.* These amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets and the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments, which are due to come into effect for annual periods beginning on or after 1 July 2011.

On 20 December 2010, the IASB issued a document

entitled *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)*. The current version of IAS 12 requires the recoverability of deferred tax assets to be assessed on the basis of judgements concerning their possible use or sale.
The amendment provides a practical solution by introducing a presumption in relation to investment property, and to property, plant and equipment and intangible assets that are recognised or measured at fair value. This presumption assumes that a deferred tax asset will be fully recovered through sale, unless there is clear evidence that its carrying amount can be recovered through use.
As a result of the amendment of *IAS 12, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets* will be withdrawn. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of this amendment, which is due to apply retrospectively from 1 January 2012. Earlier application is permitted.

On 8 December 2010, the IASB published the *Practice Statement: Management Commentary*. The Practice Statement is a non-binding framework for the presentation of the report containing management commentary that accompanies IFRS financial statements. The Practice Statement sets out the principles, qualitative characteristics and elements of management commentary that are necessary to provide users of financial reports with useful information. Management commentary should provide management's perspective of the entity's performance, position and progress so as to supplement and complement the information presented in the financial statements.
The Practice Statement may be applied prospectively from 8 December 2010.

The following standards and interpretations, not yet endorsed by the European Union, address situations and circumstances that 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*;
- *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)*. The document: a) removes the fixed dates in IFRS 1 to allow first-time adopters to use the same simplification rules as those permitted for entities that made the transition to IFRS in 2005; b) includes an exemption from the retrospective application of IFRS on first-time adoption for first-time adopters (who up until now have been unable to adopt IFRS due to hyperinflation). This amendment allows such first-time adopters to use fair value as the deemed cost of all its assets and liabilities.

B.5 CONVERSION OF TRANSACTIONS IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY

Transactions in currencies other than the functional currency of the company which undertakes the transaction are translated using the exchange rate applicable at the transaction date.
Prysmian Metals Limited, Prysmian Cables and Systems S.A. and P.T. Prysmian Cables Indonesia present their financial statements in a currency other than that of the country they operate in, as their main transactions are not carried out in their local currency but instead in their reporting currency (respectively Euros and US dollars). Foreign currency exchange gains and losses arising

on completion of transactions or on the year-end conversion of assets and liabilities denominated in foreign currencies are recognised in the income statement.

B.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at the cost of acquisition or production, net of accumulated depreciation and any impairment. Cost includes expenditure directly incurred to prepare the assets for use, as well as any costs for their dismantling and removal which will be incurred as a consequence of contractual obligations requiring the asset to be restored to its original condition. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised and depreciated over the useful life of the asset to which they refer.

Costs incurred subsequent to acquiring an asset and the cost of replacing certain parts of assets recognised in this category are capitalised only if they increase the future economic benefits of the asset to which they refer. All other costs are recognised in profit or loss as incurred. When the replacement cost of certain parts of an asset is capitalised, the residual value of the parts replaced is expensed to profit or loss.

Depreciation is charged on a straight-line, monthly basis using rates that allow assets to be depreciated until the end of their useful lives. When assets consist of different identifiable components, whose useful lives differ significantly from each other, each component is depreciated separately under the component approach.
The useful indicative lives estimated by the Group for the various categories of property, plant and equipment are as follows:

Land	Not depreciated
Buildings	25 - 50 years
Plant	10 - 15 years
Machinery	10 - 20 years
Equipment and other assets	3 - 10 years

The residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at least at each financial year-end.

Property, plant and equipment acquired through finance leases, whereby the risks and rewards of the assets are substantially transferred to the Group, are accounted for as Group assets at their fair value or, if lower, at the present value of the minimum lease payments, including any sum payable to exercise a purchase option. The corresponding lease liability is recorded under financial payables. The assets are depreciated using the method and rates described earlier for "Property, plant and equipment", unless the term of the lease is less than the useful life represented by such rates and ownership of the leased asset is not reasonably certain to be transferred at the lease's natural expiry; in this case the depreciation period will be represented by the term of the lease. Any capital gains realised on the disposal of assets which are leased back under finance leases are recorded under liabilities as deferred income and released to the income statement over the term of the lease.
Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are treated as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell from the moment they qualify as held for sale under the related accounting standard.

B.7 INTANGIBLE ASSETS

Intangible assets are non-monetary assets which are separately identifiable, have no physical nature, are under the company's control and are able to generate future economic benefits. Such assets are recognised at acquisition cost and/or production cost, including all costs directly attributable to make the assets available for use, net of accumulated amortisation and impairment, if any. Borrowing costs directly attributable to the acquisition or development of qualifying assets are capitalised and amortised over the useful life of the asset to which they refer. Amortisation commences when the asset is available for use and is calculated on a straight-line basis over the asset's estimated useful life.

(a) Goodwill

Goodwill represents the difference between the cost incurred for acquiring a controlling interest (in a business) and the fair value of the assets and liabilities identified at the acquisition date. Goodwill is not amortised, but is tested for impairment at least annually. This test is carried out with reference to the cash-generating unit ("CGU") to which goodwill is allocated. Reductions in the value of goodwill are recognised if the recoverable amount of goodwill is less than its carrying amount. Recoverable amount is defined as the higher of the fair value of the CGU, less costs to sell, and its value in use (see Section B.8 for more details on how value in use is calculated). An impairment loss recognised against goodwill cannot be reversed in a subsequent period.

If an impairment loss identified by the test is higher than the value of goodwill allocated to that CGU, the residual difference is allocated to the CGU assets in proportion to their carrying amount.

Such allocation shall not reduce the carrying amount of an asset below the highest of:

- its fair value, less costs to sell;
- its value in use, as defined above;
- zero.

(b) Patents, concessions, licences, trademarks and similar rights

These assets are amortised on a straight-line basis over their useful lives.

(c) Computer software

Software licence costs are capitalised on the basis of purchase costs and costs to make the software ready for use. These costs are amortised on a straight-line basis over the useful life of the software (normally 5 years). Costs relating to the development of software programs are capitalised, in accordance with IAS 38, when it is likely that the asset’s use will generate future economic benefits and if the conditions described for "Research and development costs" are met.

(d) Research and development costs

Research and development costs are charged to the income statement when they are incurred, except for development costs which are recorded as intangible assets when the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and to sell its output can be demonstrated;
- there is a potential market for the output of the intangible asset or, if the intangible asset is to be used internally, its usefulness can be demonstrated;
- there are sufficient technical and financial resources

to complete the project.

Development costs capitalised as intangible assets start to be amortised once the output of the project is marketable.

B.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets are analysed at each reporting date for any evidence of impairment. If such evidence is identified, the recoverable amount of these assets is estimated and any impairment loss relative to carrying amount is recognised in profit or loss. The recoverable amount is the higher of the fair value of an asset, less costs to sell, and its value in use, where the latter is the present value of the estimated future cash flows of the asset. The recoverable amount of an asset which does not generate largely independent cash flows is determined in relation to the cash-generating unit to which the asset belongs. In calculating an asset's value in use, the expected future cash flows are discounted using a discount rate reflecting current market assessments of the time value of money, in relation to the period of the investment and the specific risks associated with the asset. An impairment loss is recognised in the income statement when the asset's carrying amount exceeds its recoverable amount. If the reasons for impairment cease to exist, the asset's carrying amount is restored with the resulting increase recognised through profit or loss; however, the carrying amount may not exceed the net carrying amount that this asset would have had if no impairment had been recognised and the asset had been amortised instead.
In the case of the Prysmian Group, the smallest CGU of the Energy operating segment can be identified on the basis of location of the registered office of the operating units (Country) [1], whilst for the Telecom operating segment, the smallest CGU is represented by the segment itself.

B.9 FINANCIAL ASSETS

Financial assets are initially recorded at fair value and classified in one of the following categories on the basis of their nature and the purpose for which they were acquired:

(a) financial assets at fair value through profit or loss;
(b) loans and receivables;
(b) available-for-sale financial assets.

Purchases and sales of financial assets are accounted for at the settlement date.
Financial assets are derecognised when the right to receive cash flows from the instrument expires and the Group has substantially transferred all the risks and rewards relating to the instrument and its control.

Financial assets at fair value through profit or loss
Financial assets classified in this category are represented by securities held for trading, having been acquired with the purpose of selling them in the short term. Derivatives are treated as securities held for trading, unless they are designated as hedging instruments and are therefore classified under "Derivatives".
Financial assets at fair value through profit or loss are initially recorded at fair value and the related transaction costs are expensed immediately to the income statement.
Subsequently, *financial assets at fair value through profit or loss* are measured at fair value. Assets in this category are classified as current assets (except for Derivatives falling due after more than 12 months). Gains and losses from changes in the fair value of

[1] If the operating units of one country almost exclusively serve other countries, the smallest CGU is given by the group of these countries.

financial assets at fair value through profit or loss are reported in the income statement as "Finance income" and "Finance costs", in the period in which they arise. This does not apply to metal derivatives, whose changes in fair value are reported in "Fair value change in metal derivatives". Any dividends from *financial assets at fair value through profit or loss* are recognised as revenue when the Group's right to receive payment is established and are classified in the income statement under "Share of income from investments in associates and dividends from other companies".

(A) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified in the statement of financial position as "Trade and other receivables" and treated as current assets (Note 5), except for those with contractual due dates of more than 12 months from the reporting date, which are classified as non-current (Note 5).
These assets are valued at amortised cost, using the effective interest rate. The process of assessing identifying the possible impairment of trade and other receivables is described in Note 5.

(B) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale assets are non-derivative financial instruments that are explicitly designated as available for sale, or that cannot be classified in any of the previous categories; they are classified as non-current assets, unless management intends to dispose of them within twelve months of the end of reporting period.
All the financial assets in this category are initially recorded at fair value plus any related transaction costs. Subsequently, available-for-sale financial assets are measured at fair value and gains or losses on valuation are recorded in an equity reserve. "Finance income" and "Finance costs" are recognised in the income statement only when the financial asset is effectively disposed of.

The fair value of listed financial instruments is based on the current bid price. If the market for a financial asset is not active (or it refers to unlisted securities), the Group establishes fair value by using valuation techniques which include: reference to current transactions at an advanced stage of negotiation, reference to securities with the same characteristics, analyses based on cash flows, pricing models that use market indicators which are aligned, as far as possible, to the assets being valued.
When performing such valuations, the Group gives preference to market information specifically connected to the nature of the sector in which the Group operates rather than to internal information.

Any dividends arising from investments recorded as available-for-sale financial assets are recognised as revenue when the Group's right to receive payment is established and are classified in the income statement under "Share of income from investments in associates and dividends from other companies".

The Group assesses at every reporting date if there is objective evidence of impairment of its financial assets. In the case of investments classified as available-for-sale financial assets, a prolonged or significant reduction in the fair value of the investment below initial cost is treated as an indicator of impairment. Should such evidence exist, the accumulated loss relating to the available-for-sale financial assets - calculated as the difference between their acquisition cost and fair value at the reporting date, net of any impairment losses previously recognised in profit or loss - is transferred from equity and reported in the income statement as "Finance costs". Such losses are realised ones and therefore cannot be subsequently reversed.
For debt securities, the related yields are recognised using the amortised cost method and are recorded in the income statement as "Finance income", together with any exchange rate effects, while exchange rate

effects relating to investments classified as available-for-sale financial assets are recognised in the specific equity reserve.

B.10 DERIVATIVES

At the date of entering the contract, derivatives are accounted for at fair value and, if they are not accounted for as hedging instruments, any changes in the fair value following initial recognition are recorded as finance income or costs for the period, except for fair value changes in metal derivatives. If derivatives satisfy the requirements for classification as hedging instruments, the subsequent changes in fair value are accounted for using the specific criteria set out below.

The Group designates some derivatives as hedging instruments for particular risks associated with highly probable transactions ("cash flow hedges"). For each derivative which qualifies for hedge accounting, there is documentation on its relationship to the item being hedged, including the risk management objectives, the hedging strategy and the methods for checking the hedge's effectiveness. The effectiveness of each hedge is reviewed both at the derivative's inception and during its life cycle. In general, a cash flow hedge is considered highly "effective" if, both at its inception and during its life cycle, the changes in the cash flows expected in the future from the hedged item are largely offset by changes in the fair value of the hedge.

The fair values of the various derivatives used as hedges are disclosed in Note 8. Movements in the "Cash flow hedge reserve" forming part of equity are reported in Note 11.

The fair value of a hedging derivative is classified as a non-current asset or liability if the hedged item falls due in more than twelve months. If the hedged item falls due within twelve months, the fair value of the hedge is classified as a current asset or liability.

Derivatives not designated as hedges are classified as current or non-current assets or liabilities according to their contractual due dates.

Cash flow hedges

In the case of hedges designed to neutralise the risk of changes in cash flows arising from the future execution of contractual obligations existing at the reporting date ("cash flow hedges"), changes in the fair value of the derivative following initial recognition are recorded in equity "Reserves", but only to the extent that they relate to the effective portion of the hedge. When the effects of the hedged item are reported in profit or loss, the reserve is transferred to the income statement and classified in the same line items that report the effects of the hedged item. If a hedge is not fully effective, the change in fair value of its ineffective portion is immediately recognised in the income statement as "Finance income" or "Finance costs". If, during the life of a derivative, the hedged forecast cash flows are no longer considered to be highly probable, the portion of the "Reserves" relating to the derivative is taken to the period's income statement and treated as "Finance income" or "Finance costs". Conversely, if the derivative is disposed of or no longer qualifies as an effective hedge, the portion of "Reserves" representing the changes in the instrument's fair value recorded up to then remains in equity until the original hedged transaction occurs, at which point it is then taken to the income statement where it is classified on the basis described above.

At 31 December 2010, the Group had designated derivatives to hedge the following risks:

- exchange rate risk on contracts: these hedges aim to reduce the volatility of cash flows due to changes in exchange rates on future transactions. In particular, the hedged item is the amount of the cash flow expressed in another currency that is expected to be received/paid in relation to a contract or an order for amounts above the minimum limits identified by the Group Finance Committee: all cash flows thus identified are therefore designated as hedged items in the hedging relationship. The reserve originating from changes in the fair value of derivatives is transferred to the income statement according to the stage of completion of the contract itself, where it is classified as contract revenue/costs;

- interest rate risk: these hedges aim to reduce the volatility of cash flows relating to finance costs arising on variable rate debt;

- exchange rate risk on intercompany financial transactions: these hedges aim to reduce volatility arising from changes in exchange rates on intercompany transactions, when such transactions create an exposure to exchange rate gains or losses that are not completely eliminated on consolidation. The economic effects of the hedged item and the related transfer of the reserve to the income statement occur at the same time as recognising the exchange gains and losses on intercompany positions in the consolidated financial statements.

When the economic effects of the hedged items occur, the gains and losses from the hedging instruments are taken to the following lines in the income statement:

	Sales of goods and services/ Raw materials and consumables used	**Finance income/ (costs)**
Exchange rate risk on construction contracts	■	
Interest rate risk		■
Exchange rate risk on intercompany financial transactions		■

B.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently valued on the basis of the amortised cost method, net of the allowance for doubtful accounts. Impairment of receivables is recognised when there is objective evidence that the Group will not be able to recover the receivable owed by the counterparty under the terms of the related contract.
Objective evidence includes events such as:

(a) significant financial difficulty of the issuer or debtor;
(b) ongoing legal disputes with the debtor relating to receivables;
(c) likelihood that the debtor enters bankruptcy or starts other financial reorganisation procedures;
(d) delays in payments exceeding 30 days from the due date.

The amount of the impairment is measured as the difference between the book value of the asset and the present value of future cash flows and is recorded in the income statement under "Other expenses".
Receivables that cannot be recovered are derecognised with a matching entry through the allowance for doubtful accounts.
The Group occasionally factors trade receivables without recourse. These receivables are derecognised because such transactions transfer substantially all the related risks and rewards of the receivables to the factor.

B.12 INVENTORIES

Inventories are recorded at the lower of purchase or production cost and net realisable value, represented by the amount which the Group expects to obtain from their sale in the normal course of business, net of sale costs. The cost of inventories of raw materials, ancillaries and consumables, as well as finished products and goods is determined using the FIFO (first-in, first-out) method.

The exception is inventories of non-ferrous metals (copper, aluminium and lead) and quantities of such metals contained in semi-finished and finished products, which are valued using the weighted average cost method. The cost of finished and semi-finished products includes design costs, raw materials, direct labour costs and other production costs (calculated on the basis of normal operating capacity). Borrowing costs are not included in the valuation of inventories but are expensed to the income statement when incurred because inventories are not qualifying assets that take a substantial period of time to get ready for use or sale.

B.13 CONTRACT WORK-IN-PROGRESS

Contract work-in-progress (hereafter also "construction contracts") is recognised at the value agreed in the contract, in accordance with the percentage of completion method, taking into account the progress of the project and the expected contractual risks. The progress of the project is measured by reference to the contract costs incurred at the reporting date in relation to the total estimated costs for each contract.

When the outcome of a contract cannot be reliably estimated, the contract revenue is recognised only to the extent that the costs incurred are likely to be recovered. When the outcome of a contract can be reliably estimated, and it is likely that the contract will be profitable, contract revenue is recognised over the life of the contract. When it is likely that total contract costs will exceed total contract revenue, the potential loss is immediately recognised in the income statement.

The Group reports as an asset the gross amount due from customers for contract work-in-progress for which the costs incurred, plus recognised profits (less recognised losses), exceed the billing of work-in-progress; such assets are reported under "Other receivables". Amounts invoiced but not yet paid by customers are reported under "Trade receivables".

The Group reports as a liability the gross amount due to customers for all contract work-in-progress for which billing of the work-in-progress exceeds the costs incurred plus recognised profits (less recognised losses). Such liabilities are reported under "Other liabilities".

B.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand bank deposits and other short-term investments, with original maturities of three months or less. Current account overdrafts are classified as financial payables under current liabilities in the statement of financial position. Amounts reported in cash and cash equivalents are stated at fair value and related changes are recognised through profit or loss.

B.15 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently valued on the basis of the amortised cost method.

B.16 BORROWINGS FROM BANKS AND OTHER LENDERS

Borrowings from banks and other lenders are initially recognised at fair value, less directly attributable costs. Subsequently, they are measured at amortised cost, using the effective interest rate method. If the estimated expected cash flows should change, the value of the liabilities is recalculated to reflect this change using the present value of the expected new cash flows and the effective internal rate originally established. Borrowings from banks and other lenders are classified as current liabilities, except where the Group has an unconditional right to defer their payment for at least twelve months after the reporting date.

Borrowings from banks and other lenders are derecognised when they are extinguished and when the Group has transferred all the risks and costs relating to such instruments.

Purchases and sales of financial liabilities are accounted for at the settlement date.

B.17 EMPLOYEE BENEFITS

Pension funds

The Group operates both defined contribution plans and defined benefit plans.

A defined contribution plan is a plan under which the Group pays fixed contributions to third-party fund managers and to which there are no legal or other obligations to pay further contributions should the fund not have sufficient assets to meet the obligations to employees for current and prior periods. In the case of defined contribution plans, the Group pays contributions, voluntarily or as established by contract, to public and private pension insurance funds. The contributions are recorded as personnel costs on an accrual basis. Prepaid contributions are recognised as an asset which will be repaid or used to offset future payments, should they be due.

A defined benefit plan is a plan not classifiable as a defined contribution plan. In defined benefit plans, the total benefit payable to the employee can be quantified only after the employment relationship ceases, and is linked to one or more factors, such as age, years of

service and remuneration; the related cost is therefore charged to the period's income statement on the basis of an actuarial calculation. The liability recognised for defined benefit plans corresponds to the present value of the obligation at the reporting date, less the fair value of the plan assets, where applicable. Obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of high-quality corporate bonds issued in the liability's settlement currency and which reflects the duration of the related pension plan. Actuarial gains and losses arising from the above adjustments and the changes in actuarial assumptions are charged directly to equity.

Other post-employment obligations
Some Group companies provide medical benefit plans for retired employees. The expected cost of these benefits is accrued over the period of employment using the same accounting method as for defined benefit plans. Actuarial gains and losses arising from the valuation and the effects of changes in the actuarial assumptions are accounted for in equity. These liabilities are valued annually by a qualified independent actuary.

Termination benefits
The Group recognises termination benefits when it can be shown that the termination of employment complies with a formal plan communicated to the parties concerned that establishes termination of employment, or when payment of the benefit is the result of voluntary redundancy incentives. Termination benefits payable more than twelve months after the reporting date are discounted to present value.

Share-based payments
Share-based compensation is accounted for according to the nature of the plan:

(a) STOCK OPTIONS
Stock options are valued on the basis of the fair value determined on their grant date. This value is charged to the income statement on a straight-line basis over the option vesting period with a matching entry to equity. This recognition is based on an estimate of the number of stock options that will effectively vest in favour of eligible employees, taking into consideration any vesting conditions, irrespective of the market value of the shares. Fair value is determined using the Black-Scholes method.

(b) EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS
Where participants acquire the Company's shares at a fixed price (co-investment plans), the difference between the fair value of the shares and the purchase price is recognised over the vesting period in personnel costs with a matching entry in equity.

B.18 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges of a definite nature, whose existence is certain or probable, but the amount and/or timing of which cannot be reliably determined. A provision is recognised only when there is a current (legal or constructive) obligation for a future outflow of economic resources as the result of past events and it is likely that this outflow is required to settle the obligation. Such amount is the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material and the obligation settlement date can be reliably estimated, the provisions are stated at the present value of the expected outlay, using a rate that reflects market conditions, the variation in the cost of money over time, and the specific risk

attached to the obligation.
Increases in the provision due to changes in the time value of money are accounted for as interest expense.
Risks for which the emergence of a liability is only possible but not remote are indicated in the disclosures about commitments and contingencies and no provision is recognised.
Any contingent liabilities accounted for separately when allocating the cost of a business combination, are valued at the higher of the amount obtained using the method described above for provisions for risks and charges and the liability's originally determined present value.

B.19 REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received for the sale of the goods and services in the ordinary course of the Group's business. Revenue is recognised net of value-added tax, expected returns, rebates and discounts.
Revenue is recognised as follows:

(a) Sales of goods
Revenue from the sale of goods is recognised when the risks and rewards of the goods are transferred to the customer; this usually occurs when the goods have been delivered to the customer and the customer has accepted them.

(b) Sales of services
The sale of services is recognised in the accounting period in which the services are rendered, with reference to the progress of the service supplied and in relation to the total services still to be rendered.

In both cases, revenue recognition depends on there being reasonable assurance that the related consideration will be received.

The method of recognising revenue for contract work-in-progress (construction contracts) is outlined in Section B.13.

B.20 GOVERNMENT GRANTS

Government grants are recognised on an accrual basis in direct relation to the costs incurred when there is a formal resolution approving the allocation and, when the right to the grant is assured since it is reasonably certain that the Group will comply with the conditions attaching to its receipt and that the grant will be received.

(a) Grants related to assets
Government grants relating to investments in property, plant and equipment are recorded as deferred income in "Other payables", classified under current and non-current liabilities for the respective long-term and short-term portion of such grants. Deferred income is recognised in "Other income" in the income statement on a straight-line basis over the useful life of the asset to which the grant refers.

(b) Grants related to income
Grants other than those related to assets are credited to the income statement as "Other income".

B.21 COST RECOGNITION

Costs are recognised when they relate to assets and services acquired or consumed during the year or to make a systematic allocation to match costs with revenues.

B.22 TAXATION

Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at

the end of the reporting period.
Deferred taxes are calculated on all the differences emerging between the taxable base of an asset or liability and the related carrying amount, except for goodwill and those differences arising from investments in subsidiaries, where the timing of the reversal of such differences is controlled by the Group and it is likely that they will not reverse in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable profit will be available against which they can be recovered. Deferred taxes are determined using tax rates that are expected to apply in the years when the differences are realised or extinguished, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred taxes are recognised in the income statement with the exception of those relating to items recognised directly in equity; such taxes are also accounted for directly in equity. Income taxes are offset if they are levied by the same taxation authority, if there is a legal entitlement to offset them and if the net balance is expected to be settled.

Other taxes not related to income, such as property tax, are reported in "Operating costs".

B.23 EARNINGS PER SHARE

(a) Basic earnings per share
Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the eighted average number of ordinary shares outstanding during the year, excluding treasury shares.

(b) Diluted earnings per share
Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of calculating diluted earnings per share, the weighted average of outstanding shares is adjusted so as to include the exercise, by all those entitled, of rights with a potentially dilutive effect, while the profit attributable to owners of the parent is adjusted to account for any effects, net of taxes, of exercising such rights.

B.24 TREASURY SHARES

Treasury shares are reported as a deduction from equity. The original cost of treasury shares and revenue arising from any subsequent sales are treated as movements in equity.

C. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's results. Some types of risk are mitigated through the use of derivatives.

The main financial risks are centrally coordinated and monitored by the Group Finance Department and by the Purchasing Department as far as price risk is concerned, in close cooperation with the Group's operating units. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the above risks and on using financial instruments (derivatives and non-derivatives).

The effect on profit and equity shown in the sensitivity analysis below has been determined net of tax calculated using the Group's weighted average theoretical tax rate.

[a] Exchange rate risk

The Group operates worldwide and is therefore exposed to exchange rate risk caused by changes in the value of trade and financial flows expressed in a currency other than the accounting currencies of individual Group companies.

The main exchange rates of interest to the Group are as follows:

- United Arab Emirates Dirham/Euro: in relation to trade and financial transactions by Eurozone companies on the Arab Emirates market;
- Euro/US Dollar: in relation to trade and financial transactions in US dollars, carried out by Eurozone companies on the North American and Middle Eastern markets, and such transactions in Euro by North American companies on the European market;
- Euro/Qatari Riyal: in relation to trade and financial transactions carried out by Eurozone companies on the Qatari market;
- Australian Dollar/Euro: in relation to trade and financial transactions carried out by Australian companies with Eurozone companies and vice versa;
- Euro/Romanian Leu: in relation to trade and financial transactions carried out by Romanian companies on the Eurozone market and vice versa;
- Euro/British Pound: in relation to trade and financial transactions carried out by Eurozone companies on the British market and vice versa;
- Euro/Hungarian Forint: in relation to trade and financial transactions carried out by Hungarian companies on the Eurozone market and vice versa;
- Canadian Dollar/Euro: in relation to trade and financial transactions carried out by Canadian companies with Eurozone companies and vice versa;
- Brazilian Real/US Dollar: in relation to trade and financial transactions in US dollars carried out by Brazilian companies on foreign markets and vice versa.

In 2010, trade and financial flows exposed to these exchange rates accounted for around 89.5% of the total exposure to exchange rate risk arising from trade and financial transactions (95.4% in 2009).

The Group is also exposed to significant exchange rate risks on the following exchange rates: Turkish Lira/US

Dollar, Chinese Renmimbi/Singapore Dollar, Euro/Singapore Dollar, Chinese Renmimbi/US Dollar, Brazilian Real/Euro; none of these exposures, when considered individually, accounted for more than 1.6% of the overall exposure to transactional exchange rate risk in 2010 (0.9% in 2009).

It is the Group's policy to hedge, where possible, exposures in currencies other than the accounting currencies of its individual companies. In particular, the Group hedges:

- known flows: invoiced trade flows and exposures arising from loans given and received;
- forecast flows: trade and financial flows arising from firm or highly probable contractual commitments.

The above hedges are arranged using derivative contracts.

The following sensitivity analysis shows the effects on profit of a 5% and 10% increase/decrease in exchange rates relative to closing exchange rates at 31 December 2010 and 31 December 2009.

(in millions of Euro)

		2010		2009
	-5%	+5%	-5%	+5%
Euro	(0.70)	0.63	(0.60)	0.54
US Dollar	(0.81)	0.73	(0.62)	0.56
Other currencies	(0.86)	0.79	(0.32)	0.29
Total	**(2.37)**	**2.13**	**(1.54)**	**1.39**

(in millions of Euro)

		2010		2009
	-10%	+10%	-10%	+10%
Euro	(1.48)	1.21	(1.27)	1.04
US Dollar	(1.71)	1.40	(1.31)	1.07
Other currencies	(1.81)	1.48	(0.68)	0.56
Total	**(5.00)**	**4.09**	**(3.26)**	**2.67**

When assessing the potential impact of the above, the assets and liabilities of each Group company in currencies other than their accounting currency were considered, net of any derivatives hedging the above-mentioned flows.

The following sensitivity analysis shows the post-tax effects on equity reserves due to an increase/decrease in the fair value of designated cash flow hedges following a 5% and 10% increase/decrease in exchange rates relative to closing exchange rates at 31 December 2010 and 31 December 2009.

(in millions of Euro)

	2010 -5%	2010 +5%	2009 -5%	2009 +5%
US Dollar	(0.01)	0.01	(1.85)	1.68
United Arab Emirates Dirham	4.20	(3.80)	(0.01)	0.01
Qatari Riyal	5.39	(4.87)	(7.24)	6.55
Other currencies	-	-	(0.08)	0.07
Total	**9.58**	**(8.66)**	**(9.18)**	**8.31**

(in millions of Euro)

	2010 -10%	2010 +10%	2009 -10%	2009 +10%
US Dollar	(0.02)	0.02	(3.91)	3.20
United Arab Emirates Dirham	8.86	(7.25)	(0.03)	0.02
Qatari Riyal	11.37	(9.30)	(15.29)	12.51
Other currencies	-	-	(0.16)	0.13
Total	**20.22**	**(16.54)**	**(19.39)**	**15.86**

The above analysis ignores the effects of translating the equity of Group companies whose functional currency is not the Euro.

[b] Interest rate risk

The interest rate risk to which the Group is exposed is mainly due to long-term financial liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes 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.

Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). The Group is able to use derivative contracts to hedge this risk and so limit the impact of interest rate changes on the income statement.

The Group Finance Department monitors the exposure to interest rate risk and adopts appropriate hedging strategies to keep the exposure within the limits defined by the Group Administration, Finance and Control Department, arranging derivative contracts, if necessary.

The following sensitivity analysis shows the effects on consolidated profit of an increase/decrease of 25 basis points in interest rates relative to the interest rates at 31 December 2010 and 31 December 2009, assuming that all other variables remain equal.

The potential effects shown below refer to net liabilities representing the greater part of Group debt at the reporting date and are determined by calculating the

effect on net finance costs relating to such liabilities following a change in annual interest rates.
The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables, cash and cash equivalents and derivatives whose value is influenced by rate volatility.

(in millions of Euro)

		2010		2009
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	(0.73)	0.73	(0.38)	0.38
US Dollar	0.04	(0.04)	0.08	(0.08)
British Pound	(0.06)	0.06	(0.06)	0.06
Other currencies	(0.25)	0.25	(0.14)	0.14
Total	**(1.00)**	**1.00**	**(0.51)**	**0.51**

Net liabilities expressed in Euro report a significant variance relative to the analysis performed in 2009 due to growth in variable rate creditor exposure. The liabilities expressed in other currencies report just marginal variances.

At 31 December 2010, the increase/decrease in the fair value of derivatives designated as cash flow hedges arising from an increase/decrease of 25 basis points in interest rates relative to the year-end rates would have had the following impact on other equity reserves:
- an increase of Euro 2.27 million and a decrease of Euro 2.30 million for hedges in Euro;
- an increase of Euro 0.09 million and a decrease of Euro 0.09 million for hedges in US dollars.

At 31 December 2010, the overall effect on equity of the above changes would have been to increase it by Euro 2.36 million, or to decrease it by Euro 2.39 million.

At 31 December 2009, the increase/decrease in the fair value of derivatives designated as cash flow hedges would have had the following impact on other equity reserves:
- an increase of Euro 2.90 million and a decrease of Euro 2.94 million for hedges in Euro;
- an increase of Euro 0.17 million and a decrease of Euro 0.18 million for hedges in US dollars.

At 31 December 2009, the overall effect on equity of the above changes would have been to increase it by Euro 3.07 million, or to decrease it by Euro 3.12 million.

(c) Price risk

The Group is exposed to price risk in relation to purchases and sales of strategic materials, whose purchase price is subject to market volatility. The main raw materials used by the Group in its own production processes comprise strategic metals such as copper, aluminium and lead. The cost of purchasing such strategic materials accounted for approximately 66% of the Group's total production costs in 2010 (60% in 2009).

In order to manage the price risk on future trade transactions, the Group negotiates derivative contracts on strategic metals, setting the price for planned future purchases.
Although the ultimate aim of the Group is to hedge risks to which it is exposed, these contracts do not qualify as hedging instruments for accounting purposes.

The derivative contracts entered into by the Group are negotiated with major financial counterparties on the basis of strategic metal prices quoted on the London Metal Exchange ("LME"), the New York market ("COMEX") and the Shanghai Futures Exchange ("SFE").

The following sensitivity analysis shows the effect on profit and consolidated equity of a 10% increase/decrease in strategic material prices relative to prices at 31 December 2010 and 31 December 2009, assuming that all other variables remain equal.

(in millions of Euro)

	2010		2009	
	-10%	+10%	-10%	+10%
LME	(11.82)	11.83	(3.98)	3.98
COMEX	0.22	(0.22)	0.78	(0.78)
SFE	(2.35)	2.35	(1.21)	1.21
Total	**(13.95)**	**13.96**	**(4.40)**	**4.40**

The potential impact shown above is solely attributable to increases and decreases in the fair value of derivatives on strategic material prices which are directly attributable to changes in the prices themselves. It does not refer to the impact on the income statement of the purchase cost of strategic materials.

[d] Credit risk

Credit risk exists in relation to trade receivables, cash and cash equivalents, financial instruments, and deposits with banks and other financial institutions.

Customer-related credit risk is managed by the individual subsidiaries and monitored centrally by the Group Finance Department. The Group does not have significant concentrations of credit risk. It nonetheless has procedures aimed at ensuring that sales of products and services are made to reliable customers, taking account of their financial position, track record and other factors. Credit limits for major customers are based on internal and external assessments within ceilings approved by local country management. The utilisation of credit limits is periodically monitored at local level.

The Group has taken out insurance against part of its trade receivables to cover any losses, net of a 15% retention, relating to amounts which become

unrecoverable following the effective or legal insolvency of customers, or relating to manufacturing costs incurred for undelivered products following the effective or legal insolvency of customers.

As for credit risk relating to the management of financial and cash resources, this risk is monitored by the Group Finance Department, which implements procedures aimed at ensuring that Group companies deal with independent, high standing, reliable counterparties. In fact, at 31 December 2010 (like at 31 December 2009) almost all the Group's financial and cash resources were held with investment grade counterparties. Credit limits relating to the principal financial counterparties are based on internal and external assessments, within ceilings defined by the Group Finance Department.

[e] Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations involves the maintenance of adequate levels of cash and cash equivalents and short-term securities as well as availability of funds by having an adequate amount of committed credit lines. The Group Finance Department uses cash flow forecasts to monitor the projected level of the Group' liquidity.

The amount of liquidity reserves at the reporting date is as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Cash and cash equivalents	630	492
Financial assets held for trading	66	42
Available-for-sale financial assets	142	-
Financial receivables (Cash deposits)	30	-
Unused committed lines of credit	743	743
Total	**1,611**	**1,277**

Unused committed lines of credit at 31 December 2010 comprise Euro 350 million for the securitization programme (Euro 350 million in 2009) and Euro 393 million for the Revolving Credit Facility (Euro 393 million in 2009).

It should be noted that the line serving the securitization programme can be used, if needed, only to the extent of the trade receivables that qualify for securitization (amounting to around Euro 150 million at 31 December 2010 and Euro 130 million at 31 December 2009).

The following table includes an analysis, by due date, of payables, other liabilities, and derivatives settled on a net basis; the various due date categories are determined on the basis of the period between the reporting date and the contractual due date of the obligations.

(in millions of Euro) **31 December 2010**

	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	240	57	1,162	12
Finance lease obligations	1	1	-	-
Debts guaranteed by securitized receivables	-	-	-	-
Derivatives	28	31	17	-
Trade and other payables	1,218	5	12	3
Total	**1,487**	**94**	**1,191**	**15**

(in millions of Euro) **31 December 2009**

	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	163	212	685	3
Finance lease obligations	2	1	1	-
Debts guaranteed by securitized receivables	-	-	-	-
Derivatives	46	2	5	-
Trade and other payables	887	-	1	12
Total	**1,098**	**215**	**692**	**15**

In completion of the disclosures about financial risks, the financial assets and liabilities reported in the Group's statement of financial position are categorised according to the IFRS 7 definitions of financial assets and liabilities as follows:

(in millions of Euro) **31 December 2010**

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities/ assets	Hedging derivatives
Available-for-sale financial assets	-	-	145	-	-	-
Trade receivables	-	-	-	-	764	-
Other receivables	-	-	-	-	438	-
Financial assets held for trading	66	-	-	-	-	-
Derivatives (assets)	55	-	-	-	-	11
Cash and cash equivalents	-	630	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,312	-
Trade payables	-	-	-	-	862	-
Other payables	-	-	-	-	375	-
Derivatives (liabilities)	-	-	-	42	-	34

(in millions of Euro) **31 December 2009**

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities/ assets	Hedging derivatives
Available-for-sale financial assets	-	-	6	-	-	-
Trade receivables	-	-	-	-	622	-
Other receivables	-	-	-	-	387	-
Financial assets held for trading	42	-	-	-	-	-
Derivatives (assets)	42	-	-	-	-	11
Cash and cash equivalents	-	492	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,036	-
Trade payables	-	-	-	-	561	-
Other payables	-	-	-	-	339	-
Derivatives (liabilities)	-	-	-	28	-	25

C.1 CAPITAL RISK MANAGEMENT

The Group's objective in capital risk management is mainly to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Group also sets itself the goal of maintaining an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants required by the Credit Agreement (Note 32).

The Group monitors capital on the basis of its gearing ratio (ie. the ratio between net financial position and capital). Note 12 contains details of how the net financial position is determined. Capital is equal to the sum of equity, as reported in the Group consolidated financial statements, and the net financial position.

The gearing ratios at 31 December 2010 and 31 December 2009 are shown below:

(in millions of Euro)

	2010	2009
Net financial position	459	474
Equity	799	698
Total capital	1,258	1,172
Gearing ratio	**36.50%**	**40.45%**

C.2 FAIR VALUE

The fair value of financial instruments listed on an active market is based on market price at the reporting date. The market price used for derivatives is the bid price, whilst for financial liabilities the ask price is used. The fair value of instruments not listed on an active market is determined using valuation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.
Other techniques, such as that of estimating discounted cash flows, are used for the purposes of determining the fair value of other financial instruments.
The fair value of interest rate swaps is calculated on the basis of the present value of forecast future cash flows.
The fair value of currency futures is determined using the forward exchange rate at the reporting date. The fair value of metal derivative contracts is determined using the prices of such metals at the reporting date.

Financial instruments are classified according to the following fair value hierarchy:

Level 1: fair value is determined with reference to quoted (unadjusted) prices in active markets for identical financial instruments;

Level 2: fair value is determined using valuation techniques where the input is based on observable market data;

Level 3: fair value is determined using valuation techniques where the input is not based on observable market data.

(in millions of Euro) **31 December 2010**

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
Derivatives	-	55	-	55
Financial assets held for trading	60	6	-	66
Hedging derivatives	-	11	-	11
Available-for-sale financial assets	142	-	3	145
Total assets	**202**	**72**	**3**	**277**
Liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	-	42	-	42
Hedging derivatives	-	34	-	34
Total liabilities	**-**	**76**	**-**	**76**

(in millions of Euro)				31 December 2009
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
Derivatives	-	42	-	42
Financial assets held for trading	40	2	-	42
Hedging derivatives	-	11	-	11
Available-for-sale financial assets	4	-	2	6
Total assets	**44**	**55**	**2**	**101**
Liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	-	29	-	29
Hedging derivatives	-	24	-	24
Total liabilities	**-**	**53**	**-**	**53**

Financial assets classified in fair value level 3 reported no significant movements in either 2009 or 2010.
Given the short-term nature of trade receivables and payables, their book values, net of any allowance for doubtful accounts, are treated as a good approximation of fair value.

D. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting standards and methods which, at times, rely on judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts previously reported on the basis of estimates and assumptions may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

Briefly described below are the accounting policies that require greater subjectivity of judgement by the Prysmian Group's management when preparing estimates and for which a change in underlying assumptions could have a significant impact on the consolidated financial statements.

(a) Provisions for risks and charges

Provisions are recognised for legal and tax risks and reflect the risk of a negative outcome. The value of the provisions recorded in the financial statements against such risks represents the best estimate by management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, have a significant impact on the current estimates made by management to prepare the Group consolidated financial statements.

(b) Impairment of assets

In accordance with the accounting standards applied by the Group, property, plant and equipment and intangible assets with finite useful lives are tested for impairment. Any impairment loss is recognised by means of a write-down, when indicators suggest it will be difficult to recover the related net book value through use of the assets. Verification of these indicators requires management to make subjective judgements based on the information available within the Group and from the market, as well as from past experience. In addition, if an impairment loss is identified, the Group determines the amount of such impairment using suitable valuation techniques. Correct identification of impairment indicators as well as the estimates for determining the amount of impairment depend on factors which can vary over time, thus influencing judgements and estimates made by management.

The Prysmian Group was created on 28 July 2005, when Prysmian S.p.A. acquired the Energy Cables and Systems division and the Telecom division from the Pirelli & C. S.p.A. Group. The individual assets and liabilities were valued for this purpose at fair value, in accordance with IFRS 3. This resulted in large adjustments to existing book values, with the assets of the Telecom CGU written down to virtually zero.

During the course of 2010 the Prysmian Group capitalised an amount of Euro 15 million in Goodwill; this goodwill refers to Euro 13 million for the acquisition of Ravin Cables Limited in India and Euro 2 million for the acquisition of "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel" in Russia.

The Prysmian Group has assessed at year end whether there is any evidence that its CGUs might be impaired and consequently tested for impairment those CGUs potentially at "risk". These tests have led to partial impairment of the Goodwill allocated to the India CGU within the Energy segment, as discussed in Note 2.

Impairment losses were also recognised in 2010 against the "Assets held for sale". This impairment related to the Prescot plant, which was subsequently sold, and the Eastleigh plant, which is still being held for sale.

The outcome of impairment tests at 31 December 2010 does not imply the results will not differ in the future, especially in the event of currently unforeseeable developments in the business environment.

(c) Depreciation and amortisation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of Group property, plant and equipment and intangible assets is determined by management when the asset is acquired. This is based on past experience for similar assets, market conditions and expectations regarding future events that could impact useful life, including changes in technology. Therefore, actual economic life may differ from estimated useful life. The Group periodically reviews technological and sector changes to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Revenue recognition for construction contracts

The Group uses the percentage of completion method to record construction contracts. The margins recognised in the income statement depend on the progress of the contract and its estimated margins upon completion. Thus, correct recognition of work-in-progress and margins relating to as yet incomplete work implies that management has correctly estimated contract costs, potential contract variants, as well as delays, and any extra costs and penalties that might reduce the expected profit. The percentage of completion method requires the Group to estimate the completion costs and involves making estimates dependent on factors which may change over time and could therefore have a significant impact on current values. Should actual cost differ from estimated cost, this variation will impact future results.

(e) Taxes

Consolidated companies are subject to different tax jurisdictions. A significant degree of estimation is needed to establish the expected tax payable globally. There are a number of transactions for which the relevant taxes are difficult to estimate at year end. The Group records liabilities for outstanding tax assessments on the basis of estimates, possibly made with the assistance of outside experts.

(f) Inventory valuation

Inventories are recorded at the lower of purchase cost (measured using the weighted average cost formula for non-ferrous metals and the FIFO formula for all others) and net realisable value, net of sale costs. Net realisable value is in turn represented by the value of firm orders in the order book, or otherwise by the replacement cost of supplies or raw materials. If significant reductions in the price of non-ferrous metals are followed by order cancellations, the loss in the value of inventories may not be fully offset by the penalties charged to customers for cancelling their orders.

E. 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 interest in the Indian company Ravin Cables Limited.

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)	9
Goodwill (A)-(B)	**13**
Financial outlay for acquisition	22
Cash and cash equivalents held by acquired companies	(1)
Acquisition cash flow	**21**

Details of the 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	13
Intangible assets	-	1
Investments in joint ventures [1]	3	3
Inventories	7	6
Trade and other receivables	12	10
Trade and other payables	(4)	(4)
Deferred taxes	-	(2)
Current taxes	(2)	-
Borrowings from banks and other lenders	(10)	(10)
Cash and cash equivalents	2	1
Net assets	**11**	**18**
Net assets acquired - 51% (B)	**6**	**9**

The acquisition has given rise to Euro 13 million in goodwill, which has been initially recognised in "Intangible assets" and allocated to the India CGU within the Energy segment, and later partially impaired.

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**

[1] Relates to the investment in Power Plus Cable Co.L.L.C.

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

(in milioni di 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**

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. As required by IFRS 3, the process of finalising fair values was completed during 2010.

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)	1
Goodwill (A)-(B)	**2**
Financial outlay for acquisition	3
Cash and cash equivalents held by acquired companies	-
Acquisition cash flow	**3**

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

(in millions of Euro)

	Pre-acquisition book value	Fair value	Final Fair value
Property, plant and equipment	8	12	12
Inventories	2	2	2
Trade and other receivables	2	2	1
Trade and other payables	(3)	(3)	(4)
Deferred taxes	1	-	-
Borrowings from banks and other lenders	(10)	(10)	(10)
Net assets acquired (B)	-	**3**	**1**

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

F. 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. The Corporate operating results at 31 December 2010 basically reflect the effects of the non-recurring items identified overleaf.

Segment assets comprise property, plant and equipment, intangible assets, assets held for sale, trade receivables, receivables other than loans given and tax receivables, and inventories. These assets do not include loans given, tax or fiscal receivables, derivatives, deferred tax assets, financial instruments held for trading or cash and cash equivalents.
Segment liabilities comprise trade payables, provisions for risks and charges, employee benefit obligations and payables other than loans received and tax and fiscal payables. These liabilities do not include loans received, overdrawn current accounts, tax or fiscal payables, derivatives and deferred tax liabilities.
Group operating activities are organised and managed separately based on the nature of the products and services provided. Each segment offers different products and services to different markets and is controlled by different legal entities. Sales of goods and services are analysed geographically on the basis of the location of the registered office of the company that issues the invoices, regardless of the geographic destination of the products sold. This type of reporting does not significantly differ from the breakdown of sales of goods and services by destination of the products being sold. Transfer

pricing between segments is determined using the same conditions as applied between Group companies and is generally determined by applying a mark-up to production costs.

F.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(in millions of Euro) **2010**

	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
Sales of goods and services:								
- third parties	1,790	1,465	742	124	4,121	450	-	4,571
- Group companies	-	2	-	22	24	4	(28)	-
Total sales of goods and services	**1,790**	**1,467**	**742**	**146**	**4,145**	**454**	**(28)**	**4,571**
Adjusted EBITDA (A)	**250**	**36**	**61**	**4**	**351**	**36**	**-**	**387**
% of sales	14.0%	2.4%	8.3%		8.5%	7.9%		8.5%
EBITDA (B)	**245**	**32**	**62**	**-**	**339**	**36**	**(10)**	**365**
% of sales	13.7%	2.2%	8.4%	-	8.2%	7.9%		8.0%
Amortisation and depreciation (C)	(35)	(16)	(19)	(1)	(71)	(7)	**-**	**(78)**
Adjusted operating income (A+C)	**215**	**20**	**42**	**3**	**280**	**29**	**-**	**309**
% of sales	12.0%	1.4%	5.7%		6.8%	6.3%		6.8%
Fair value change in metal derivatives (D)								**28**
Remeasurement of minority put option liability (E)	13				13			**13**
Impairment of assets (F)	(21)				(21)			**(21)**
Operating income (B+C+D+E+F)								**307**
% of sales								6.7%
Share of income from investments in associates and dividends from other companies					2	-		2
Finance costs								(324)
Finance income								228
Taxes								(63)
Profit/(loss) for the year								**150**
Attributable to:								
Owners of the parent								148
Non-controlling interests								2

Reconciliation of EBITDA to Adjusted EBITDA

(in millions of Euro)								2010
	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
EBITDA (A)	**245**	**32**	**62**	**-**	**339**	**36**	**(10)**	**365**
Non-recurring expenses/(income):								
Company reorganisation	1	5	-	4	10	-	1	11
Antitrust investigation legal costs	3	-	-	-	3	-	2	5
Environmental remediation	1	-	-	-	1	-	-	1
Release of provision for tax inspections	-	(1)	(1)	-	(2)	-	-	(2)
Special project costs	-	-	-	-	-	-	7	7
Total non-recurring expenses/(income) (B)	**5**	**4**	**(1)**	**4**	**12**	**-**	**10**	**22**
Adjusted EBITDA (A+B)	**250**	**36**	**61**	**4**	**351**	**36**	**-**	**387**

(in milioni di Euro)				2010
	Energy	Telecom	Unallocated	Group Total
Assets	2,455	347	954	3,756
Investments in associates	9	-	-	9
Equity	-	-	-	799
Liabilities	1,192	70	1,704	2,966
Investment in property, plant and equipment	76	7	-	83
Investment in intangible assets	18	1	-	19
Totale investimenti	**94**	**8**	**-**	**102**

(in millions of Euro) **2009**

	Energy					Telecom	Corporate/	Group
	Utilities	Trade & Installers	Industrial	Other	Total		Eliminations	total
Sales of goods and services:								
- third parties	1,598	1,020	628	82	3,328	403	-	3,731
- Group companies	-	1	-	15	16	8	(24)	-
Total sales of goods and services	**1,598**	**1,021**	**628**	**97**	**3,344**	**411**	**(24)**	**3,731**
Adjusted EBITDA (A)	**266**	**41**	**62**	**3**	**372**	**31**	**-**	**403**
% of sales	16.7%	4.0%	9.8%	-	11.1%	7.6%		10.8%
EBITDA (B)	**250**	**31**	**58**	**3**	**342**	**30**	**(6)**	**366**
% of sales	15.6%	3.0%	9.2%	-	10.2%	7.4%		9.8%
Amortisation and depreciation (C)	(29)	(15)	(16)	(3)	(63)	(6)	-	(69)
Adjusted operating income (A+C)	**237**	**26**	**46**	**-**	**309**	**25**	**-**	**334**
% of sales	14.7%	2.5%	7.3%	-	9.3%	6.1%		9.0%
Fair value change in metal derivatives (D)								91
Impairment of assets (E)	(1)				(1)	(1)		(2)
Operating income (B+C+D+E)								**386**
% of sales								10.3%
Share of income from investments in associates and dividends from other companies					3	-		3
Finance costs								(292)
Finance income								240
Taxes								(85)
Profit/(loss) for the year								**252**
Attributable to:								
Owners of the parent								248
Non-controlling interests								4

Reconciliation of EBITDA to Adjusted EBITDA

(in millions of Euro) **2009**

	Energy					Telecom	Corporate/	Group
	Utilities	Trade & Installers	Industrial	Other	Total		Eliminations	total
EBITDA (A)	**250**	**31**	**58**	**3**	**342**	**30**	**(6)**	**366**
Non-recurring expenses/(income):								
Company reorganisation	2	7	3	-	12	1	-	13
Shutdown of production facilities	3	3	-	-	6	-	-	6
Antitrust investigation legal costs	8	-	-	-	8	-	3	11
Environmental remediation	3	-	-	-	3	-	-	3
Special project costs	-	-	1	-	1	-	3	4
Total non-recurring expenses/(income) (B)	**16**	**10**	**4**	**-**	**30**	**1**	**6**	**37**
Adjusted EBITDA (A+B)	**266**	**41**	**62**	**3**	**372**	**31**	**-**	**403**

(in millions of Euro)				2009
	Energy	Telecom	Unallocated	Group Total
Assets	1,945	340	749	3,035
Investments in associates	9	-	-	9
Equity	-	-	-	698
Liabilities	860	79	1,407	2,346
Investment in property, plant and equipment	85	6	-	91
Investment in intangible assets	15	1	-	16
Total investments	**100**	**7**	**-**	**107**

F.2 GEOGRAPHICAL AREAS

The following tables present assets and sales of goods and services by geographical area.

(in millions of Euro)						2010
	EMEA (*)	of which Italy	North America	Latin America	Asia Pacific	Total
Sales of goods and services	3,163	*801*	407	522	479	4,571
Non-current assets (1)	656	*159*	85	161	115	1,017

(in millions of Euro)						2009
	EMEA (*)	of which Italy	North America	Latin America	Asia Pacific	Total
Sales of goods and services	2,636	*734*	349	365	381	3,731
Non-current assets (1)	673	*155*	72	118	80	943

No individual customer accounted for more than 10% of the Group's total sales in either 2010 or 2009.

(*) EMEA: Europe, Middle East and Africa
(1) Include property, plant and equipment, intangible assets and assets held for sale.

1. PROPERTY, PLANT AND EQUIPMENT

Details of these balances and related movements are as follows:

(in millions of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2008	**165**	**319**	**247**	**10**	**8**	**57**	**806**
Movements in 2009:							
- Investments	-	3	13	1	1	73	91
- Disposals	-	-	(1)	-	-	-	(1)
- Business combinations	-	8	4	-	-	-	12
- Depreciation and impairment	-	(12)	(47)	(4)	(3)	-	(66)
- Currency translation differences	8	6	4	1	-	9	28
- Other	-	12	40	3	2	(55)	2
Total movements	**8**	**17**	**13**	**1**	**-**	**27**	**66**
Balance at 31 December 2009	**173**	**336**	**260**	**11**	**8**	**84**	**872**
Of which:							
- Historical cost	175	390	454	24	25	84	1,152
- Accumulated depreciation and impairment	(2)	(54)	(194)	(13)	(17)	-	(280)
Net book value	**173**	**336**	**260**	**11**	**8**	**84**	**872**
Balance at 31 December 2009	**173**	**336**	**260**	**11**	**8**	**84**	**872**
Movements in 2010:							
- Investments	-	2	10	1	2	68	83
- Disposals	-	-	-	-	-	-	-
- Business combinations	6	4	9	-	-	1	20
- Depreciation and impairment	-	(13)	(50)	(4)	(4)	-	(71)
- Currency translation differences	8	11	11	1	-	9	40
- Other	5	5	27	3	2	(37)	5
Total movements	**19**	**9**	**7**	**1**	**-**	**41**	**77**
Balance at 31 December 2010	**192**	**345**	**267**	**12**	**8**	**125**	**949**
Of which:							
- Historical cost	194	412	511	29	29	125	1,300
- Accumulated depreciation and impairment	(2)	(67)	(244)	(17)	(21)	-	(351)
Net book value	**192**	**345**	**267**	**12**	**8**	**125**	**949**

Property, plant and equipment includes an increase of Euro 20 million for the first-time consolidation of Ravin Cables Limited (India) and 49% of Power Plus Cable Co. L.L.C. (United Arab Emirates).

Gross investments in property, plant and equipment amount to Euro 83 million in 2010, of which Euro 1 million in borrowing costs capitalised by the Brazilian subsidiary at a rate of between 6.3% and 9.8%.

Around 53% of the total of such investments related to projects for increasing production capacity. Some 10% of total investments went on projects to improve industrial efficiency. Another large proportion (around 30%) related to structural work on buildings or entire production lines for compliance with current regulations or for relocating production. The most important investment projects in 2010 were:

- construction of the new plant in Brazil to design and supply high-tech flexible pipes for offshore oil extraction, and needed to satisfy demand under a four-year agreement with the oil company Petrobras;
- expansion of high voltage cable production capacity in the United States and China;
- investments in the Italian optical fibre factory aimed at reducing fibre manufacturing costs and increasing production capacity;

"Buildings" include assets under finance lease with a net value of Euro 8 million at 31 December 2010 (Euro 9 million at 31 December 2009).

These finance leases will expire between 2010 and 2012 and include purchase options.

2. INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2008	**11**	**4**	-	**1**	**2**	**13**	**31**
Movements in 2009:							
- Investments	-	-	-	1	1	3	5
- Internally generated intangible assets	-	-	-	5	-	6	11
- Disposals	-	-	-	-	-	-	-
- Business combinations	-	-	-	-	-	-	-
- Amortisation	(1)	(1)	-	(3)	-	-	(5)
- Currency translation differences	-	-	-	-	-	-	-
- Other	-	-	-	12	-	(11)	1
Total movements	**(1)**	**(1)**	-	**15**	**1**	**(2)**	**12**
Balance at 31 December 2009	**10**	**3**	-	**16**	**3**	**11**	**43**
Of which:							
- Historical cost	15	47	5	27	24	11	129
- Accumulated amortisation and impairment	(5)	(44)	(5)	(11)	(21)	-	(86)
Net book value	**10**	**3**	-	**16**	**3**	**11**	**43**

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2009	**10**	**3**	**-**	**16**	**3**	**11**	**43**
Movements in 2010:							
- Investments	-	-	-	-	1	8	9
- Internally generated intangible assets	-	-	-	6	-	4	10
- Disposals	-	-	-	-	-	-	-
- Business combinations	-	1	15	-	-	-	16
- Amortisation	(1)	(1)	-	(4)	(1)	-	(7)
- Impairment	-	-	(13)	-	-	-	(13)
- Currency translation differences	-	-	1	-	-	-	1
- Other	(1)	1	-	8	-	(8)	-
Total movements	**(2)**	**1**	**3**	**10**	**-**	**4**	**16**
Balance at 31 December 2010	**8**	**4**	**3**	**26**	**3**	**15**	**59**
Of which:							
- Historical cost	14	49	21	41	25	15	165
- Accumulated amortisation and impairment	(6)	(45)	(18)	(15)	(22)	-	(106)
Net book value	**8**	**4**	**3**	**26**	**3**	**15**	**59**

Gross investments in intangible assets amount to Euro 19 million in 2010, and primarily refer to:

- Euro 10 million for development of the SAP Consolidation project, aimed at standardising the information system in all the Group's companies. At 31 December 2010 the new system had been implemented and was fully operational in Germany, Holland, Italy, Finland, Hungary, Romania, Austria and the Czech Republic;
- Euro 6 million for the Brazilian subsidiary's development of a prototype destined for flexible pipe production.

During 2010 the Prysmian Group recognised Euro 15 million in "Goodwill", of which Euro 13 million related to the acquisition of Ravin Cables Limited in India and Euro 2 million to the acquisition of "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel" in Russia.

When closing the present financial year, the Prysmian Group reviewed whether there was any evidence that its CGUs might be impaired, and then tested for impairment those CGUs potentially at "risk". This test has led to the partial impairment of "Goodwill" allocated to the India CGU within the Energy segment.

Such impairment has been necessary because of a sudden, unexpected deterioration in business during 2010, and because not all the strategic reasons behind the investment could be taken into account for impairment testing purposes (eg. future benefits of investments in technological development of the newly acquired plant and in high voltage cable production).

In fact, the post-tax cash flow projections for 2011-2013 derive directly from a revision for the new scenario of the business plan prepared in January 2010 in support of the acquisition project, and which excludes benefits from the above investments. The WACC used to discount cash flows for determining value in use is 11.4% post-tax, while the projected perpetuity growth rate (G) after 2013 is 2%.

3. INVESTMENTS IN ASSOCIATES

These are detailed as follows:

(in millions of Euro)

	2010	2009
Opening balances	**9**	**9**
Movements:		
- Currency translation differences	-	-
- Share of profit/(loss)	2	3
- Dividends and other movements	(2)	(3)
Total movements	**-**	**-**
Closing balance	**9**	**9**

Details of investments in associates:

(in millions of Euro)

	31 December 2010	31 December 2009
Rodco Ltd	2.33	2.26
Kabeltrommel Gmbh & Co.K.G.	5.18	5.91
Eksa Sp.Zo.o	1.14	1.10
Sikonec Gmbh	0.25	0.15
Total investments in associates	**8.90**	**9.42**

(in millions of Euro)

	Rodco Ltd	Kabeltrommel Gmbh & Co.K.G.		Sikonec Gmbh	Eksa Sp.Zo.o
Country	UK		Germany	Germany	Poland
% owned	40.00%	28.68%	1.00%	50.00%	20.05%
Direct owner	Prysmian Cables & Systems Limited	Prysmian Kabel und Systeme GmbH	Bergmann Kabel und Leitungen Gmbh	Bergmann Kabel und Leitungen Gmbh	Prysmian Energia Holding S.r.l.
Financial information at 31 December 2010 (in millions of Euro) [1]					
Assets	6		n.a.	n.a.	n.a.
Liabilities	-		n.a.	n.a.	n.a.
Equity	6		n.a.	n.a.	n.a.
Sales	-		n.a.	n.a.	n.a.
Profit/(loss)	-		-	n.a.	n.a.
Financial information at 31 December 2009 (in millions of Euro)					
Assets	6		30	1	9
Liabilities	-		16	-	3
Equity	6		14	1	6
Sales	-		30	4	12
Profit/(loss)	-		-	-	1

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are analysed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Non-current	3	6
Current	142	-
Total	**145**	**6**

Current assets include securities that mature within 12 months of the reporting date and securities that mature beyond 12 months but which are expected to be sold in the near term; non-current assets report the equity investments regarded as instrumental to the Group's business.

[1] Financial information at 31 December 2010 is based on provisional figures because such associates publish their annual financial statements after publication of the Group consolidated financial statements.

Movements in available-for-sale financial assets are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Opening balance	**6**	**10**
- Currency translation differences	1	-
- Fair value gains	-	2
- Fair value losses	(1)	-
- Acquisitions	152	-
- Disposals	(10)	(6)
- Release of equity reserve upon disposal	(3)	-
Total movements	**139**	**(4)**
Closing balance	**145**	**6**

The acquisitions of Euro 152 million during 2010 mostly refer to government bonds and blue chip corporate bonds held solely for investing the cash raised from the bond issue discussed in Note 12, and so are not instrumental to its business.

The disposals of Euro 10 million during 2010 relate to sale of part of the above bond holdings (Euro 9 million) and to sale of the American Superconductor shares in June, giving rise to the gain discussed in Note 25.

Available-for-sale financial assets comprise:

(in millions of Euro)

	Type of financial asset	% owned by Group	31 December 2010	31 December 2009
Government bonds	non-convertible bonds	n.a.	88.42	-
Blue chip corporate bonds	non-convertible bonds	n.a.	53.64	-
Total current			**142.06**	**-**
Tunisie Cables S.A.	unlisted shares	7.55%	0.91	0.91
American Superconductor	listed shares	n.a.	-	4.08
Cesi Motta S.p.A.	unlisted shares	6.48%	0.59	0.59
Líneas de Transmisión del Litoral S.A.	unlisted shares	5.50%	0.10	0.08
Voltimum S.A.	unlisted shares	13.71%	0.27	0.27
Other			0.66	0.35
Total non-current			**2.53**	**6.28**
Total			**144.59**	**6.28**

Available-for-sale financial assets are denominated in the following currencies:

(in millions of Euro)

	31 December 2010	31 December 2009
Euro	144	1
US Dollar	-	4
Tunisian Dinar	1	1
Total	**145**	**6**

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro) 31 December 2010

	Non-current	Current	Total
Trade receivables	-	807	807
Allowance for doubtful accounts	-	(43)	(43)
Total trade receivables	**-**	**764**	**764**
Other receivables:			
Tax receivables	11	88	99
Financial receivables	1	42	43
Prepaid finance costs	16	3	19
Receivables from employees	1	1	2
Construction contracts	-	190	190
Advances	-	18	18
Others	12	55	67
Total other receivables	**41**	**397**	**438**
Total	**41**	**1,161**	**1,202**

(in milioni di 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**

The Prysmian Group transfers a significant part of its trade receivables under the securitization programme started in 2007, as described in Section B.2. Securitized receivables amount to Euro 240 million gross at 31 December 2010 (Euro 220 million at 31 December 2009), for which Prysmian Financial Services Ireland Ltd drew down no credit lines either in 2010 or in 2009. These receivables are under a lien in favour of third-party lenders.

The gross amount of past due impaired receivables is Euro 302 million at 31 December 2010 (Euro 280 million at 31 December 2009).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
past due between 1 and 30 days	235	210
past due between 31 and 90 days	20	20
past due between 91and 180 days	10	10
past due between 181 and 365 days	8	16
past due more than 365 days	29	24
Total	**302**	**280**

The value of trade receivables past due but not impaired is Euro 27 million at 31 December 2010 (Euro 17 million at 31 December 2009). These receivables mainly relate to customers in the Energy segment, which have been insured against the risk of any bad debts arising from effective or legal insolvency of such customers.

The ageing of receivables that are past due but not impaired is as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
past due between 1 and 30 days	19	16
past due between 31 and 90 days	1	-
past due between 91and 180 days	1	-
past due between 181 and 365 days	4	-
past due more than 365 days	2	1
Total	**27**	**17**

The value of trade receivables not past due is Euro 478 million at 31 December 2010 (Euro 364 million at 31 December 2009). There are no particular problems with the quality of these receivables and there are no material amounts that would otherwise be past due if their original due dates had not been renegotiated.

The following table breaks down trade and other receivables according to the currency in which they are expressed:

(in millions of Euro)

	31 December 2010	31 December 2009
Euro	502	513
US Dollar	154	166
Qatari Riyal	117	49
Brazilian Real	96	72
Chinese Renminbi (Yuan)	92	61
British Pound	62	45
Turkish Lira	37	28
Argentine Peso	24	16
Australian Dollar	19	9
Canadian Dollar	18	10
Other currencies	81	40
Totale	**1,202**	**1,009**

The allowance for doubtful accounts amounts to Euro 43 million at 31 December 2010 (Euro 39 million at the end of 2009); movements in this allowance are shown in the following table:

(in millions of Euro)

	31 December 2010	31 December 2009
Opening balance	**39**	**39**
- Increases in allowance	5	10
- Write offs	(2)	(1)
- Releases	(2)	(9)
- Currency translation differences	1	-
- Changes in scope of consolidation	2	-
Total movements	**4**	**-**
Closing balance	**43**	**39**

Increases in and releases from the allowance for doubtful accounts are reported in "Other expenses" in the income statement.

"Prepaid finance costs" relate to:

- the Revolving Credit Facility and Bonding Facility: the non-current portion of the prepayment is Euro 1 million at the end of 2010 (Euro 2 million at 31 December 2009), while the current portion is Euro 2 million (Euro 1 million at 31 December 2009);
- the new Forward Start Credit Agreement: the non-current portion is Euro 14 million;
- the securitization programme: the non-current portion of the prepayment is Euro 1 million at the end of 2010 (Euro 2 million at 31 December 2009), while the current portion is Euro 1 million (Euro 2 million at

31 December 2009).

"Construction contracts" represent the value of ongoing contracts, determined as the difference between the costs incurred plus the related profit margin, net of recognised losses, and the amount invoiced by the Group.

The following table shows how these amounts are reported between assets and liabilities:

(in millions of Euro)

	31 December 2010	31 December 2009
Construction contract revenue to date	1,564	1,331
Amounts invoiced	(1,421)	(1,163)
Net amount receivable from customers for construction contracts	**143**	**168**
of which:		
Other receivables - construction contracts	190	225
Other payables - construction contracts	(47)	(57)

The following table shows the revenues and costs incurred in 2010 and 2009:

(in millions of Euro)

	2010	2009
Revenue	412	425
Costs	(282)	(292)
Gross margin	**130**	**133**

6. INVENTORIES

These are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Raw materials	188	126
of which allowance for obsolete and slow-moving raw materials	*(12)*	*(11)*
Work in progress and semi-finished goods	164	118
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	*(5)*	*(8)*
Finished goods	248	199
of which allowance for obsolete and slow-moving finished goods	*(19)*	*(24)*
Total	**600**	**443**

7. FINANCIAL ASSETS HELD FOR TRADING

These are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Listed securities (Brazilian Real area)	59	40
Unlisted securities	7	2
Total	**66**	**42**

Financial assets held for trading basically refer to units in funds that 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.

Movements in this balance are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Opening balance	**42**	**38**
- Currency translation differences	6	9
- Business combinations	-	-
- Acquisition of securities	18	-
- Disposal of securities	-	(5)
Total movements	**24**	**4**
Closing balance	**66**	**42**

8. DERIVATIVES

These are detailed as follows:

(in millions of Euro)	31 December 2010	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	1	16
Forward currency contracts on commercial transactions (cash flow hedges)	4	2
Forward currency contracts on financial transactions (cash flow hedges)	-	7
Total hedging derivatives	**5**	**25**
Forward currency contracts on financial transactions	2	21
Metal derivatives	7	2
Total other derivatives	**9**	**23**
Total non-current	**14**	**48**
Current		
Forward currency contracts on commercial transactions (cash flow hedges)	6	9
Total hedging derivatives	**6**	**9**
Forward currency contracts on commercial transactions	3	3
Forward currency contracts on financial transactions	3	9
Metal derivatives	40	7
Total other derivatives	**46**	**19**
Total current	**52**	**28**
Total	**66**	**76**

(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 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**

The Group entered into two new forward start interest rate swaps in September and October 2010 with a total notional value of Euro 50 million. These swaps are designed to supplement the forward start agreements made in the prior year, with the aim of hedging future variable rate interest payments for the period 2012-2014.

Interest rate swaps entered between 2006 and 2008, with a notional value of Euro 100 million and Euro 650 million respectively, expired on 31 May 2010 and 30 September 2010.

Interest rate swaps have a notional value of Euro 555 million at 31 December 2010 and are hedging derivatives that qualify as cash flow hedges (Euro 748 million at 31 December 2009). Such financial instruments convert the variable component of interest rates on loans received into a fixed rate of between 2.2% and 2.4% for the portion in Euro and into a fixed rate of 2.4% for the portion in US Dollars.
Forward start contracts for the period 2012-2014 have a notional value at 31 December 2010 of Euro 350 million, at a fixed rate between 2.0% and 3.7% (Euro 300 million at 31 December 2009).
The notional value of forward currency contracts is Euro 1,629 million at 31 December 2010 (Euro 1,803 million at 31 December 2009); the total notional amount at 31 December 2010 includes Euro 728 million in derivatives designated as cash flow hedges (Euro 745 million at 31 December 2009).
The notional value of metal derivatives is Euro 322 million at 31 December 2010 (Euro 237 million at 31 December 2009).

At 31 December 2010, like at 31 December 2009, almost all the derivative contracts had been entered into with major financial institutions.

The following table shows movements in both reporting periods in the cash flow hedge reserve for designated hedging derivatives:

(in millions of Euro)

		2010		2009
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**(46)**	**14**	**(52)**	**15**
Changes in fair value	(41)	11	5	(1)
Release to other finance costs/(income)	16	(4)	8	(2)
Release to exchange losses/(gains)	8	(2)	(7)	2
Reclassification to other reserves	20	(6)	-	-
Release to finance costs/(income)	10	(3)	-	-
Release to construction contract costs/(revenues)	14	(4)	-	-
Closing balance	**(19)**	**6**	**(46)**	**14**

The ineffective portion of cash flow hedges had a negative post-tax impact of Euro 2 million, reported in the income statement under "Finance costs". Hedge ineffectiveness had an immaterial impact in 2009.

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Cash and cheques	10	3
Bank and postal deposits	620	489
Total	**630**	**492**

Cash and cash equivalents, deposited with major 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 352 million at 31 December 2010 compared with Euro 289 million at 31 December 2009.
For additional details on the change in cash and cash equivalents, please refer to Note 37.

10. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Land	9	22
Buildings	-	6
Total	**9**	**28**

This balance reports the land and buildings of the Eastleigh plant in the United Kingdom, which was classified as held for sale after reorganising Energy segment production activities in 2008.
During the course of 2010, the Group has:

- reclassified out of this line the value of land adjoining the Eastleigh plant, for which the assumption of a near-term sale is no longer appropriate;
- recognised impairment losses of Euro 1 million against the value of the Prescot plant, later sold, and Euro 7 million against the Eastleigh plant, still being held for sale.

Movements in assets held for sale are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Opening balance	**28**	**26**
- Disposals	(6)	-
- Impairment	(8)	-
- Reclassification	(4)	-
- Currency translation differences	(1)	2
Total movements	**(19)**	**2**
Closing balance	**9**	**28**

Management expects this property to be sold within the next 12 months.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has increased by Euro 101 million since 31 December 2009, mainly reflecting the net effect of:

- profit for the year of Euro 150 million;
- the distribution of Euro 75 million in dividends;
- the positive translation difference of Euro 29 million;
- the positive post-tax change of Euro 5 million in the fair value of derivatives designated as cash flow hedges;
- the positive post-tax change of Euro 1 million in actuarial gains on employee benefits.

Following the exercise of options under the first and second tranches of the Stock Option Plan, share capital amounts to Euro 18,202,930.20 at 31 December 2010, corresponding to 182,029,302 shares.

Movements in the ordinary shares and treasury 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 (*)	688,812	-	688,812
Treasury shares	-	-	-
Balance at 31 December 2009	**181,235,039**	**(3,028,500)**	**178,206,539**

(*) Resulting from the exercise of part of the first three tranches of the Stock Option Plan.

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2009	**181,235,039**	**(3,028,500)**	**178,206,539**
Capital increase (*)	794,263	-	794,263
Treasury shares	-	-	-
Balance at 31 December 2010	**182,029,302**	**(3,028,500)**	**179,000,802**

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 adopted on 15 April 2008. The authorisation permitted 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 could not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved annual financial statements. The programme was to last for a maximum of 18 months commencing from the date of the shareholders' approval and therefore expired on 9 October 2010.

(*) Resulting from the exercise of part of the first three tranches of the Stock Option Plan.

Movements in treasury shares are shown in the following table:

	Treasury shares				
	Number of ordinary shares	Total nominal value (in Euro)	% of total share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2008	**3,028,500**	**302,850**	**1.68%**	**9.965**	**30,179,003**
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2009	**3,028,500**	**302,850**	**1.67%**	**9.965**	**30,179,003**
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2010	**3,028,500**	**302,850**	**1.66%**	**9.965**	**30,179,003**

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)			31 December 2010
	Non-current	Current	Total
Borrowings from banks and other financial institutions	714	185	899
Bond	396	15	411
Finance lease obligations	1	1	2
Total	**1,111**	**201**	**1,312**

(in millions of Euro)			31 December 2009
	Non-current	Current	Total
Borrowings from banks and other financial institutions	882	150	1,032
Finance lease obligations	2	2	4
Total	**884**	**152**	**1,036**

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

(in millions of Euro)

	31 December 2010	31 December 2009
Credit Agreement	770	960
Bond	411	-
Other borrowings	129	72
Total	**1,310**	**1,032**

Credit Agreement

The Credit Agreement is a variable rate facility, tied to Euribor for the part of the facility in Euro and to Libor USD for the part in US Dollars. The spread applied as at 31 December 2010, inclusive of fees on the Forward Start Credit Agreement, is approximately 1% per annum. The fair value of the Credit Agreement at 31 December 2010 approximates its carrying amount.

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

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 tables summarise the committed lines available to the Group at 31 December 2010 and 31 December 2009:

(in millions of Euro)

	31 December 20010		
	Total lines	Used	Unused
Term Loan Facility	770	(770)	-
Revolving Credit Facility	400	(7)	393
Bonding Facility	300	(146)	154
Total Credit Agreement	**1,470**	**(923)**	**547**
Securitization	350	-	350
Total	**1,820**	**(923)**	**897**

(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 Credit Agreement	**1,670**	**(1,122)**	**548**
Securitization	350	-	350
Total	**2,020**	**(1,122)**	**898**

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

(in thousands of Euro)

30 November 2011	100,000
3 May 2012	670,000

Unused committed lines at 31 December 2010 of Euro 897 million comprise Euro 154 million in credit lines relating to guarantees (Bonding Facility) and Euro 743 million in cash facilities. These lines were undrawn to the same extent at 31 December 2009.
The Revolving Credit Facility is used to finance ordinary working capital requirements, as well as the issue of guarantees other than those covered by the Bonding Facility.
The Bonding Facility is used to issue guarantees such as bid bonds, performance bonds and warranty bonds.

Forward Start Credit Agreement
On 21 January 2010, the Group entered into a long-term credit agreement for Euro 1,070 million with a syndicate of major 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 million, 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.

Bond
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, with an issue price of Euro 99.674, has a 5-year term and will pay a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market. At 31 December 2010 the bond has a fair value of Euro 407 million.

Finance lease obligations
Finance lease obligations represent the payable arising after entering into finance leases. Finance lease obligations are reconciled with outstanding instalments as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Due within 1 year	1	2
Due between 1 and 5 years	1	2
Due after more than 5 years	-	-
Minimum finance lease payments	**2**	**4**
Future interest costs	-	-
Finance lease obligations	**2**	**4**

Finance lease obligations are analysed by maturity as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Due within 1 year	1	2
Due between 1 and 5 years	1	2
Due after more than 5 years	-	-
Total	**2**	**4**

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

(in millions of Euro)

	Credit Agreement	Bond	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2009	**960**	**-**	**76**	**1,036**
Business combinations	-	-	15	15
Currency translation differences	8	-	8	16
New funds	-	395	115	510
Repayments	(200)	-	(76)	(276)
Amortisation of bank and financial fees and other expenses	2	1	-	3
Interest and other movements	-	15	(7)	8
Total movements	**(190)**	**411**	**55**	**276**
Balance at 31 December 2010	**770**	**411**	**131**	**1,312**

(in millions of Euro)

	Credit Agreement	Bond	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2008	**995**	**-**	**163**	**1,158**
Business combinations	-	-	10	10
Currency translation differences	(4)	-	(4)	(8)
Repayments	(30)	-	(99)	(129)
Amortisation of bank and financial fees and other expenses	2	-	-	2
Interest and other movements	(3)		6	3
Total movements	**(35)**	**-**	**(87)**	**(122)**
Balance at 31 December 2009	**960**	**-**	**76**	**1,036**

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2010 and 2009:

(in millions of Euro) **31 December 2010**

	Variable interest rate			Fixed interest rate	Total
	Euro	USD	Other currencies	Euro and other currencies	
Due within 1 year	112	17	29	43	201
Due between 1 and 2 years	584	85	2	18	689
Due between 2 and 3 years	-	-	2	4	6
Due between 3 and 4 years	-	-	2	3	5
Due between 4 and 5 years	-	-	-	399	399
Due after more than 5 years	-	-	-	12	12
Total	**696**	**102**	**35**	**479**	**1,312**
Average interest rate in period, as per contract	2.0%	1.7%	5.9%	5.0%	3.1%
Average interest rate in period, including IRS effect [a]	3.5%	3.6%	5.9%	5.0%	4.1%

(in millions of Euro) **31 December 2009**

	Variable interest rate			Fixed interest rate	Total
	Euro	USD	Other currencies	Euro and other currencies	
Due within 1 year	118	12	19	3	152
Due between 1 and 2 years	173	24	1	3	201
Due between 2 and 3 years	583	79	1	14	677
Due between 3 and 4 years	-	-	1	1	2
Due between 4 and 5 years	-	-	-	1	1
Due after more than 5 years	-	-	-	3	3
Total	**874**	**115**	**22**	**25**	**1,036**
Average interest rate in period, as per contract	2.8%	2.1%	5.4%	4.3%	2.8%
Average interest rate in period, including IRS effect [b]	3.5%	3.5%	5.4%	4.3%	3.6%

The Credit Agreement and the Forward Start Credit Agreement do not require any collateral security, except for a lien on shares in the main subsidiaries if the financial covenants are breached. More information can be found in Note 32 Financial Covenants.

Risks relating to sources of finance and to financial investments/receivables are discussed in the section entitled "Risks factors" forming part of the Directors' report.

[a] There are interest rate swaps to hedge interest rate risk on the variable rate loans in Euro and USD. The total hedged amount at 31 December 2010 amounts to 71.9% of the debt in Euro and 53.1% of the debt in USD at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (6-month Euribor for loans in Euro and 6-month USD Libor for those in USD) with an average fixed rate (fixed rate + spread) of 4.1% for Euro and 5.3% for USD. The percentages representing the average fixed rate are those relating to 31 December 2010.

[b] There are interest rate swaps to hedge interest rate risk on the variable rate loans in Euro and USD. The total hedged amount at 31 December 2009 amounted to 79.6% of the debt in Euro and 44.8% of the debt in USD at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (6-month Euribor for loans in Euro and 6-month USD Libor for those in USD) with an average fixed rate (fixed rate + spread) of 3.7% for Euro and 5.3% for USD. The percentages representing the average fixed rate are those relating to 31 December 2009.

NET FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2010	Of which related parties (Note 33)	31 December 2009	Of which related parties (Note 33)
Long-term financial payables					
Term Loan Facility		671		864	
Bank fees		(2)		(4)	
Credit Agreement	12	**669**		**860**	
Bond	12	396		-	
Finance leases	12	1		2	
Forward currency contracts on financial transactions	8	28		3	
Interest rate swaps	8	16		2	
Other financial payables	12	45		22	
Total long-term financial payables		**1,155**		**889**	
Short-term financial payables					
Term Loan Facility	12	101		100	
Bank fees	12	-		-	
Bond	12	15		-	
Finance leases	12	1		2	
Securitization	12	-		-	
Interest rate swaps	8	-		12	3
Forward currency contracts on financial transactions	8	9		8	
Other financial payables	12	84		50	1
Total short-term financial payables		**210**		**172**	
Total financial liabilities		**1,365**		**1,061**	
Long-term financial receivables	5	1		2	
Long-term bank fees	5	16		4	
Interest rate swaps	8	1		-	
Forward currency contracts on financial transactions (non-current)	8	2		5	
Forward currency contracts on financial transactions (current)	8	3		6	
Short-term financial receivables	5	42		33	
Available-for-sale financial assets (current) [1]	4	142		-	
Short-term bank fees	5	3		3	
Financial assets held for trading	7	66		42	
Cash and cash equivalents	9	630		492	
Net financial position		**459**		**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	31 December 2010	Of which related parties (Note 33)	31 December 2009	Of which related parties (Note 33)
Net financial position - as reported above		**459**		**474**	
Long-term financial receivables	5	1		2	
Long-term bank fees	5	16		4	
Net forward currency contracts on commercial transactions	8	1		(3)	
Net metal derivatives	8	(38)		(11)	
Recalculated net financial position		**439**		**466**	

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

	31 December 2010		
	Non-current	Current	Total
Trade payables	-	862	862
Total trade payables	**-**	**862**	**862**
Other payables:			
Tax and social security payables	10	73	83
Advances	-	98	98
Payables to employees	-	45	45
Accrued expenses	-	83	83
Others	10	56	66
Total other payables	**20**	**355**	**375**
Total	**20**	**1,217**	**1,237**

(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**

Trade payables include around Euro 121 million (Euro 80 million at 31 December 2009) for the supply of strategic metals (copper, aluminium and lead), whose payment terms, in some cases, are longer than normal for this type of transaction.

Other includes current payables of Euro 13 million at 31 December 2010 for put options given to minority shareholders in companies not wholly-owned by the Group.

Advances include Euro 47 million due to customers for construction contracts at 31 December 2010 compared with Euro 57 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.

The following table breaks down trade and other payables according to the currency in which they are expressed:

(in millions of Euro)	31 December 2010	31 December 2009
Euro	674	454
US Dollar	174	125
Brazilian Real	116	62
Chinese Renminbi (Yuan)	91	54
British Pound	68	76
Australian Dollar	21	29
Canadian Dollar	18	7
Turkish Lira	14	9
Argentine Peso	13	10
Romanian Leu	11	12
Other currencies	37	62
Total	**1,237**	**900**

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro) — 31 December 2010

	Non-current	Current	Total
Restructuring costs	3	3	6
Contractual and legal risks	25	33	58
Environmental risks	2	5	7
Tax inspections	6	11	17
Other risks and charges	8	10	18
Total	**44**	**62**	**106**

(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 the 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	-	3	-	1	1	5
Increases	3	20	1	-	5	29
Utilisations	(3)	(10)	(1)	(5)	(3)	(22)
Releases	-	(11)	-	(3)	(3)	(17)
Other	(2)	(1)	1	9	1	8
Total movements	(2)	1	1	2	1	3
Balance at 31 December 2010	**6**	**58**	**7**	**17**	**18**	**106**

The increase (Euro 3 million) and utilisation (Euro 3 million) of the provision for restructuring costs refer to the company reorganisation projects in Germany and France respectively.

The increase of Euro 20 million in the provision for contractual and legal risks mostly refers to:

- contractual risks (Euro 14 million), mainly relating to the Submarine and High Voltage businesses;
- legal risks (Euro 3 million), for the provision of legal c osts relating to the investigations started by the European Commission and Antitrust Authorities in the United States and Australia aimed at verifying the existence of alleged anti-competitive agreements in the high voltage underground and submarine cables sector;
- legal risks (Euro 1 million) in Prysmian Energia Cabos e Sistemas do Brasil S.A. for employment-related litigation.

The decrease of Euro 21 million in the provision for contractual and legal risks mainly refers to the utilisation (Euro 10 million) and release (Euro 11 million) of provisions following the disappearance of risks for contractual guarantees and indemnities and the settlement of employment-related litigation.

The utilisation of the provision for tax inspections (Euro 5 million) is the result of settling a dispute involving one of the Group's foreign subsidiaries. The other movements of Euro 9 million in this provision mostly refers to disputes relating to the Canadian subsidiary and other Group companies that have been reclassified from "Other payables".

Provisions have not been discounted because it is not possible to make a sufficiently reliable prediction of when the related outlays will occur.

15. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Pension funds	91	88
Employee indemnity liability (Italian TFR)	22	22
Medical benefit plans	18	18
Termination and other benefits	14	14
Total	**145**	**142**

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

(in millions of Euro)

	2010	2009
Pension funds	6	10
Employee indemnity liability (Italian TFR)	2	1
Medical benefit plans	-	2
Termination and other benefits	1	5
Total	**9**	**18**

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

(in millions of Euro)				2010
	Pension funds	Employee indemnity liability	Medical benefit plans	Termination and other benefits
Current service costs	3	-	1	1
Interest costs	7	2	1	-
Expected return on plan assets	(3)	-	-	-
Losses/(gains) on curtailments and settlements	(1)	-	(2)	-
Total	**6**	**2**	**-**	**1**

(in millions of Euro)				2009
	Pension funds	Employee indemnity liability	Medical benefit plans	Termination and other benefits
Current service costs	2	-	1	4
Interest costs	7	1	1	1
Expected return on plan assets	(2)	-	-	-
Losses/(gains) on curtailments and settlements	3	-	-	-
Total	**10**	**1**	**2**	**5**

Pension funds

These are detailed as follows:

(in millions of Euro)								31 December 2010
	Brazil	Germany	France	Turkey	UK	USA	Canada	Total
Funded pension obligations:								
Present value of obligations	-	-	-	-	18	22	14	54
Fair value of plan assets	-	-	-	-	(18)	(15)	(13)	(46)
Unrecognised assets	-	-	-	-	-	-	1	1
Unfunded pension obligations:								
Present value of obligations	1	70	8	3	-	-	-	82
Total	**1**	**70**	**8**	**3**	**-**	**7**	**2**	**91**

(in millions of Euro) **31 December 2009**

	Germany	France	Turkey	UK	USA	Canada	Total
Funded pension obligations:							
Present value of obligation	-	-	-	16	19	19	54
Fair value of plan assets	-	-	-	(16)	(13)	(17)	(46)
Unfunded pension obligations:							
Present value of obligations	70	7	3	-	-	-	80
Total	**70**	**7**	**3**	**-**	**6**	**2**	**88**

The changes in pension fund obligations are as follows:

(in millions of Euro)

	2010	2009
Opening obligations	**134**	**118**
Current service costs	3	2
Interest costs	7	7
Actuarial gains/(losses) recognised in equity	(2)	12
Gains/(losses) recognised in equity for unrecognised assets	-	(2)
Currency translation differences	5	2
Utilisations for restructuring (curtailment)	-	(1)
Plan settlements	(8)	3
Reclassifications	4	(1)
Utilisations	(7)	(6)
Total movements	**2**	**16**
Closing obligations	**136**	**134**

The changes in pension fund assets are as follows:

(in millions of Euro)

	2010	2009
Opening assets	**46**	**41**
Interest income	3	2
Actuarial gains/(losses) recognised in equity	1	2
Currency translation differences	4	1
Employer contributions	(7)	(2)
Contributions paid in by plan participants	5	2
Plan settlements	(7)	-
Total movements	**(1)**	**5**
Closing assets	**45**	**46**

At 31 December 2010, pension fund assets were made up of equity funds (41.46%), bonds (54.02%) and other assets (4.52%). Expected yields were 8.26%, 4.96% and -1.73% respectively.

At 31 December 2009, pension fund assets were made up of equity funds (44.04%), bonds (55.61%) and other assets (0.35%). Expected yields were 8.09%, 5.12% and -1.64% respectively.

Employee indemnity liability

This is detailed as follows:

(in millions of Euro)

	2010	2009
Opening balance	**22**	**22**
Current service costs	-	-
Interest costs	2	1
Actuarial (gains)/losses recognised in equity	-	3
Utilisations	(2)	(4)
Total movements	**-**	**-**
Closing balance	**22**	**22**

Medical benefit plans

These are detailed as follows:

(in millions of Euro)

	2010	2009
Opening balance	**18**	**14**
Current service costs	1	1
Interest costs	1	1
Plan settlements	(2)	-
Currency translation differences	1	1
Actuarial gains/(losses) recognised in equity	2	2
Reclassifications	(2)	-
Utilisations	(1)	(1)
Total movements	**-**	**4**
Closing balance	**18**	**18**

Other information

The main actuarial assumptions used to determine pension obligations are as follows:

	31 December 2010		
	Pension funds	Medical benefit plans	Employee indemnity liability
Discount rate	5.47%	5.98%	5.00%
Future expected salary increase	2.74%	3.89%	n.a.
Inflation rate/growth in medical benefit costs	2.32%	3.67%	2.00%

	31 December 2009		
	Pension funds	Medical benefit plans	Employee indemnity liability
Discount rate	5.50%	7.18%	5.00%
Future expected salary increase	2.89%	5.00%	n.a.
Inflation rate/growth in medical benefit costs	2.25%	4.00%	2.00%

Contributions and payments for employee benefit obligations are estimated at Euro 12 million for 2011.

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

	2010			
	Average	%	Closing	%
Blue collar	9,173	74%	9,205	75%
White collar and management	3,188	26%	3,147	25%
Total	**12,361**	**100%**	**12,352**	**100%**

	2009			
	Average	%	Closing	%
Blue collar	8,808	74%	8,629	74%
White collar and management	3,044	26%	3,075	26%
Total	**11,852**	**100%**	**11,704**	**100%**

In 2010 companies consolidated on a proportionate basis had an average number of 99 employees (56 in 2009).

16. DEFERRED TAXES

These are detailed as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Deferred tax assets:		
- Deferred tax assets recoverable after more than 12 months	13	12
- Deferred tax assets recoverable within 12 months	17	35
Total deferred tax assets	**30**	**47**
Deferred tax liabilities:		
- Deferred tax liabilities recoverable after more than 12 months	(36)	(27)
- Deferred tax liabilities recoverable within 12 months	(8)	(40)
Total deferred tax liabilities	**(44)**	**(67)**
Total net deferred tax assets/(liabilities)	**(14)**	**(20)**

Movements in deferred taxes are detailed as follows:

(in millions of Euro)

	Accumulated depreciation	Provisions	Tax losses	Other	Total
Balance at 31 December 2008	**(44)**	**30**	**9**	**19**	**14**
Reclassification	(8)	7	-	1	-
Currency translation differences	-	-	-	5	5
Impact on income statement	(6)	4	(5)	(32)	(39)
Impact on equity	-	-	-	-	-
Balance at 31 December 2009	**(58)**	**41**	**4**	**(7)**	**(20)**
Business combinations	(1)	-	-	-	(1)
Currency translation differences	-	-	-	2	2
Impact on income statement	(6)	-	5	6	5
Impact on equity	-	-	-	-	-
Balance at 31 December 2010	**(65)**	**41**	**9**	**1**	**(14)**

The Group has not recognised any deferred tax assets for carryforward tax losses of Euro 61 million at 31 December 2010 (Euro 104 million at 31 December 2009), or for future deductible temporary differences of Euro 33 million at 31 December 2010 (Euro 78 million at 31 December 2009). Unrecognised deferred tax assets relating to these carryforward tax losses and deductible temporary differences amount to Euro 24 million at 31 December 2010 (Euro 49 million at 31 December 2009).

The following table shows details of carryforward tax losses:

(in millions of Euro)

	31 December 2010	31 December 2009
Carryforward tax losses	90	116
of which recognised as assets	29	12
Carryforward expires within 1 year	2	47
Carryforward expires between 2-5 years	17	12
Unlimited carryforward	71	57

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)

	2010	2009
Finished goods	3,838	3,083
Construction contracts	412	425
Services	203	121
Other	118	102
Total	**4,571**	**3,731**

18. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED GOODS

This is detailed as follows:

(in millions of Euro)

	2010	2009
Finished goods	31	(27)
Work in progress	43	(23)
Total	**74**	**(50)**

19. OTHER INCOME

This is detailed as follows:

(in millions of Euro)

	2010	2009
Rental income	5	5
Insurance reimbursements and indemnities	1	1
Gains on disposal of property	1	-
Other income	23	26
Non-recurring other income:		
Remeasurement of minority put option liability	13	-
Total non-recurring other income	**13**	**-**
Total	**43**	**32**

20. RAW MATERIALS AND CONSUMABLES USED

These are detailed as follows:

(in millions of Euro)

	2010	2009
Raw materials	2,881	1,906
Other materials	136	119
Change in inventories	(54)	35
Total	**2,963**	**2,060**

21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)

	2010	2009
Wages and salaries	415	376
Social security	94	90
Retirement pension costs	2	2
Employee indemnity costs	-	-
Medical benefit costs	(1)	1
Termination and other benefits	1	4
Other personnel costs	24	27
Non-recurring personnel costs:		
Shutdown of production facilities and reorganisation	9	17
Total non-recurring personnel costs	**9**	**17**
Total	**544**	**517**

The amount of Euro 9 million for "Shutdown of production facilities and reorganisation" mostly refers to the costs of reorganising production in Spain, France and North America.

Share-based payments

At 31 December 2010 and 31 December 2009, the Prysmian Group had share-based compensation plans in place for managers of Group companies and members of the company's Board of Directors. These plans are described below.

Co-investment plans

During July 2005, certain managers of Group companies were given the right to buy shares representing the share capital of Prysmian (Lux) S.à r.l., the company which had indirect control of Prysmian S.p.A. through Prysmian (Lux) II S.à r.l.. The purchase price was set at Euro 28.16 for each ordinary share and Euro 1.00 for each non-Interest Bearing Preferred Equity Certificate (nPEC) and Interest Bearing Preferred Equity Certificate (iPEC). Such purchase prices were equivalent to the prices paid by Goldman Sachs for the same shares during the Acquisition.

In June 2006, the final co-investment plan was signed and, subsequently, in the months July-September 2006 the shares of Prysmian (Lux) S.à r.l., the owner of all of the share capital in the shareholder Prysmian (Lux) II S.à r.l., were subscribed at the contractually agreed prices reported above.

The main features of the agreement were as follows:

(Euro)

	Fair value
Ordinary shares	2,001.83
nPEC	Not less than 1.00
iPEC	1.12

The fair value of the co-investment plan at the grant date was Euro 10.5 million. The overall cost recognised in the income statement in 2010 is Euro 0.1 million (Euro 0.3 million in 2009). This cost has been recognised in

"Personnel costs" for the portion attributable to Group employees, and in "Other expenses" for the portion attributable to Group directors.
This cost represents the difference between the fair market value (FMV) of the Prysmian (Lux) S.à.r.l. shares on their grant date and the subscription price for management.
As at 31 December 2010 the co-investment plan has been discontinued.

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 in 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 as follows:

(in Euro)

	31 December 2010		31 December 2009	
	Number of options	Strike price	Number of options	Strike price
Options at start of year	1,560,436	4.65	2,318,974	4.65
Granted	-	4.65	-	4.65
Cancelled	(28,327)	-	(69,726)	-
Exercised	(794,263)	4.65	(688,812)	4.65
Options at end of year	737,846	4.65	1,560,436	4.65
of which vested at end of year	737,846	4.65	880,599	4.65
of which exercisable [1]	-	-	-	-
of which not vested at end of year	-	4.65	679,837	4.65

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.
The residual options, all of which now vested, will therefore be exercisable until the thirtieth day after publicly announcing the Board's approval of the Company's proposed financial statements for 2012 (the original option expiry date was 30 days after the Board's approval of the proposed 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 incentive plan's amendment has been accompanied by an extension of the term for the capital increase by Prysmian S.p.A. in relation to this plan, with a consequent revision of article 6 of the Company's by-laws.

The fair value of the original stock option plan was measured using the Black-Scholes method. Under this model, the options had a grant date weighted average fair value of Euro 5.78, determined on the basis of the

[1] Option exercise is limited to the periods reported below.

following assumptions:

Average life of options (years)	3.63
Expected volatility	40%
Average risk-free interest rate	3.78%
Expected dividend yield (%)	0%

As at 31 December 2010, the options have an average remaining life of 2.3 years.

The overall cost for the stock option plan recognised under "Personnel costs" in the income statement is Euro 0.16 million in 2010 (compared with Euro 0.3 million in 2009).

As at 31 December 2010, there are no loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in millions of Euro)

	2010	2009
Depreciation of buildings, plant, machinery and equipment	68	60
Depreciation of other property, plant and equipment	3	4
Amortisation of intangible assets	7	5
Non-recurring amortisation, depreciation and impairment:		
Impairment of assets held for sale	8	2
Impairment of goodwill	13	-
Total non-recurring amortisation, depreciation and impairment	**21**	**2**
Total	**99**	**71**

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)

	2010	2009
Professional services	20	19
Insurance	33	24
Maintenance costs	40	36
Sales costs	175	140
Utilities	89	88
Services for installations	65	59
Travel costs	23	19
Rental costs	24	16
Vessel charter	4	13
Increases in provisions for risks	11	-
Other operating costs	108	115
Other expenses	198	221
Non-recurring other expenses:		
Shutdown of production facilities	-	1
Special project costs	7	4
Release of provision for tax inspections	(2)	-
Antitrust investigation legal costs	5	11
Company reorganisation	2	1
Environmental remediation	1	3
Total non-recurring other expenses	**13**	**20**
Total	**803**	**770**

The Group incurred Euro 46 million in research and development costs in 2010 (Euro 43 million in 2009).

24. FINANCE COSTS

These are detailed as follows:

(in millions of Euro)

	2010	2009
Interest on borrowings	17	28
Interest on bond	15	-
Amortisation of bank and financial fees and other expenses	6	5
Interest costs on employee benefits	7	8
Other bank interest	6	6
Costs for undrawn credit lines	1	1
Sundry bank fees	6	6
Other	18	14
Finance costs	**76**	**68**
Net losses on interest rate swaps	7	-
Net losses on forward currency contracts	31	2
Losses on derivatives	**38**	**2**
Foreign currency exchange losses	210	222
Total finance costs	**324**	**292**

25. FINANCE INCOME

This is detailed as follows:

(in millions of Euro)

	2010	2009
Interest income from banks and other financial institutions	7	7
Other finance income	2	3
Non-recurring other finance income:		
Gain on disposal of available-for-sale financial assets	2	-
Interest provision released on disputed tax	-	9
Total non-recurring finance income	**2**	**9**
Finance income	**11**	**19**
Foreign currency exchange gains	217	221
Total finance income	**228**	**240**

Non-recurring other finance income of Euro 2 million refers to the gain realised on selling the ownership interest in American Superconductor; non-recurring other finance income of Euro 9 million in 2009 referred to the interest portion of the provision released from liabilities following the positive outcome of a tax dispute involving the Brazilian subsidiaries.

26. SHARE OF INCOME FROM INVESTMENTS IN ASSOCIATES AND DIVIDENDS FROM OTHER COMPANIES

This is detailed as follows:

(in millions of Euro)

	2010	2009
Kabeltrommel Gmbh & Co.K.G.	2	3
Other companies	-	-
Total	**2**	**3**

27. TAXES

These are detailed as follows:

(in millions of Euro)

	2010	2009
Current income taxes	68	46
Deferred income taxes	(5)	39
Total	**63**	**85**

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(in millions of Euro)

	2010	Tax rate	2009	Tax rate
Profit before taxes	213		337	
Theoretical tax expense at Parent Company's nominal tax rate	58	27.5%	93	27.5%
Differences in tax rates of foreign subsidiaries	7	3.2%	5	1.5%
Utilisation of unrecognised carryforward tax losses	(6)	(2.9%)	(37)	(11.1%)
Unrecognised deferred tax assets	2	1.0%	10	3.0%
Net increase/(release) of provision for tax disputes	(1)	(0.4%)	3	0.9%
IRAP (Italian regional business tax)	10	4.7%	10	2.9%
Taxes on distributable reserves	(1)	(0.4%)	13	4.1%
Deferred tax assets from prior years recognised and utilised in current year	(6)	(2.9)	(4)	(1.3%)
Non-deductible costs/(non-taxable income) and other	-	-	(8)	(2.2%)
Effective income taxes	**63**	**29.8%**	**85**	**25.3%**

28. EARNINGS/(LOSS) AND DIVIDENDS 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 the first, second and third tranches of the Stock Option Plan, involving the issue of 546,227 shares in 2008, 688,812 shares in 2009 and 794,263 shares in 2010.

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)

	2010	2009
Profit attributable to owners of the parent	148	248
Weighted average number of ordinary shares (thousands)	178,860	177,895
Basic earnings per share (in Euro)	**0.82**	**1.40**
Profit attributable to owners of the parent	148	248
Weighted average number of ordinary shares (thousands)	178,860	177,895
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	579	1,058
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	179,439	178,953
Diluted earnings per share (in Euro)	**0.82**	**1.39**

The dividend paid in 2010 amounted to Euro 74.6 million (Euro 0.417 per share). A dividend of Euro 0.166 per share for the year ended 31 December 2010 will be proposed at the annual general meeting to be held on 12 April 2011 (first call) or 13 April 2011 (second call) or 14 April 2011 (third call); based on the number of outstanding shares, the above dividend per share equates to a total dividend pay-out of Euro 35 million. The current financial statements do not reflect a payable for the proposed dividend.

29. 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. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. The investigations in Japan and New Zealand have ended without any penalties for 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.

Given the highly uncertain timing and outcome of these investigations, for the time being the Group companies involved have just recognised provisions (in the legal risks provision) against the estimated legal costs incurred during the investigation process.

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

30. COMMITMENTS

(a) Commitments to purchase property, plant and equipment and intangible assets

Contractual commitments to purchase property, plant and equipment, already given to third parties at 31 December 2010 and not yet reflected in the financial statements, amount to Euro 49 million (Euro 42 million at the end of 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 be granted a put option over 49% of the shares. The option would be exercised at fair market value on the exercise date. Even though the probability that this option will be exercised is currently remote, Prysmian has recognised the estimated costs among its liabilities.

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)

	31 December 2010	31 December 2009
Due within 1 year	12	12
Due between 1 and 5 years	30	28
Due after more than 5 years	20	23
Total	62	**63**

31. 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 61 million at 31 December 2010 (Euro 41 million at 31 December 2009).

32. FINANCIAL COVENANTS

The Credit Agreement and Forward Start Credit Agreement, details of which are presented in Note 12, 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 Credit Agreement)
- Ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement)

b) Non-financial covenants

A series of non-financial covenants must be observed and 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;
- issuance of particularly significant judicial rulings;
- 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 Credit Agreement, together with interest and any other amount due under the terms and conditions of Credit Agreement. No collateral security is required, except for a lien on shares in the main subsidiaries if the financial covenants are breached.

The ratio between consolidated EBITDA and consolidated net finance costs was 7.33 at 31 December 2010. The ratio between consolidated net financial position and consolidated EBITDA was 1.14 at this same date. The above financial ratios both comply with the covenants contained in the Credit Agreement and in the Forward Start Credit Agreement.

Further information can be found in Note 39 Subsequent events.

33. RELATED PARTY TRANSACTIONS

During 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). Following this disposal, The Goldman Sachs Group Inc. has no longer been treated as a related party.

Transactions between Prysmian S.p.A. and its subsidiaries, associates and ultimate parent company 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 summarise related party transactions in the years ended 31 December 2010 and 31 December 2009:

(in millions of Euro)				31 December 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:				
Compensation of directors, statutory auditors and key management personnel	-	-	3	-
Non-controlling interests	-	-	13	-
Total	**5**	**-**	**20**	**-**

(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
Compensation of directors, statutory auditors and key management personnel	-	-	2	-
Total	**2**	**-**	**6**	**4**

(in millions of Euro)				2010
	Sales of goods and services	Personnel costs	Cost of goods and services	Finance income/(costs)
Associates	22	-	5	-
Other related parties:				
Compensation of directors, statutory auditors and key management personnel	-	8	-	-
Non-controlling interests	13	-	-	-
Total	**35**	**8**	**5**	**-**

(in millions of Euro)				2009
	Sales of goods and services	Personnel costs	Cost of goods and services	Finance income/(costs)
Ultimate parent company	-	-	-	-
Associates	13	-	4	-
Other related parties:				
The Goldman Sachs Group Inc.	-	-	1	(2)
Compensation of directors, statutory auditors and key management personnel	-	6	1	-
Total	**13**	**6**	**6**	**(2)**

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 transactions carried out in the ordinary course of the Group's business.

Transactions with non-controlling interests

This refers to balances and transactions with minority shareholders in companies not wholly owned by the Group.

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)

	2010	2009
Salaries and other short-term benefits - fixed part	3,477	3,503
Salaries and other short-term benefits - variable part	4,157	2,448
Other benefits	35	311
Share-based payments	111	233
Total	**7,780**	**6,495**
of which Directors	7,008	4,855

Payables for key management compensation amount to Euro 3.1 million at 31 December 2010 (Euro 1.7 million at 31 December 2009).

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

The compensation of the Directors of Prysmian S.p.A. amounts to Euro 7.3 million in 2010 and Euro 5.2 million in 2009. The compensation of the Statutory Auditors of Prysmian S.p.A. amounts to Euro 0.2 million in 2010, the same as in 2009. Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as Directors or Statutory Auditors of Prysmian S.p.A. and other companies included in the scope of consolidation, and that have constituted a cost for Prysmian. Details can be found in the notes to the financial statements of Prysmian S.p.A.

35. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during 2010.

36. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006, the effects of non-recurring events and transactions on the income statement are shown below, reporting total net non-recurring expenses of Euro 28 million in 2010 and Euro 30 million in 2009.

(in millions of Euro)

	2010	2009
Non-recurring other income:		
Remeasurement of minority put option liability	13	-
Total non-recurring other income	**13**	**-**
Non-recurring personnel costs:		
Shutdown of production facilities and reorganisation	(9)	(17)
Total non-recurring personnel costs	**(9)**	**(17)**
Non-recurring amortisation, depreciation and impairment:		
Impairment of assets held for sale	(8)	(2)
Impairment of goodwill	(13)	-
Total non-recurring amortisation, depreciation and impairment	**(21)**	**(2)**
Non-recurring other expenses:		
Shutdown of production facilities	-	(1)
Special project costs	(7)	(4)
Release of provision for tax inspections	2	-
Antitrust investigation legal costs	(5)	(11)
Company reorganisation	(2)	(1)
Environmental remediation	(1)	(3)
Total non-recurring other expenses	**(13)**	**(20)**
Non-recurring other finance income:		
Gain on disposal of available-for-sale financial assets	2	-
Interest provision released on disputed tax	-	9
Total non-recurring other finance income	**2**	**9**
Total	**(28)**	**(30)**

The statement of financial position and the net financial position contain no material amounts relating to events regarded as non-recurring.

37. STATEMENT OF CASH FLOWS

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 348 million in 2010.

This cash flow was absorbed by an increase of Euro 6 million in net working capital. Therefore, after deducting Euro 59 million in tax payments, net cash flow from

operating activities in the period was a positive Euro 283 million.
Net cash flow used for acquisitions was Euro 21 million and relates to the investment in Ravin Cables Limited and in 49% of Power Plus Cable CO LLC.
Net operating investments in 2010 amounted to Euro 95 million, Euro 11 million less than in 2009.

The most important investment projects in 2010 were:

- construction of the new plant in Brazil to design and supply high-tech flexible pipes for offshore oil extraction, and needed to satisfy demand under a four-year agreement with the oil company Petrobras;
- expansion of high voltage cable production capacity in the United States and China;
- investments in the Italian optical fibre factory aimed at reducing fibre manufacturing costs and increasing production capacity;
- the SAP Consolidation project relating to information systems.

Net finance costs recognised in the income statement came to Euro 96 million inclusive of non-monetary items; excluding these items, net cash finance costs reflected in the statement of cash flows amounted to Euro 52 million, inclusive of Euro 18 million in bank fees and other incidental expenses relating to the Forward Start Credit Agreement and the Bond issue.

38. INFORMATION PURSUANT TO ART.149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

Pursuant to art. 149-duodecies of the Consob Issuer Regulations, the following table shows the fees in 2010 and 2009 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Recipient	Fees relating to 2010	Fees relating to 2009
Audit services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	918	397
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	547	610
	PricewaterhouseCoopers Network	Foreign subsidiaries	2,334	2,263
Certification services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. [1]	1,714	14
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	34	46
	PricewaterhouseCoopers Network	Foreign subsidiaries	-	7
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. [2]	462	886
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	31	73
	PricewaterhouseCoopers Network	Foreign subsidiaries [3]	278	882
Total			**6,390**	**5,178**

[1] Services performed to comply with laws and regulations in connection with the Draka acquisition.
[2] Due diligence, audit support and other services.
[3] Tax and other services.

39. SUBSEQUENT EVENTS

DRAKA ACQUISITION

On 22 November 2010, Prysmian announced its intention of making a public mixed exchange and cash offer for Draka Holding N.V., a listed company and parent of the Draka Group, with the aim of creating a global leader in the energy and telecom cable-making industry. On the same day, Prysmian had signed a conditional merger agreement with Draka in relation to the public mixed exchange and cash offer and an irrevocable undertaking with Flint, Draka's largest shareholder with an ownership interest of around 48.5%, under which Flint undertook to support the offer and to tender its shares under the offer terms.

The offer consideration comprised Euro 8.60 in cash plus 0.6595 newly issued Prysmian shares for each Draka ordinary share.

The merger agreement obtained the immediate support and unanimous recommendation of Draka's Board of Management and Supervisory Board.

On 5 January 2011, Prysmian S.p.A. formally announced the public mixed exchange and cash offer for all the outstanding ordinary shares of Draka Holding N.V.. The offer price was confirmed at Euro 8.60 in cash plus 0.6595 newly issued Prysmian ordinary shares for each Draka share.

On 26 January 2011, Prysmian announced it had entered into two conditional agreements to purchase all the 5,754,657 issued and outstanding preference shares of Draka Holding N.V. owned by ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V.
Both these agreements were subject to fulfilment of the condition precedent that Prysmian declare the offer unconditional.
The purchase price of the preference shares was approximately Euro 86 million.

On 8 February 2011, Prysmian S.p.A. declared the offer unconditional, having then received acceptances from 44,064,798 shares, representing around 90.4% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).

On 22 February 2011, Prysmian settled the offer for those shares tendered during the offer period, by acquiring 44,064,798 Draka shares and issuing 29,059,677 ordinary shares of Prysmian S.p.A. and paying Euro 378,973,735.24 in cash. The unit price of the ordinary shares acquired, determined in accordance with IFRS 3, was equal to Euro 18.47379.

During the post-closing acceptance period, ending on 22 February 2011, another 4,192,921 shares were tendered for acceptance, representing around 8.6% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Together with the 44,064,798 shares tendered during the offer period ending on 3 February 2011, Prysmian will hold a total of 48,257,719 shares, representing 99.055% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Lastly, taking account of the 5,754,657 Draka preference shares acquired by Prysmian from ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V. on 1 March 2011, Prysmian will hold 99.121% of Draka's total share capital.
Payment of the offer price to the Draka shareholders who accepted the offer during the post-closing acceptance period will be settled on 8 March 2011.

The total consideration paid for the acquisition is Euro 978 million, of which Euro 501 million in cash (including Euro 86 million for purchasing the preference shares) and Euro 477 million through the issue of around 31.8 million shares in Prysmian S.p.A..

At 31 December 2010, Draka reported consolidated shareholders' equity of Euro 590 million (Source: press release by Draka Holding N.V. dated 15 February 2011).

Acquisition-related costs are estimated at around Euro 25 million, before estimated tax of Euro 8 million. The portion of these costs directly associated with the capital increase by Prysmian S.p.A. serving the acquisition will be accounted for, net of tax, as a deduction from Prysmian's equity, while the remaining costs will be recognised in the income statement.

Since a balance sheet for the Draka Group at the date of obtaining control is not yet available, it is not possible to provide the additional information required by IFRS 3 "Business Combinations".

Having acquired more than 95% of Draka's ordinary share capital, Prysmian intends to delist the Draka shares from the NYSE Euronext Amsterdam (Euronext). In agreement with Euronext, the last day of trading in the shares will be 6 April 2011, meaning that the shares will be delisted on 7 April 2011.

Prysmian also intends to initiate a squeeze-out process permitted under the Dutch Civil Code, in order to acquire the remaining shares not tendered to the offer and therefore not yet held by Prysmian.

Prysmian and Draka will create the leading group in the energy and telecom cables industry. Together they will be even more competitive and efficient, and in a stronger position to face the industrial challenges ahead and to satisfy the constantly evolving expectations and demands of their customers.

The financial outlay for the Draka acquisition has been funded using available liquidity and part of the committed credit lines.

With reference to the Draka acquisition, during February 2011, Prysmian obtained from its group of financing banks a significant extension to its financial covenants; under the new terms, the ratio between EBITDA and Net finance costs (as defined in the Credit Agreement and the Forward Start Credit Agreement) and the ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement and Forward Start Credit Agreement) must be higher than 4.00x and lower than 3.50x respectively at 31 December 2011.

Prysmian is also negotiating with a group of major banks a new five-year loan agreement for Euro 800 million in order to re-establish the financial flexibility absorbed by the acquisition.

OTHER SUBSEQUENT EVENTS

Under anti-dumping measures initiated by China's Ministry of Commerce against US and EU fibre manufacturers, a preliminary determination was issued on 9 February 2011 that requires the initial payment of a tariff by companies that import into China fibre purchased from manufacturers affected by these measures, one of whom is Fibre Ottiche Sud - FOS S.r.l., a Prysmian Group company. This preliminary ruling will be followed by a final determination that could confirm or modify the tariff initially applied. However, this measure is not retrospective, applying only to imports after the date of the ruling.

Milan, 3 March 2011

On Behalf of the Board of Directors, the Chairman
Prof. Paolo Zannoni

SCOPE OF CONSOLIDATION – APPENDIX A

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

Legal name	Office		Share Capital	% ownership	Direct parent company
EUROPE					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,071,176	100.00%	Prysmian Cavi e Sistemi Energia 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 Kompaniya Rybinskelektrokabel"
Limited Liability Company "Torgoviy Dom Rybinskelektrokabel"	Rybinsk city	Russian Rouble	8,512,000	100.00%	Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"
Limited Liability Company "NPP Rybinskelektrokabel"	Rybinsk city	Russian Rouble	50,0000,000	100.00%	Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"
Finland					
Prysmian Cables and Systems OY	Kirkkonummi	Euro	2,000,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
France					
Prysmian (French) Holdings S.A.S.	Paron de Sens	Euro	173,487,250	100.00%	Prysmian Cavi e Sistemi Energia 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 Cavi e Sistemi Energia 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 Cavi e Sistemi Energia 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 Cavi e Sistemi Energia 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.
Italy					
Prysmian Cavi e Sistemi Energia S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
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 Cavi e Sistemi Telecom S.r.l.	Milan	Euro	31,930,000	100.00%	Prysmian S.p.A.
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.

Legal name	Office		Share Capital	% ownership	Direct parent company
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
The Netherlands					
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 Cavi e Sistemi Energia S.r.l.
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Cavi e Sistemi Energia 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 Cavi e Sistemi Energia S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables y Sistemas S.A.	Vilanova I la Geltrù	Euro	14,000,000	85.71%	Prysmian Cavi e Sistemi Energia 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.A.
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	83.746%	Prysmian (Dutch) Holdings B.V.
				16.254%	Third parties
Hungary					
Prysmian MKM Magyar Kabel Muvek KFT	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Kabel Keszletertekesito 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%	Prysmain 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.

Legal name	Office		Share Capital	% ownership	Direct parent company
Brazil					
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
Prysmian 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 - Sociète Ivorienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Tunisia					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	4,050,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Eurelectric Tunisie S.A.	Soliman	Tunisian Dinar	210,000	99.71%	Prysmian Cables et Systèmes France S.A.S.
				0.05%	Prysmian (French) Holdings S.A.S.
				0.05%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.19%	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 Cavi e Sistemi Energia 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 Limited	Nuova Delhi	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					
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.

The following companies have been consolidated on a proportionate basis:

Legal name	Office		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 Cable CO. LLC	Fujairah	U.A.E. Dirham	51,000,000	49.00%	Ravin Cables Limited
				51.00%	Third parties

Di seguito è riportato l'elenco delle società valutate con il metodo del patrimonio netto:

Legal name	Office		Share capital	% partecip.	Possedute da
Germany					
Kabeltrommel Gesellschaft mbH & 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

LIST OF INVESTMENTS PURSUANT TO ART.126 OF CONSOB REGULATION 11971

Legal name	% ownership	Direct parent company
EUROPE		
Austria		
Prysmian Kabelwerke und Systeme GmbH in Liquidation	100.00%	Prysmian Energia Holding S.r.l.
Germany		
Kabeltrommel GmbH	11.77%	Prysmian Kabel und Systeme GmbH
	5.88%	Bergmann Kabel und Leitungen GmbH
	82.35%	Third parties
Switzerland		
Voltimum S.A.	13.71%	Prysmian Cavi e Sistemi Energia S.r.l.
	86.29%	Third parties
ASIA		
Saudia Arabia		
Sicew-Saudi Italian Company for Electrical Works Ltd.	34.00%	Prysmain Cable Holding B.V.
	66.00%	Third parties
AFRICA		
South Africa		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.

CERTIFICATION OF THE 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 2010 the accounting and administrative processes for preparing the 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 consolidated financial statements at 31 December 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 still in progress, none of which represents a material risk for the Prysmian Group's consolidated financial statements;
   - during 2010, several of the Prysmian Group's companies were involved in the project of adopting a new information system. The process of fine-tuning the new system's operating and accounting functions is still in progress for some of them.

3. They also attest that:

   3.1 The consolidated financial statements at 31 December 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 Directors' report contains a reliable analysis of performance and the results of operations, and of the situation of the issuer and the group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

3 March 2011

Chief Executive Officer
Valerio Battista

Managers responsible for preparing corporate accounting documents
Massimo Branda, Jordi Calvo

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

1 We have audited the consolidated financial statements of Prysmian SpA and its subsidiaries ("Prysmian Group") as of 31 December 2010 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by CONSOB, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 12 March 2010.

3 In our opinion, the consolidated financial statements of the Prysmian Group as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position as of 31 December 2010, the result of operations and cash flows of the Prysmian Group for the year then ended.

4 As described in the explanatory notes to the financial statements in note 29 "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

PricewaterhouseCoopers SpA
Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561
www.pwc.com/it

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.

5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance and ownership structure, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Prysmian Group as of 31 December 2010.

Milan, 16 March 2011

PricewaterhouseCoopers SpA

Signed by

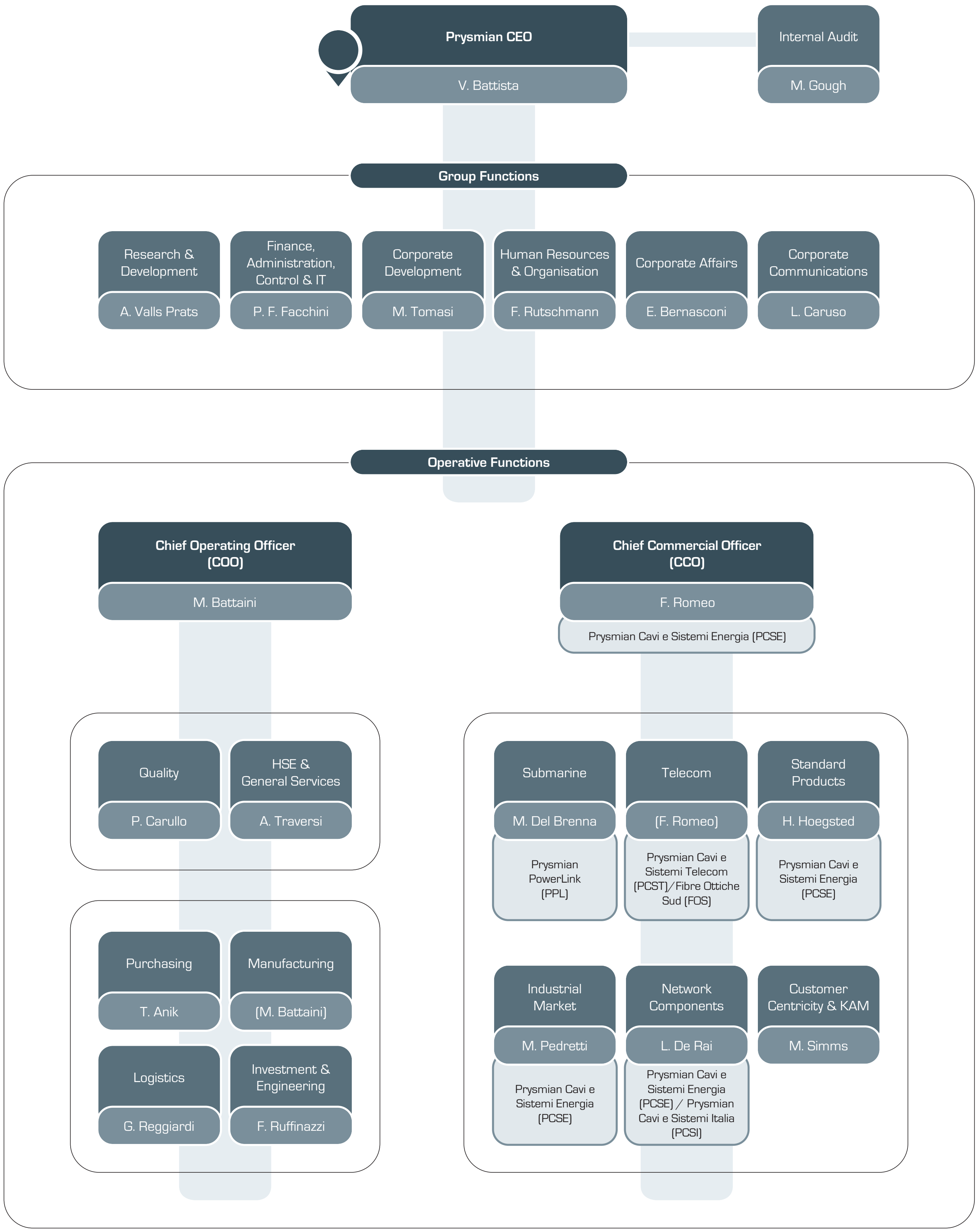
Fabio Facchini
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.


fos
Fibre Ottiche Sud s.r.l.
Strada prov. 135, Km 4.5
84091 Battipaglia (SA) – ITALY
tel. +39 828 675111
fax. +39 828 370505
CasaLight™

PARENT COMPANY DIRECTORS' REPORT

ORGANISATIONAL STRUCTURE



SIGNIFICANT EVENTS DURING THE YEAR

The share capital of Prysmian S.p.A. increased during 2010 after 794,263 options were exercised under the stock option plan.

The total number of shares at 31 December 2010 was 182,029,302 (including 3,028,500 treasury shares purchased under the buy-back programme approved by the Shareholders' Meeting of 15 April 2008, renewed on 9 April 2009 and expired on 9 October 2010).
More details can be found in Note 7 to the Parent Company financial statements.
On 21 January 2010, the Group entered a long-term credit agreement for Euro 1,070,000 thousand with a syndicate of major 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 is not covered by the new agreement.
The Forward Start Credit Agreement confirms the non-financial covenants and two financial parameters required under the existing Credit Agreement (see Note 8 of the Explanatory Notes), while it does not require any security to be given.
On 9 April 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. The bond, with an issue price of Euro 99.674, has a 5-year term and will pay a fixed annual coupon of 5.25%. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market.

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

On 22 November 2010, Prysmian announced its intention of making a public mixed exchange and cash offer for Draka Holding N.V., a listed company and parent of the Draka Group, with the aim of creating a global leader in the energy and telecom cable-making industry. More details about this transaction can be found in "Subsequent Events and Business Outlook".

FINANCIAL PERFORMANCE OF PRYSMIAN S.P.A.

The tables presented and discussed below have been prepared by reclassifying the financial statements at 31 December 2010, which in turn have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and with the provisions implementing art. 9 of Legislative Decree 38/2005.

The income of Prysmian S.p.A., the Group's investment holding company, primarily reflects dividends received from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l., income from services provided to subsidiaries and royalties for the use of patents and know-how by subsidiaries and even third parties.

INCOME STATEMENT

The Parent Company's income statement for 2010 reports Euro 83,239 thousand in profit, an increase of Euro 34,073 thousand on the prior year.

This result reflects:

(in thousands of Euro)

	2010	2009
Income from investments:	106,762	42,746
- of which : Dividends	*106,762*	*42,746*
Personnel and operating costs net of sales and other income	(14,148)	(12,968)
Costs of non-recurring significant transactions	(9,721)	(6,544)
Net finance costs	(18,719)	(4,109)
Taxes	19,065	30,041
Profit/(loss) for the year	**83,239**	**49,166**

Income from investments of Euro106,762 thousand compares with Euro 42,746 thousand in the prior year, and entirely consists of dividends paid by the subsidiary Prysmian Cavi e Sistemi Energia S.r.l. (Euro 105,443 thousand) and by the indirect subsidiary Prysmian Kabel und Systeme GmbH (Euro 1,319 thousand).

Personnel and operating costs net of sales and other income amounts to Euro 14,148 thousand, compared with Euro 12,968 thousand in 2009. In detail:

- **Personnel and operating costs** of Euro 89,896 thousand comprise Euro 32,214 thousand in personnel costs (Euro 29,401 thousand in 2009), and Euro 57,682 thousand in other operating costs (Euro 56,682 thousand in 2009) which consist of: Euro 51,444 thousand for services (see Note 17 to the Parent Company financial statements), Euro 5,604 thousand in amortisation and depreciation (see Note 16 to the Parent Company financial statements) and Euro 634 thousand in raw materials and consumables used (see Note 14 to the Parent Company financial statements). Personnel and operating costs are Euro 3,813 thousand higher than in the prior year, mainly because of an increase in management bonuses and incentives;
- **Sales and other income** of Euro 75,748 thousand (Euro 73,115 thousand in 2009), mostly refer to recharges by Prysmian S.p.A. to its subsidiaries for

coordination activities, services provided by headquarters functions and royalty income relating to patents and know-how.

Costs of non-recurring significant transactions amount to Euro 9,721 thousand (Euro 6,544 thousand in 2009) and include Euro 6,386 thousand in costs for special projects and Euro 2,275 thousand in legal costs for the antitrust investigations (see Note 24 to the Parent Company financial statements).

Net finance costs amount to Euro 18,719 thousand (Euro 4,109 thousand in 2009), mainly relating to interest payable on the bond issued by the Company on 9 April 2010 (see Note 8 to the Parent Company financial statements) and interest payable under the "Credit Agreement".

Taxes on income are a positive Euro 19,065 thousand (Euro 30,041 thousand in 2009) and comprise Euro 1,074 thousand for recognising deferred tax assets and Euro 17,991 thousand for current taxes. The latter reflect the net benefits of not paying tax on tax losses transferred from some Italian companies under the group tax election.

More details about the Italian companies which have elected to file for tax on a group basis with Prysmian S.p.A. can be found in Note 20 to the Parent Company financial statements.

STATEMENT OF FINANCIAL POSITION

The Parent Company's statement of financial position is summarised as follows:

(in thousands of Euro)

	31 December 2010	31 December 2009
Net fixed assets	459,490	298,873
- of which: Investments in subsidiaries	*419,191*	*264,105*
Net working capital	29,543	40,663
Provisions	1,386	(364)
Net capital employed	**490,419**	**339,172**
Employee benefit obligations	4,705	4,844
Equity	237,301	227,180
Net financial position	248,413	107,148
Total equity and sources of funds	**490,419**	**339,172**

Fixed assets basically comprise the controlling interests in the holding companies for the Group's two businesses (Energy and Telecom).
The increase of Euro 155,086 thousand in investments since 31 December 2009 reflects the capital contribution of Euro 155,000 thousand into the subsidiary Prysmian Telecom S.r.l. and Euro 86 thousand for the income component of the stock option

Note: the composition and way of calculating the above indicators are discussed in the Directors' Report for the Group.

plan, with underlying Prysmian S.p.A. shares, relating to managers employed by other Group companies.

Investments in fixed assets amounted to Euro 11,135 thousand in 2010 (Euro 13,982 thousand in 2009), most of which relating to expenditure on realising the SAP Consolidation project (more details can be found in Note 2 to the Parent Company financial statements).

Net working capital of Euro 29,543 thousand comprises:

- Euro 13,561 thousand in trade receivables/payables (see Notes 5 and 9 to the Parent Company financial statements);
- Euro 15,982 thousand in other receivables/payables (tax, employees etc) net of financial receivables/payables (see Notes 5 and 9 to the Parent Company financial statements).

The decrease of Euro 11,120 thousand compared with 31 December 2009 basically reflects higher payables associated with the costs of the public mixed exchange and cash offer for the ordinary shares of Draka Holding N.V. announced on 22 November 2010 and formalised on 5 January 2011.

Provisions, presented net of deferred tax assets, amounted to Euro 1,386 thousand at 31 December 2010 (see Notes 4 and 10 to the Parent Company financial statements); the change since 31 December 2009 is mainly attributable to an increase in deferred tax assets.

Equity amounts to Euro 237,301 thousand at 31 December 2010, reporting a net increase of Euro 10,121 thousand since 31 December 2009, mainly reflecting recognition of the profit for the year (Euro 83,239 thousand) partly offset by the dividend distribution (Euro 74,640 thousand).
A more detailed analysis of the changes in equity can be found in the specific table presented as part of the Parent Company financial statements.

The Group's equity at 31 December 2010 and profit for 2010 are reconciled with the corresponding figures of the Parent Company Prysmian S.p.A. in a table presented in the Directors' Report for the Group.

Net financial position reported Euro 248,413 thousand in net debt at 31 December 2010, up from Euro 107,148 thousand at 31 December 2009.
The higher level of debt is mainly attributable to the Company's issue of a bond on 9 April 2010 (see Note 8 to the Parent Company financial statements).

The composition of net financial position is presented in detail in the following table.

NET FINANCIAL POSITION

(in thousands of Euro)

	Note	31 December 2010	31 December 2009
Long-term financial payables			
- Term Loan Facility	8	67,000	87.000
- Bank fees	8	(199)	(426)
Credit agreement		**66,801**	**86,574**
- Bond	8	395,554	-
Total long-term financial payables		**462,355**	**86,574**
Short-term financial payables			
- Term Loan Facility	8	10,116	10,117
- Bank fees	8	(29)	-
- Bond	8	15,304	-
- Borrowings from Group companies	8	-	18,689
- Other borrowings	8	1,276	93
Total short-term financial payables		**26,667**	**28,899**
Total financial liabilities		**489,022**	**115,473**
Long-term financial receivables	5	93	213
Long-term bank fees	5	14,648	1,756
Short-term financial receivables	5	119	119
Short-term bank fees	5	1,500	1,312
Receivables from Group companies	5	223,616	-
Cash and cash equivalents	6	633	4,925
Total financial assets		**240,609**	**8,325**
Net financial position		**248,413**	**107,148**

A more detailed analysis of cash flows is presented in the statement of cash flows, forming part of the Parent Company financial statements presented in the following pages.

Note 8 to the Parent Company financial statements presents the reconciliation of the Company's net financial position to the amount that must be reported under Consob Communication DEM/6064293 dated 28 July 2006 in compliance with the CESR recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses".

KEY RESULTS OF THE PRINCIPAL SUBSIDIARIES

The Company holds directly or indirectly, through other sub-holding companies, the equity interests in the Group's operating companies. Its principal subsidiaries are:

- **Prysmian Cavi e Sistemi Energia S.r.l.:** this company is the operational holding company for the Energy Cables and Systems business, with direct and indirect interests in most of the Italian and foreign companies in the Energy Cables and Systems segment, and also manages and installs submarine and high voltage systems, through until completion of the contracts in progress at 31 December 2010. Prysmian Cavi e Sistemi Energia S.r.l. reported Euro 171,931 thousand in sales for 2010 and Euro 155,214 thousand in profit.

- **Prysmian Cavi e Sistemi Telecom S.r.l.:** this company is the operational holding company for the Telecom segment. Prysmian Cavi e Sistemi Telecom S.r.l. reported Euro 12,429 thousand in sales for 2010 and Euro 6,610 thousand in profit.

RESEARCH AND DEVELOPMENT

The Group's research and development activities are mostly concentrated in Prysmian S.p.A..
The central team, in coordination with R&D and engineering centres in the various countries, developed numerous projects over the year in the field of both energy and telecom cables; significant advances were also made in terms of materials and optical fibre technology. R&D costs incurred in 2010 and expensed to income amounted to Euro 16.2 million.

More details can be found in the Directors' Report for the Group.

ENVIRONMENT AND SAFETY

Management of its business on an environmentally sustainable basis is not just an ethical commitment for the Group but a key factor in its very business competitiveness. As part of its activities, Prysmian constantly endeavours to implement managerial and production processes that help improve environmental sustainability and occupational safety, in accordance with the guidelines of its HSE policy. These guidelines, approved and supported by the Chief Executive Officer, find their practical application in various areas, including certifications, investments and product innovation.

At group level, the Environmental and Safety Committee (ESC) is responsible for obtaining through the Health, Safety and Environment (HSE) department, the information needed to analyse and assess the activities and systems adopted for the Group's environmental and health and safety management, in order to define objectives, modifications and improvements.

More details can be found in the Directors' report for the Group.

HUMAN RESOURCES

The quality of human resources is a constituent of excellence and a key success factor for Prysmian. Prysmian believes that the present and future of its Group depend on the personal and professional development of its employees. For this reason, its Human Resources strategy aims to promote ongoing training and the dissemination of best practices throughout the Group, with a particular focus on key people with talent and critical know-how.

Prysmian has adopted a system of values that unites diverse groups of people and represents the basis of actions, attitudes, conduct and ultimately sustained business success. The Prysmian value system defines the way in which its people communicate and interact with customers, partners, suppliers, shareholders and communities, and the way in which they manage the business and decide priorities.

Prysmian S.p.A. had a total of 273 employees at 31 December 2010, of whom 239 management/white collar staff and 34 blue collar staff.

More details can be found in the Directors' Report for the Group.

DIRECTION AND COORDINATION

Prysmian S.p.A. is not under the direction and coordination of other companies or entities but decides its general and operational strategy in complete autonomy. Pursuant to art. 2497-bis of the Italian Civil Code, the direct and indirect subsidiaries of Prysmian S.p.A. have identified it as the entity which exercises direction and coordination for them.

Such direction and coordination involves identifying general and operational strategies for the Group as a whole and defining and implementing internal control systems, models of governance and corporate structure.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With reference to the disclosures required by art. 2428 of the Italian Civil Code concerning transactions between the Company and its subsidiaries, associates, parents and companies controlled by parents, the following table presents the impact of such transactions on the Company's statement of financial position and income statement at 31 December 2010.

(in thousands of Euro)

	Receivables	Payables	Costs			Income			
			Personnel costs	Goods and services	Finance costs	Goods and services	Finance income	Dividends	Income/(costs) from group tax filing
Subsidiaries:									
Prysmian Treasury S.r.l.	225,210	(262)	-	(13)	(1)	20	1,916	-	-
Prysmian Cable Systems PTE Ltd.	1	(12)	-	(12)	-	2	-	-	-
Prysmian Cables & Systems Limited	93	(320)	-	(1,653)	-	212	31	-	-
Prysmian Energia Cables y Sistemas de Argentina S.A.	4	(38)	-	(20)	-	8	-	-	-
Prysmian Energia Cabos e Sistemas do Brasil S.A.	6	(16)	-	(41)	-	19	-	-	-
Prysmian Power Cables and Systems Canada Ltd.	27	-	-	-	-	11	84	-	-
Prysmian Cables et Systemes France S.A.S.	8	(110)	-	(518)	-	16	-	-	-
Prysmian Cables y Sistemas S.L.	101	(229)	-	(500)	-	8	503	-	-
P.T. Prysmian Cables Indonesia	18	-	-	-	-	52	-	-	-
Comergy Ltd.	-	-	-	-	-	-	2	-	-
Prysmian - OEKW GmbH	8	-	-	-	-	9	-	-	-
Prysmian Kabel und Systeme GmbH	149	(149)	-	(435)	-	343	251	1,319	-
Prysmian MKM Magyar Kabel Muvek Kft	90	(3)	-	(25)	-	155	84	-	-
Turk Prysmian Kablo Ve Sistemleri A.S.	56	(38)	-	(93)	-	203	-	-	-
Prysmian Cabluri Si Sisteme S.A.	85	(12)	-	(54)	-	32	251	-	-
Prysmian Tianjin Cables Co. Ltd.	-	(9)	-	(9)	-	-	-	-	-
Prysmian Kablo SRO	28	-	-	-	-	25	21	-	-
Prysmian Cables and Systems OY	116	(3)	-	(48)	-	217	126	-	-
Prysmian Cables and Systems B.V.	99	-	-	(19)	-	142	270	-	-
Prysmian Cavi e Sistemi Italia S.r.l.	1,124	(560)	-	(681)	-	1,628	156	-	-
Prysmian Baosheng Cable Co. Ltd.	11	-	-	-	-	1	-	-	-
Prysmian Power Cables & Systems Australia PTY Limited	255	(102)	-	(232)	-	7	251	-	-
Prysmian Power Cables and Systems USA LLC	202	(42)	-	(138)	-	46	612	-	-
Prysmian Cavi e Sistemi Energia S.r.l.	39,174	(985)	-	(516)	-	60,835	1,253	105,443	10,219
Prysmian (Dutch) Holdings B.V.	52	-	-	-	-	50	-	-	-
Prysmian (French) Holdings SAS	461	-	-	-	-	-	461	-	-
Prysmian Power Cables & Systems New Zealand Ltd	1	-	-	-	-	3	-	-	-
Prysmian Powerlink S.r.l.	22,514	(236)	-	(143)	-	1,322	323	-	21,613
Prysmian Hong Kong Holding Limited	1	-	-	-	-	2	-	-	-
Prysmian (China) Investment Company Ltd.	5	-	-	-	-	11	-	-	-
LLC Rybinskelektrokabel	-	(20)	-	(20)	-	-	-	-	-
Fibre Ottiche Sud - F.O.S. S.r.l.	229	(37)	-	(179)	-	266	105	-	-
Prysmian Wuxi Cable Company Ltd	-	(50)	-	-	-	-	-	-	-
Prysmian Communications Cables and Systems Usa LLC	11	(2)	-	(42)	-	11	-	-	-
Prysmian Cavi e Sistemi Telecom S.r.l.	3,767	(536)	-	(532)	-	5,636	-	-	9
Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.	-	-	-	(66)	-	-	-	-	-
Prysmian Financial Services Ireland Limited	327	-	-	-	-	1,124	-	-	-
Compensation of directors, statutory auditors and key management personnel	-	(2,205)	(5,356)	(366)	-	-	-	-	-
Total	**294,231**	**(5,975)**	**(5,356)**	**(6,353)**	**(1)**	**72,413**	**6,700**	**106,762**	**31,841**

Information on related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 23 to the Parent Company financial statements.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, no atypical and/or unusual transactions were carried out during 2010.

SECONDARY OFFICES

For the list of secondary offices, please refer to the list of investments in subsidiaries appended to the Explanatory Notes to the financial statements.

CORPORATE GOVERNANCE

Information on corporate governance can be found in the Directors' Report for the Group.

OWNERSHIP STRUCTURE

At 31 December 2010, the share capital of Prysmian S.p.A. consisted of 182,029 thousand shares with a nominal value of Euro 0.10 each, of which 3,028 thousand were treasury shares and 179,001 thousand outstanding shares with voting rights.

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS, THE CHIEF EXECUTIVE OFFICER AND KEY MANAGEMENT PERSONNEL

Pursuant to art. 79 of Consob Resolution 11971 dated 14 May 1999 as amended, the following table provides details of shares held in Prysmian S.p.A. by members of the Board of Directors and the Board of Statutory Auditors, and by the Chief Executive Officer and key management personnel. The persons shown all hold ownership title to these shares.

Name	Shares in	Number shares held at end of prior year	Number shares purchased	Number shares sold	Number shares held at end of current year
Battista Valerio	Prysmian S.p.A.	718,607	1,500,000	-	2,218,607
Pier Francesco Facchini	Prysmian S.p.A.	-	142,152	(109,000)	33,152
Stefano Bulletti	Prysmian S.p.A.	5,000	-	-	5,000
Key management personnel	Prysmian S.p.A.	-	30,504	(30,504)	-

STOCK OPTION PLANS

On 30 November 2006, the Extraordinary Shareholders' Meeting of the Company approved an incentive scheme based on stock options ("the Plan"), reserved for employees of Prysmian Group companies, together with the Regulations governing its operation. At the same time, the Shareholders' Meeting approved a share capital increase against payment, to be carried out in one or more separate stages, for the purposes of the above Plan, up to a maximum amount of Euro 310,000.00.

In compliance with the terms of the Plan Regulations, options were granted gratis to 99 employees of the Company and other Prysmian Group companies to subscribe to 2,963,250 of the Company's ordinary shares. Each option carries the right to subscribe to one share of nominal value Euro 0.10, at a price of Euro 4.65 per share.

The unit price was determined by the Company's Board of Directors on the basis of the market value of the issuer's share capital at the date of the Plan's approval by the Company's Board of Directors. The value was determined on the basis of the issuer's economic and financial results at 30 September 2006 and took account of (i) the dilution produced by the grant of the options themselves, as well as (ii) the illiquidity of the presumed market value of the issuer's share capital at that date.

The purpose of adopting the stock option plan was to align the interests of beneficiaries with the growth in shareholders' wealth.

At 31 December 2010, there were 86 Plan beneficiaries, all of whom employees of the Company and the Prysmian Group. This figure takes account of those persons identified by the Extraordinary Shareholders' Meeting of 30 November 2006 ("Original Beneficiaries"), those Original Beneficiaries whose options have lapsed and Pier Francesco Facchini, the Director and Chief Financial Officer, identified by the

Board of Directors on 16 January 2007 as an additional beneficiary of the Plan. At 31 December 2010, a total of 2,029,302 options had been exercised, involving the issue of a corresponding number of new ordinary shares of the Company, while 740,025 options were still outstanding.
In accordance with the Plan Regulations, no further options can be granted because 31 January 2007 was the final date set by the Extraordinary Shareholders' Meeting of 30 November 2006 by which the Board of Directors could identify further Plan beneficiaries in addition to the Original Beneficiaries.
The options have vested in four equal annual instalments on the anniversary of their grant date; the last vesting date was 4 December 2010.
Vested options can only be exercised during the so-called "Exercise periods" following the respective vesting date. Under the Plan Regulations, "Exercise period" is defined as each period of thirty days starting from the day after publication of the press release informing the public of the Board's approval of the Prysmian S.p.A. annual financial statements or half-yearly financial report.
On 15 April 2010, the Shareholders' Meeting of Prysmian S.p.A. approved an amendment to the Plan, with the introduction of four new option exercise periods, solely for beneficiaries still in the Group's employment. Vested options will therefore be exercisable until the thirtieth day after publicly announcing the Board's approval of the Company's proposed annual financial statements for 2012 (the original option expiry date was 30 days after the Board's approval of the proposed annual financial statements for 2010).
For further information regarding the Plan, please refer to the information memoranda prepared under art. 84-bis of the Consob Issuer Regulations, which can be found on the Company's website www.prysmian.com under Investor relations/Corporate governance.
More details about Stock Option Plans can be found in Note 15 to the Parent Company financial statements.

RISK FACTORS

The Company adopts specific procedures to manage risk factors that may influence the results of its business. These procedures are the result of corporate policy which has always sought to maximise value for shareholders by taking every action needed to prevent the risks inherent in the Group's business. The Board of Directors accordingly voted on 24 January 2006 to adopt a model of organisation, management and control ("Organisational Model"), designed to prevent the commission of the felonies envisaged by Legislative Decree 231/01. In order to reflect the intervening organisational changes since first adopting the Organisational Model, and changes in the above law, the Company's Board of Directors voted on 27 August 2008 to adopt a revised Organisational Model. The revised model has been prepared on the basis of recent pronouncements by the legal and academic profession and the Guidelines of Confindustria (Italian confederation of industry) and satisfies the requirement to have a constantly updated system of corporate governance.
The Company's corporate governance structure is based on the recommendations and rules contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies", which the Company has adopted.

The chapter on "Corporate governance", forming part of the Directors' Report for the Group, provides information on the structure adopted and the related responsibilities and outlines the contents of the documents that comprise the new Organisational Model. Based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2010, the Company believes that, barring any extraordinary events, there are no significant uncertainties, such as to raise substantial doubts as to the business's ability to continue as a going concern in the foreseeable future and particularly in the next 12 months.

It should be noted that Prysmian has embarked on a major upgrade to its IT systems in support of the Group's strategic development. The changes include replacing certain important company systems currently in use with more up-to-date, functional ones.
The Company is aware of the risks associated with such projects, primarily in connection with possible inaccuracies in the data uploaded. However, the Group believes that it has taken every step necessary to limit such risks through testing, training, and preparatory work, as well as through appropriate contracts with the suppliers of the replacement technology.

More details about context risks (External Risks) and process risks (Internal Risks) can be found in the Directors' Report for the Group.

FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management policies are discussed in Sections C and C.1 of the Explanatory Notes to the Parent Company financial statements.

PRIVACY AND PERSONAL DATA PROTECTION

In compliance with Appendix B, par. 26 of Legislative Decree 196 of 30 June 2003, Prysmian S.p.A. has updated its Security Plan for 2010.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

On 22 November 2010, Prysmian announced its intention of making a public mixed exchange and cash offer for Draka Holding N.V., a listed company and parent of the Draka Group, with the aim of creating a global leader in the energy and telecom cable-making industry. On the same day, Prysmian had signed a conditional merger agreement with Draka in relation to the public mixed exchange and cash offer and an irrevocable undertaking with Flint, Draka's largest shareholder with an ownership interest of around 48.5%, under which Flint undertook to support the offer and to tender its shares under the offer terms.

The offer consideration comprised Euro 8.60 in cash plus 0.6595 newly issued Prysmian shares for each Draka ordinary share.

The *merger agreement* obtained the immediate support and unanimous recommendation of Draka's Board of Management and Supervisory Board.

On 5 January 2011, Prysmian S.p.A. formally announced the public mixed exchange and cash offer for all the outstanding ordinary shares of Draka Holding N.V.. The offer price was confirmed at Euro 8.60 in cash plus 0.6595 newly issued Prysmian ordinary shares for each Draka share.

On 26 January 2011, Prysmian announced it had entered into two conditional agreements to purchase all the 5,754,657 issued and outstanding preference shares of Draka Holding N.V. owned by ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V..
Both these agreements were subject to fulfilment of the condition precedent that Prysmian declare the offer unconditional.
The purchase price of the preference shares was approximately Euro 86 million.

On 8 February 2011, Prysmian S.p.A. declared the offer unconditional, having then received acceptances from 44,064,798 shares, representing around 90.4% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).

On 22 February 2011, Prysmian settled the offer for those shares tendered during the offer period, by acquiring 44,064,798 Draka shares and issuing 29,059,677 ordinary shares of Prysmian S.p.A. and paying Euro 378,973,735.24 in cash. The unit price of the ordinary shares acquired, determined in accordance with IFRS 3, was equal to Euro 18.47379.

During the post-closing acceptance period, ending on 22 February 2011, another 4,192,921 shares were tendered for acceptance, representing around 8.6% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Together with the 44,064,798 shares tendered during the offer period ending on 3 February 2011, Prysmian will hold a total of 48,257,719 shares, representing 99.055% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Lastly, taking account of the 5,754,657 Draka preference shares acquired by Prysmian from ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V. on 1 March 2011, Prysmian will hold 99.121% of Draka's total share capital.
Payment of the offer price to the Draka shareholders who accepted the offer during the post-closing acceptance period will be settled on 8 March 2011.

The total consideration paid for the acquisition is Euro 978 million, of which Euro 501 million in cash (including Euro 86 million for purchasing the preference shares) and Euro 477 million through the issue of around 31.8 million shares in Prysmian S.p.A..

At 31 December 2010, Draka reported consolidated shareholders' equity of Euro 590 million (Source: press release by Draka Holding N.V. dated 15 February 2011).

Acquisition-related costs are estimated at around Euro 25 million, before estimated tax of Euro 8 million. The portion of these costs directly associated with the capital increase by Prysmian S.p.A. serving the acquisition will be accounted for, net of tax, as a deduction from Prysmian's equity, while the remaining costs will be recognised in the income statement.

Having acquired more than 95% of Draka's ordinary share capital, Prysmian intends to delist the Draka shares from the NYSE Euronext Amsterdam (Euronext). In agreement with Euronext, the last day of trading in the shares will be 6 April 2011, meaning that the shares will be delisted on 7 April 2011.

Prysmian also intends to initiate a squeeze-out process permitted under the Dutch Civil Code, in order to acquire the remaining shares not tendered to the offer and therefore not yet held by Prysmian.

Prysmian and Draka will create the leading group in the energy and telecom cables industry. Together they will be even more competitive and efficient, and in a stronger position to face the industrial challenges ahead and to satisfy the constantly evolving expectations and demands of their customers.

The financial outlay for the Draka acquisition has been funded using available liquidity and part of the committed credit lines.

With reference to the Draka acquisition, during February 2011, Prysmian obtained from its group of financing banks a significant extension to its financial covenants; under the new terms, the ratio between EBITDA and Net finance costs (as defined in the Credit Agreement and the Forward Start Credit Agreement) and the ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement and Forward Start Credit Agreement) must be not less than 4.00x and not more than 3.50x respectively at 31 December 2011.

Prysmian is also negotiating with a group of major banks a new five-year loan agreement for Euro 800 million in order to re-establish the financial flexibility absorbed by the acquisition.

As for business outlook, please refer to the Directors' Report for the Group.

PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND TO ALLOCATE PROFIT FOR 2010

Shareholders,

We are submitting the financial statements for the year ended 31 December 2010 for your approval and propose that you adopt the following:

"RESOLUTION

The Shareholders' Meeting:

- acknowledges the report by the Board of Directors,
- acknowledges the reports by the Board of Statutory Auditors and by the Independent Auditors,
- has examined the financial statements at 31 December 2010, which close with a profit of Euro 83,239,542.72,

RESOLVES

a) to approve:
   - the report on operations by the Board of Directors;
   - the financial statements at 31 December 2010;

   as presented by the Board of Directors, as a whole and in their individual parts, along with the proposed provisions - which report a profit of Euro 83,239,542.72;

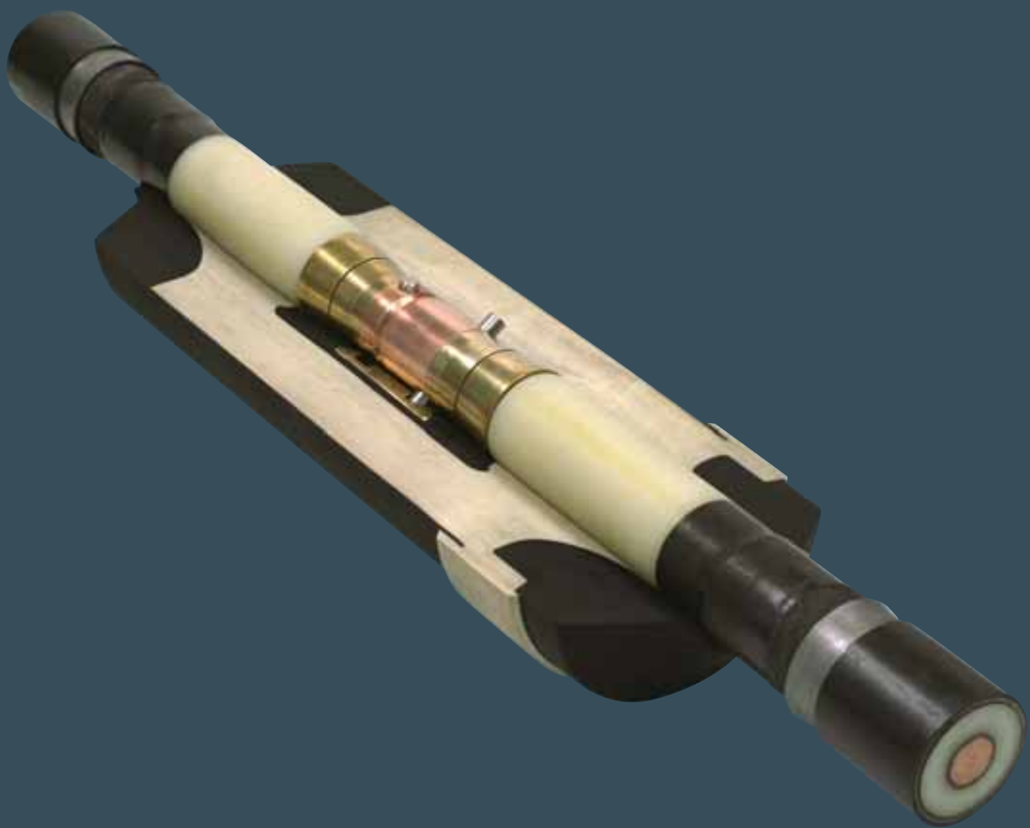
b) to allocate profit for the year of Euro 83,239,542.72 as follows:
   - Euro 16,000.00 to the Legal Reserve, thereby reaching one-fifth of share capital at 31 December 2010, as required by art. 2430 of the Italian Civil Code;
   - approximately Euro 35 million to pay a gross dividend of Euro 0.166 to each voting share;
   - the remainder of approximately Euro 48.2 million to retained earnings.

The dividend will be payable from 21 April 2011, with the shares going ex-div on 18 April 2011, and will be paid to those shares outstanding on the ex-div date".

Milan, 3 March 2011

On Behalf of the Board of Directors, the Chairman

Prof. Paolo Zannoni



PARENT COMPANY FINANCIAL STATEMENTS AND EXPLANATORY NOTES

STATEMENT OF FINANCIAL POSITION

(in Euro)

	Note	31 December 2010	Of which related parties (Note 23)(*)	31 December 2009	Of which related parties (Note 23)(*)
Non-current assets					
Property, plant and equipment	1	3,332,370		3,398,638	
Intangible assets	2	36,966,676		31,369,081	
Investments in subsidiaries	3	419,190,729		264,105,234	
Deferred tax assets	4	4,039,119		1,679,359	
Other receivables	5	14,762,162		1,974,075	
Total non-current assets		**478,291,056**		**302,526,387**	
Current assets					
Trade receivables	5	40,565,958	38,531,946	34,429,476	32,699,519
Other receivables	5	264,439,374	255,699,038	37,398,120	31,596,712
Cash and cash equivalents	6	633,011		4,925,085	
Total current assets		**305,638,343**		**76,752,681**	
Total assets		**783,929,399**		**379,279,068**	
Capital and reserves:		**237,301,454**		**227,180,003**	
Share capital	7	18,202,930		18,123,504	
Reserves	7	135,858,981		159,890,497	
Profit/(loss) for the year	7	83,239,543		49,166,002	
Non-current liabilities					
Borrowings from banks and other lenders	8	462,354,934		86,573,539	
Employee benefit obligations	11	4,704,963		4,843,713	
Total non-current liabilities		**467,059,897**		**91,417,252**	
Current liabilities					
Borrowings from banks and other lenders	8	26,667,253		28,898,790	18,689,166
Trade payables	9	27,005,159	2,436,260	15,649,567	4,280,898
Other payables	9	14,149,404	3,539,227	10,866,159	1,518,421
Provisions for risks and charges	10	2,653,251		2,043,377	
Current tax payables		9,092,981		3,223,920	
Total current liabilities		**79,568,048**		**60,681,813**	
Total liabilities		**546,627,945**		**152,099,065**	
Total equity and liabilities		**783,929,399**		**379,279,068**	

(*) As from financial year 2010 related party information also includes the emoluments of statutory auditors, directors and key management personnel. The comparatives for 2009 have been restated accordingly.

INCOME STATEMENT

(in Euro)

	Note	2010	Of which related parties (Note 23)(*)	2009	Of which related parties (Note 23)(*)
Sales of goods and services	12	37,020,348	37,007,662	37,694,603	37,662,876
Other income	13	38,728,456	35,405,012	35,419,667	32,065,968
Raw materials and consumables used	14	(634,151)	(35,380)	(919,277)	(8,815)
Personnel costs	15	(33,274,205)	(5,355,634)	(29,528,250)	(4,111,542)
of which non-recurring personnel costs	24	*(1,060,000)*		*(127,377)*	
Amortisation, depreciation and impairment	16	(5,604,391)		(4,197,232)	
Other expenses	17	(60,104,107)	(6,317,742)	(57,982,072)	(8,949,824)
of which non-recurring other expenses	24	*(8,661,430)*		*(6,417,171)*	
Operating income		**(23,868,050)**		**(19,512,561)**	
Finance costs	18	(25,564,951)	(517)	(6,234,630)	(202,188)
Finance income	18	6,845,512	6,699,393	2,125,678	1,894,479
Dividends from subsidiaries	19	106,761,940	106,761,940	42,746,205	42,746,205
Profit before taxes		**64,174,451**		**19,124,692**	
Taxes	20	19,065,092	31,841,447	30,041,310	30,775,839
Profit/(loss) for the year		**83,239,543**		**49,166,002**	

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2010	2009
Profit/(loss) for the year	7	**83,239**	**49,166**
Actuarial gains/(losses) on employee benefits - gross of tax(*)	7	1	(755)
Actuarial gains/(losses) on employee benefits - tax effect	7	275	-
Total post-tax other comprehensive income/(loss) for the year	7	**276**	**(755)**
Total comprehensive income/(loss) for the year	7	**83,515**	**48,411**

(*) As from financial year 2010 related party information also includes the emoluments of statutory auditors, directors and key management personnel. The comparatives for 2009 have been restated accordingly.

STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)

	Share capital	Share premium reserve	Capital increase costs	Legal reserve	Treasury share reserve	Extraordinary reserve	IAS/IFRS first-time adoption reserve	Capital contribution reserve	Actuarial gains/(losses) employee benefits	Stock option reserve	Treasury shares (*)	Retained earnings	Profit/(loss) for the year	Total
	Note 7	Note 7	Note 7	Note 7	Note 7	Note 7	Note 7	Note 7	Note 7	Note 7	Note 7	Note 7		
Balance at 31 December 2008	**18,055**	**2,485**	**-**	**3,600**	**30,179**	**52,688**	**30,177**	**6,113**	**(247)**	**6,357**	**(30,179)**	**-**	**129,964**	**249,192**
Capital increases	69	3,134	-	-	-	-	-	-	-	-	-	-	-	3,203
Dividend payment	-	-	-	-	-	-	-	-	-	-	-	-	(74,128)	(74,128)
Share-based compensation	-	-	-	-	-	-	-	-	-	502	-	-	-	502
Allocation of prior year profit	-	-	-	11	-	-	-	-	-	-	-	55,825	(55,836)	-
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	(755)	-	-	-	49,166	48,411
Balance at 31 December 2009	**18,124**	**5,619**	**-**	**3,611**	**30,179**	**52,688**	**30,177**	**6,113**	**(1,002)**	**6,859**	**(30,179)**	**55,825**	**49,166**	**227,180**
Capital increases	79	3,614	-	-	-	-	-	-	-	-	-	-	-	3,693
Dividend payment	-	-	-	-	-	-	-	-	-	-	-	(25,488)	(49,152)	(74,640)
Share-based compensation	-	-	-	-	-	-	-	-	-	217	-	-	-	217
Allocation of prior year profit	-	-	-	14	-	-	-	-	-	-	-	-	(14)	-
Future capital increase costs	-	-	(2,664)	-	-	-	-	-	-	-	-	-	-	(2,664)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	276	-	-	-	83,239	83,515
Balance at 31 December 2010	**18,203**	**9,233**	**(2,664)**	**3,625**	**30,179**	**52,688**	**30,177**	**6,113**	**(726)**	**7,076**	**(30,179)**	**30,337**	**83,239**	**237,301**

(*) At 31 December 2010 a total of 3,028,500 treasury shares were held, with a nominal value of Euro 302,850.

STATEMENT OF CASH FLOWS

(in thousands of Euro)

	2010	Of which related parties (Note 23) [*]	2009	Of which related parties (Note 23) [*]
Profit before taxes	64,174		19,125	
Depreciation and impairment of property, plant and equipment	698		735	
Amortisation and impairment of intangible assets	4,906		3,462	
Share-based compensation	132		358	
Dividends	(106,762)	(106,762)	(42,746)	(42,746)
Net finance costs (income)	18,719	(6,699)	4,109	(1,692)
Changes in trade receivables/payables	1,544	(7,677)	14,804	20,287
Changes in other receivables/payables	(546)	(30,413)	1,023	2
Taxes collected/(paid) [1]	24,437	31,947	36,205	36,543
Utilisation of provisions (including employee benefit obligations)	(1,810)		(1,053)	
Increases in provisions (including employee benefit obligations)	2,103		2,749	
Transfer of employee benefit obligations from sub-holding company	(36)		(106)	
A. Net cash flow provided by/(used in) operating activities	**7,559**		**38,665**	
Investments in property, plant and equipment	(631)		(1,410)	
Disposals of property, plant and equipment	-		273	
Investments in intangible assets	(10,504)		(12,572)	
Disposals of intangible assets	-		10	
Investments to recapitalise subsidiaries	(155,000)	(155,000)	(1,600)	(1,600)
Dividends received	106,762	106,762	42,746	42,746
B. Net cash flow provided by/(used in) investing activities	**(59,373)**		**27,447**	
Finance costs paid [2]	(25,678)		(5,799)	(202)
Finance income received [3]	5,028	4,876	1,285	1,057
Changes in financial receivables/payables	139,119	(247,181)	11,365	12,569
Capital increases [4]	3,693		3,203	
Dividends paid	(74,640)		(74,128)	
C. Net cash flow provided by/(used in) financing activities	**47,522**		**(64,074)**	
D. Total cash flow provided/(used) in the year (A+B+C)	**(4,292)**		**2,038**	
E. Net cash and cash equivalents at the beginning of the year	**4,925**		**2,887**	
F. Net cash and cash equivalents at the end of the year (D+E)	**633**		**4,925**	

Please refer to Note 28 for comments on the statement of cash flows.

(*) As from financial year 2010 related party information also includes the emoluments of statutory auditors, directors and key management personnel. The comparatives for 2009 have been restated accordingly.
(1) Refer to receipts relating to group tax filing receivables from Italian Group companies for the transfer of IRES (Italian corporate income tax) for 2010, net of IRES and IRAP (Italian regional business tax) paid by the Company.
(2) Interest expense paid in 2010 amounts to Euro 1,102 thousand (Euro 3,088 thousand in 2009).
(3) Interest income collected in 2010 amounts to Euro 10 thousand (Euro 62 thousand in 2009).
(4) Refer to increases in share capital, of Euro 79 thousand, and in the share premium reserve, of Euro 3,614 thousand, as a result of stock options exercised in 2010.

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 was formed on 12 May 2005 and has its registered office in Viale Sarca, 222 - Milan (Italy).

The Company holds directly or indirectly, through other sub-holding companies, the equity interests in companies which head up the following business segments in which the Prysmian Group operates:

- Energy Segment: the Group designs, develops, produces, distributes and installs a wide range of cables for the transmission and distribution of low, medium, high and extra high voltage electricity for underground and submarine applications, as well as cable accessories such as joints and terminations.

- Telecom Segment: the Group designs, develops, produces and distributes optical fibre and designs, develops, produces, distributes and installs optical cables for video, data and voice transmission and for the transmission of control signals, as well as components and accessories for broadband connection. The Group is able to make optical fibre internally and to produce most of the optical fibre needed for its cable production at its plants in Battipaglia (Italy) and Sorocaba (Brazil).

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.

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

On 22 November 2010, Prysmian announced its intention of making a public mixed exchange and cash offer for Draka Holding N.V., a listed company and parent of the Draka Group, with the aim of creating a global leader in the energy and telecom cable-making industry. More details can be found in Note 30 Subsequent events.

The share capital of Prysmian S.p.A. increased during 2010 after 794,263 options were exercised under the stock option plan.

The total number of shares at 31 December 2010 was 182,029,302 (including 3,028,500 treasury shares).

The financial statements contained herein were approved by the Board of Directors on 3 March 2011.

BASIS OF PREPARATION

The present 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 Company's inability to meet its obligations in the foreseeable future (and particularly in the next 12 months). The risk factors relating to the business are described in the Directors' Report. These Explanatory Notes contain a description of how the Company manages financial and capital risks, including liquidity risks, which can be found in sections C. Financial risk management and C.1 Capital risk management.

Under Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by article 5 of European Regulation 1606/2002 on international

Note: all the amounts shown in the tables in the following Explanatory Notes are expressed in thousands of Euro, unless otherwise stated.

accounting standards", issuers are required to prepare not only consolidated financial statements but also separate financial statements for the Parent Company in accordance with the international accounting and financial reporting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

The term "IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

IFRS have been applied consistently to all the periods presented in this document. The Company's financial statements have, therefore, been prepared in accordance with IFRS and related best practice; any future guidance and new interpretations will be reflected over coming years, in accordance with the recommendations of the relevant accounting standards.

Prysmian S.p.A. has prepared its annual financial statements in accordance with the above requirements as from 31 December 2007. The Company's financial statements and explanatory notes for the period 1 January 2010 - 31 December 2010 have therefore been prepared in accordance with the IFRS issued by the IASB and endorsed by the European Union as at 31 December 2010. The disclosures required by IFRS 1 - *First-time adoption of IFRS*, regarding the effects of IFRS transition, were presented in Section E of the Company's separate financial statements at 31 December 2007, to which the reader should refer.

REPORTING FORMATS AND DISCLOSURES

The Company has elected 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 financial statements have been prepared on the historical cost basis, except for the valuation of certain financial assets and liabilities, including derivatives, which must be reported using the fair value method.

The Company 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.

B. ACCOUNTING POLICIES AND STANDARDS

The accounting policies and standards adopted are the same as those used for preparing the consolidated financial statements, to which reference should be made, except as described below.

B.1 DIVIDENDS

Dividend income is recognised in the income statement when the right to receive the dividends is established, normally coinciding with the shareholders' resolution declaring the same, irrespective of whether such dividends are paid out of an investee company's pre- or post-acquisition earnings.

The distribution of dividends to shareholders is recognised as a liability in the Company's financial statements when the distribution of such dividends is approved.

B.2 SHARE-BASED PAYMENTS

Share-based payments are accounted for as follows, according to the nature of the plan:

(a) Stock option

Stock options are valued on the basis of the fair value determined on their grant date. This value is recognised on a straight-line basis over the option vesting period, in the income statement if relating to options vesting in favour of the Company's employees, or as an addition to the value of investments in subsidiaries if relating to options vesting in favour of subsidiary company employees; in either case, the matching entry is to equity. This recognition is based on the estimated number of stock options that will effectively vest in favour of eligible employees, taking into consideration any vesting conditions that are not based on the market value of the shares. Fair value is determined using the Black & Scholes method.

(b) Equity-settled share-based payment transactions

Co-investment plans include plans in which participants acquire the Company's shares at a fixed price. The difference between the fair value of the shares, determined on the grant date, and the purchase price is recognised over the vesting period in personnel costs with a matching entry in equity.

B.3 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost, less any impairment losses.

If there is specific evidence of impairment, the value of investments in subsidiaries, determined on the basis of cost, is tested for impairment. This involves comparing the carrying amount of the investments with their recoverable amount, defined as the higher of fair value less costs to sell, and value in use.

If an investee has distributed dividends, the value of the investment is tested for impairment in at least one of the following circumstances:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets, including associated goodwill;
- the dividend exceeds the total comprehensive income of the investee in the period to which the dividend refers.

The new indicators of possible impairment, contained in revised IAS 36, have also been considered for the purposes of recognising any impairment in the value of the Company's investments.

If the recoverable amount of an investment is less than its carrying amount, then the carrying amount is reduced to the recoverable amount. This reduction represents an impairment loss, which is recognised through the income statement.

For the purposes of impairment testing, the fair value of investments in listed companies is determined with reference to market value regardless of the size of holding. The fair value of investments in unlisted companies is determined using valuation techniques.

Value in use is determined using one of the following methods, both of which accepted by IFRS:

a) Discounted Cash Flow - asset side approach: this involves calculating the present value of estimated future cash flows generated by the subsidiary, including cash flows from operating activities and the proceeds arising from the investment's ultimate sale.

b) Dividend Discount Model - equity side approach: this

involves calculating the present value of estimated future cash flows from dividends and the investment's ultimate sale.

If the reasons for a previously recognised impairment loss cease to apply, the carrying amount of the investment is reinstated but to no more than its original cost, with the related revaluation recognised through the income statement.

B.4 TREASURY SHARES

Treasury shares are reported as a deduction from equity. The original cost of treasury shares and revenue arising from any subsequent sales are treated as movements in equity.

C. FINANCIAL RISK MANAGEMENT

Prysmian S.p.A. measures and manages its exposure to financial risks in accordance with the Group's policies.

The main financial risks are centrally coordinated and monitored by the Group Finance Department. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the different kinds of risks and on using financial instruments.

The principal types of risks to which the Company is exposed are discussed below.

(a) Exchange rate risk

At 31 December 2010 Prysmian S.p.A. does not have any significant receivables or payables positions or derivative financial instruments that are exposed to exchange rate risk.

(b) Interest rate risk

The interest rate risk to which the Company is exposed is mainly due to long-term financial liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes the Company to a *fair value* risk. The Company does not operate any particular hedging policies in relation to the risk arising from such contracts.

Variable rate debt exposes the Company to a rate volatility risk (cash flow risk). The Company is able to use derivative contracts to hedge this risk and so limit the impact of interest rate changes on the income statement.

The Group Finance Department monitors the exposure to interest rate risk and adopts appropriate hedging strategies to limit the exposure within the limits defined by the Group Finance, Administration and Control Department, arranging derivative contracts, if necessary.

The Company calculates the pre-tax impact on the income statement of changes in interest rates. The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables and cash and cash equivalents whose value is influenced by rate volatility. Based on the simulations carried out on balances at 31 December 2010, the impact on profit of an increase/decrease of 25 basis points in interest rates, assuming all other variables remain equal, would be an increase of Euro 635 thousand (2009: Euro 277 thousand) or a decrease of Euro 635 thousand (2009: Euro 277 thousand). This simulation is carried out periodically in order to ensure that the maximum potential loss is within the limits set by management.

(c) Price risk

The Company is not exposed to price risk insofar as it does not buy or sell goods whose price is subject to market volatility.

(d) Credit risk

The Company does not have significant concentrations of credit risk insofar as almost all its customers are companies belonging to the Group.

(e) Liquidity risk

Prudent management of the liquidity risk arising from the Company's normal operations involves the maintenance of adequate levels of cash and cash equivalents, short-term securities and funds obtainable from an adequate amount of committed credit lines. The Company's Finance Department favours flexible arrangements when sourcing funds in the form of committed credit lines.

Total liquidity reserves at the reporting date are as follows:

(in thousands of Euro)

	31 December 2010	31 December 2009
Cash and cash equivalents	633	4,925
Unused committed lines of credit	743,436	743,103
Total	**744,069**	**748,028**

The amounts relating to unused credit lines refer to credit lines available to a certain number of Group companies, including Prysmian S.p.A., with no upper limit by individual company.

It should be noted that the line serving the securitization programme can be used, if needed, only to the extent of the trade receivables that qualify for securitization (amounting to around Euro 150 million at 31 December 2010 and Euro 130 million at 31 December 2009).

The following table presents an analysis, by due date, of the payables and liabilities settled on a net basis. The various due date categories are determined on the basis of the period between the reporting date and the contractual due date of the obligations.

(in thousands of Euro)				31 December 2010
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	50,513	22,648	517,627	-
Trade and other payables	41,155	-	-	-
Total	**91,668**	**22,648**	**517,627**	**-**

(in thousands of Euro)				31 December 2009
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	30,223	20,709	67,322	-
Trade and other payables	26,516	-	-	-
Totale	**56,739**	**20,709**	**67,322**	**-**

In completion of the disclosures about financial risks, the financial assets and liabilities reported in the Company's statement of financial position are categorised according to the IFRS 7 definitions of financial assets and liabilities as follows:

(in thousands of Euro)		31 December 2010
	Loans and receivables	Other liabilities/assets
Trade receivables	-	40,566
Other receivables	-	279,201
Cash and cash equivalents	633	-
Borrowings from banks and other lenders	-	489,022
Trade payables	-	27,005
Other payables	-	14,149

(in thousands of Euro)		31 December 2009
	Loans and receivables	Other liabilities/assets
Trade receivables	-	34,429
Other receivables	-	39,372
Cash and cash equivalents	4,925	-
Borrowings from banks and other lenders	-	115,473
Trade payables	-	15,650
Other payables	-	10,866

C.1 CAPITAL RISK MANAGEMENT

The Company's objective in capital risk management is mainly to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Company also sets itself the goal of maintaining an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants required by the Credit Agreement (Notes 8 and 27).

The Company monitors capital on the basis of its gearing ratio (ie. the ratio between net financial position and capital). Note 8 contains details of how the net financial position is determined. Capital is defined as the sum of equity and the net financial position.

The gearing ratios at 31 December 2010 and 31 December 2009 are shown below:

(in thousands of Euro)

	31 December 2010	31 December 2009
Net financial position	248,413	107,148
Equity	237,301	227,180
Total	485,714	334,328
Gearing ratio	**51%**	**32.05%**

The change in the gearing ratio primarily reflects a deterioration in the net financial position, due to a higher amount of debt mainly as a result of the bond issue on 9 April 2010 (see Note 8).

C.2 FAIR VALUE

The fair value of financial instruments listed on an active market is based on market price at the reporting date. The market price used for derivatives is the bid price, whilst for financial liabilities the ask price is used.
The fair value of instruments not listed on an active market is determined using valuation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.
Other techniques, such as that of estimating discounted cash flows, are used for the purposes of determining the fair value of other financial instruments.
It is reported that the Company's statement of financial position does not contain any assets or liabilities measured at fair value.

Given the short-term nature of trade receivables and payables, their book values, net of any allowance for doubtful accounts, are treated as a good approximation of fair value.

D. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting standards and methods which, at times, rely on subjective judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts previously reported on the basis of estimates and assumptions may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

Briefly described below are the accounting policies that require greater subjectivity of judgement by the management of Prysmian S.p.A. when preparing estimates and for which a change in underlying assumptions could have a significant impact on the financial statements.

(a) Provisions for risks and charges

Provisions are recognised for legal and tax risks and reflect the risk of a negative outcome. The value of the provisions recorded in the financial statements against such risks represents the best estimate by management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, have a significant impact on the current estimates made by management to prepare the Company's financial statements.

(b) Impairment of assets

In accordance with the accounting standards applied by the Group, property, plant and equipment, intangible assets with finite useful lives and equity investments are tested for impairment. Any impairment loss is recognised by means of a write-down, when indicators suggest it will be difficult to recover the related net book value through use of the assets. Verification of these indicators requires management to make subjective judgements based on the information available within the Company and from the market, as well as from past experience. In addition, if a potential impairment loss is identified, the Company determines the amount of such impairment using suitable valuation techniques. Correct identification of impairment indicators as well as the estimates for determining the amount of impairment depend on factors which can vary over time, thus influencing judgements and estimates made by management.

Irrespective of the existence of potential impairment indicators or otherwise, all intangible assets not yet ready for use must be tested for impairment once a year.

(c) Depreciation and amortisation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of the Company's property, plant and equipment and intangible assets is determined by management when the asset is acquired. This is based on past experience for similar assets, market conditions and expectations regarding future events that could impact useful life, including changes in technology. Therefore, actual economic life may differ from estimated useful life. The Company periodically reviews technological and sector changes to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Taxes

Current taxes are calculated on the basis of the taxable profit for the year, applying the tax rates effective at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is likely that future taxable profit will be available against which they can be recovered.

1. PROPERTY, PLANT AND EQUIPMENT

The following table presents the movements in property, plant and equipment over the course of 2010:

(in thousands of Euro)

	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2009	**295**	**893**	**660**	**474**	**1,077**	**3,399**
Movements in 2010:						
- Investments	4	55	101	172	299	631
- Reclassifications	-	720	65	154	(939)	-
- Depreciation	(50)	(232)	(239)	(177)	-	(698)
Total movements	**(46)**	**543**	**(73)**	**149**	**(640)**	**(67)**
Balance at 31 December 2010	**249**	**1,436**	**587**	**623**	**437**	**3,332**
Of which:						
- Historical cost	420	5,165	1,101	1,815	437	8,938
- Accumulated depreciation and impairment	(171)	(3,729)	(514)	(1,192)	-	(5,606)
Net book value	**249**	**1,436**	**587**	**623**	**437**	**3,332**

The amount of Euro 249 thousand for "Buildings" refers to expenditure on properties taken under lease.

"Plant and machinery" (Euro 1,436 thousand) and "Equipment" (Euro 587 thousand) mostly refer to instrumentation used for Research and Development activities.

"Other assets" (Euro 623 thousand) comprise Euro 412 thousand in office furniture and equipment and Euro 211 thousand in motor and other vehicles.

"Assets under construction and advances" (Euro 437 thousand) mostly refer to plant and machinery that will be used for Research and Development and which are expected to become available for use in the next year.

No borrowing costs were capitalised during the year.

Movements in property, plant and equipment in 2009 were as follows:

(in thousands of Euro)

	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2008	**321**	**909**	**491**	**729**	**547**	**2,997**
Movements in 2009:						
- Investments	24	135	320	129	802	1,410
- Disposals	-	-	-	(1)	(272)	(273)
- Depreciation	(50)	(151)	(151)	(383)	-	(735)
Total movements	**(26)**	**(16)**	**169**	**(255)**	**530**	**402**
Balance at 31 December 2009	**295**	**893**	**660**	**474**	**1,077**	**3,399**
Of which:						
- Historical cost	416	4,390	935	1,489	1,077	8,307
- Accumulated depreciation and impairment	(121)	(3,497)	(275)	(1,015)	-	(4,908)
Net book value	**295**	**893**	**660**	**474**	**1,077**	**3,399**

2. INTANGIBLE ASSETS

The following table presents the movements in the year by the principal components of intangible assets:

(in thousands of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Software	Immobilizzazioni in corso e anticipi	Total
Balance at 31 December 2009	**9,024**	**-**	**15,746**	**6,599**	**31,369**
Movements in 2010:					
- Investments	-	107	5,964	4,433	10,504
- of which internally generated intangible assets	*-*	*-*	*5,949*	*4,142*	*10,091*
- Reclassifications	-	-	6,450	(6,450)	-
- Amortisation	(1,193)	(3)	(3,710)	-	(4,906)
Total movements	**(1,193)**	**104**	**8,704**	**(2,017)**	**5,598**
Balance at 31 December 2010	**7,831**	**104**	**24,450**	**4,582**	**36,967**
Of which:					
- Historical cost	11,394	107	31,163	4,582	47,246
- Accumulated amortisation and impairment	(3,563)	(3)	(6,713)	-	(10,279)
Net book value	**7,831**	**104**	**24,450**	**4,582**	**36,967**

"Patents" reflect the patents portfolio transferred from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l. under the spin-off deed dated 11 July 2008.

"Concessions, licences, trademarks and similar rights" refer to software licences purchased during the year.

"Software", which includes software development, reports a large increase mostly due to the new information system (SAP Consolidation project) which has already entered service and whose historical cost at 31 December 2010 is Euro 28,191 thousand. The costs of this information system will be amortised over 8 years ending in 2017.

"Intangibles in progress and advances" refer to investments still in progress at year end, which have therefore not been amortised.

The amount at 31 December 2010 includes Euro 4,142 thousand in expenditure on rolling out the SAP Consolidation project, aimed at harmonising the information system throughout the Group over the next few years.

No borrowing costs were capitalised during the year.

Movements in intangible assets in 2009 were as follows:

(in thousands of Euro)

	Patents	Software	Intangibles in progress and advances	Total
Balance at 31 December 2008	**10,169**	**894**	**11,206**	**22,269**
Movements in 2009:				
- Investments	40	5,812	6,720	12,572
- of which internally generated intangible assets	-	*5,247*	*5,831*	*11,078*
- Disposals	-	(10)	-	(10)
- Reclassifications	-	11,327	(11,327)	-
- Amortisation	(1,185)	(2,277)	-	(3,462)
Total movements	**(1,145)**	**14,852**	**(4,607)**	**9,100**
Balance at 31 December 2009	**9,024**	**15,746**	**6,599**	**31,369**
Of which:				
- Historical cost	11,394	18,749	6,599	36,742
- Accumulated amortisation and impairment	(2,370)	(3,003)	-	(5,373)
Net book value	**9,024**	**15,746**	**6,599**	**31,369**

3. INVESTMENTS IN SUBSIDIARIES

These are detailed as follows:

(in thousands of Euro)

	31 December 2010	31 December 2009	Change	Registered office	Share capital	% owned
Prysmian Cavi e Sistemi Energia S.r.l.	159,108	159,030	78	Milan	Euro 100,000,000	100
Prysmian Cavi e Sistemi Telecom S.r.l.	257,928	-	257,928	Milan	Euro 31,930,000	100
Prysmian Telecom S.r.l.	-	102,920	(102,920)	Milan	Euro 10,000	-
Prysmian Kabel Und Systeme GmbH	2,154	2,154	-	Berlin	Euro 15,000,000	6,25
Prysmian Pension Scheme Trustee L.	-	-	-	Hampshire	GBP 1	100
Prysmian (Brazil) Holdings Ltda	-	-	-	San Paolo	Real Brasil 4,700	-
Prysmian Kablo SRO	1	1	-	Bratislava	Corone Ceche 640,057,000	0.005
Total investments in subsidiaries	**419,191**	**264,105**	**155,086**			

The net increase of Euro 155,086 thousand in the value of investments in subsidiaries is attributable to:

- capital contribution of Euro 155,000 thousand to Prysmian Telecom S.r.l.;
- increases of Euro 86 thousand for the income component of stock options over Prysmian S.p.A. shares held by managers of other Group companies, as explained in Note 15. This component has been treated like a capital contribution to the subsidiaries and so reported as an increase in the value of the investments in the subsidiaries in which these managers are directly or indirectly employees. These increases are matched by a corresponding movement in the specific equity reserve (see Note 7).

Prysmian Telecom S.r.l completed a reverse merger into Prysmian Cavi e Sistemi Telecom S.r.l. on 1 July 2010. As a result of this transaction, which was effective from 1 January 2010, Prysmian S.p.A. now has direct control over 100% of Prysmian Cavi e Sistemi Telecom S.r.l..

Lastly, the subsidiary Prysmian (Brazil) Holdings Ltda completed its winding-up process effective 8 December 2010.

4. DEFERRED TAX ASSETS

These amount to Euro 4,039 thousand and reflect the effect of temporary differences between the accounting value of assets and liabilities at 31 December 2010 and their corresponding tax value.
These differences mainly refer to Euro 762 thousand for plant, machinery and equipment for which an impairment loss was recognised in 2008, Euro 845 thousand for the provision against the investigation by Antitrust authorities, Euro 1,011 thousand in expenses relating to the capital increase serving the public mixed

exchange and cash offer for the ordinary shares of Draka Holding N.V., announced on 22 November 2010 and formalised on 5 January 2011, and Euro 1,146 thousand in the balance of costs relating to the flotation in 2007 which will be deducted for tax in 2011.

About 60% of the total balance is recoverable in the short term.

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in thousands of Euro)	31 December 2010		
	Non-current	Current	Total
Trade receivables	-	40,566	40,566
Total trade receivables	**-**	**40,566**	**40,566**
Other receivables:			
Tax receivables	-	4,361	4,361
Financial receivables	93	223,735	223,828
Prepaid finance costs	14,648	1,500	16,148
Receivables from employees	21	139	160
Others	-	34,704	34,704
Total other receivables	**14,762**	**264,439**	**279,201**
Total	**14,762**	**305,005**	**319,767**

(in thousands of Euro)	31 December 2009		
	Non-current	Current	Total
Trade receivables	-	34,429	34,429
Total trade receivables	**-**	**34,429**	**34,429**
Other receivables:			
Tax receivables	-	2,240	2,240
Financial receivables	213	119	332
Prepaid finance costs	1,756	1,312	3,068
Receivables from employees	5	76	81
Others	-	33,651	33,651
Total other receivables	**1,974**	**37,398**	**39,372**
Total	**1,974**	**71,827**	**73,801**

Trade and other receivables do not include any amounts in currencies other than the Euro in either reporting period.

Trade receivables at 31 December 2010 mainly refer to charges by Prysmian S.p.A. to its subsidiaries for Corporate services, for patent and know-how user licences, and for advisory costs incurred in relation to the Credit Agreement and the charge to Prysmian Financial Services Ireland Ltd. for services rendered in connection with the securitization of receivables.
The increase in trade receivables since 31 December 2009 is mainly due to higher royalties charged for the use of patent licences as a result of the overall increase in sales relative to the prior year.

The book value of trade receivables approximates their fair value.
Trade receivables are all due within the next year and do not include any significant past due balances.

Tax receivables mainly refer to VAT (Euro 2,985 thousand) and residual tax credits for research and development under art. 1, par. 280-283, of Law 296 dated 27 December 2006 (Euro 574 thousand), as per the authorisation received from the tax office on 15 June 2009.

Financial receivables mostly comprise the credit balance of Euro 223,616 thousand on the current account with Prysmian Treasury S.r.l. and Prysmian S.p.A.'s portion of the costs incurred at the start of the receivables securitization, which are being amortised over the term of the contract, ie. until July 2012. The current portion of these costs is Euro 119 thousand, while the non-current portion is Euro 69 thousand. At 31 December 2009 the current portion of these costs was Euro 119 thousand, while the non-current portion was Euro 189 thousand.

"Prepaid finance costs" mostly relate to:
- Euro 13,906 thousand in costs incurred for entering a Forward Start Credit Agreement on 21 January 2010 (see Note 8), classified as non-current because the Company will amortise them over the term of the loan, ie. from 2012 to 2014;
- Euro 1,741 thousand in costs relating to the Bonding and Revolving credit facilities under the Credit Agreement entered on 18 April 2007, and being amortised over the term of the loan ie. until 2012. The non-current portion of these costs amounts to Euro 429 thousand (Euro 1,756 thousand at 31 December 2009), while the current portion is Euro 1,312 thousand (Euro 1,312 thousand at 31 December 2009).

At 31 December 2010, "Others" mainly comprise:
- Euro 30,366 thousand in receivables from Italian Group companies for the transfer of IRES (Italian corporate income tax) under the group tax filing (art. 117 et seq of the Italian Income Tax Code);
- Euro 720 thousand in bank fees recharged to Group companies and not yet collected;
- Euro 871 thousand in bank fees incurred for entering the Forward Start Credit Agreement, recharged to Group companies and not yet collected.

The book value of financial receivables and other current receivables approximates their fair value.

6. CASH AND CASH EQUIVALENTS

These amount to Euro 633 thousand at 31 December 2010, compared with Euro 4,925 thousand at 31 December 2009.
They relate to the cash held on bank current accounts denominated in Euro and repayable on demand.
The credit risk associated with cash and cash equivalents is limited insofar as the counterparties are major national and international banks.
The value of cash and cash equivalents is considered to be in line with its fair value at the reporting date.

7. SHARE CAPITAL AND RESERVES

The shareholders of Prysmian S.p.A. voted on 15 April 2010 to distribute a gross dividend of Euro 0.417 per share, for a total of Euro 74.6 million; this dividend was paid on 22 April 2010.
A proposal to pay a dividend of Euro 0.166 per share for a total of some Euro 35 million in respect of the year ended 31 December 2010 will be presented to the Shareholders' Meeting on 12 April 2011 (first call) or 13 April 2011 (second call) or 14 April 2011 (third call).
The present financial statements do not reflect any liability for the proposed dividend.
A total of 794,263 options were exercised in 2010 under the stock option plan described in Note 15.
Equity amounts to Euro 237,301 thousand at 31 December 2010, which is Euro 10,121 thousand more than at 31 December 2009, reflecting profit for the year (Euro 83,239 thousand) which more than offset the dividend distribution (Euro 74,640 thousand).

Share capital
Share capital amounts to Euro 18,203 thousand at 31 December 2010, consisting of 182,029,302 ordinary shares (including 3,028,500 treasury shares), with a nominal value of Euro 0.10 each. The total number of outstanding voting shares is 179,000,802.

The following table reconciles the number of outstanding shares at 31 December 2009 with those at 31 December

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2008	**180,546,227**	**(3,028,500)**	**177,517,727**
Capital increase (*)	688,812	-	688,812
Treasury shares	-	-	-
Balance at 31 December 2009	**181,235,039**	**(3,028,500)**	**178,206,539**
Capital increase (*)	794,263	-	794,263
Treasury shares	-	-	-
Balance at 31 December 2010	**182,029,302**	**(3,028,500)**	**179,000,802**

(*) Resulting from the exercise of part of the first three tranches of the Stock Option Plan.

More details about treasury shares can be found in the subsequent note on "Treasury shares".

Share premium reserve

This amounts to Euro 9,233 thousand at 31 December 2010 and has increased by Euro 3,614 thousand since 31 December 2009 following the increase in share capital to service the exercise of stock options under the plan described in Note 15.

Capital increase costs

This reserve amounts to Euro 2,664 thousand at 31 December 2010, net of tax, and was created during the year to record the costs incurred for the capital increase serving the public mixed exchange and cash offer for the ordinary shares of Draka Holding N.V., announced on 22 November 2010 and formalised on 5 January 2011.

Legal reserve

This amounts to Euro 3,625 thousand at 31 December 2010, and is Euro 14 thousand higher than at 31 December 2009 following apportionment of part of the prior year's profit, as approved by the shareholders on 15 April 2010.

Treasury share reserve

This reserve amounts to Euro 30,179 thousand at 31 December 2010, in compliance with the legal limit (art. 2357-ter of the Italian Civil Code). It was formed during 2008 after the shareholders adopted a resolution on 15 April 2008 authorising a programme to buy back up to 10% of the Company's shares. 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 30.2 million. On 9 April 2009, the shareholders renewed the authorisation to buy and dispose of treasury shares, while cancelling the previous resolution adopted on 15 April 2008. The authorisation permitted 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 could not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved annual financial statements. The programme was to last for a maximum of 18 months commencing from the date of the shareholders' approval and therefore expired on 9 October 2010.

Extraordinary reserve

This reserve amounts to Euro 52,688 thousand at 31 December 2010 and was formed following the apportionment of profit for 2006, as approved by the shareholders on 28 February 2007.

IAS/IFRS first-time adoption reserve

This reserve was created in accordance with IFRS 1 and reflects the differences arising on first-time adoption of IAS/IFRS.

It amounts to Euro 30,177 thousand at 31 December 2010, the same as at 31 December 2009.

Stock option reserve

This reserve amounts to Euro 7,076 thousand at 31 December 2010. This is Euro 217 thousand more than at 31 December 2009 reflecting:

- the total cost of Euro 131 thousand recognised in the income statement during the year (Euro 358 thousand in 2009), of which Euro 55 thousand for co-investment plans involving Prysmian S.p.A. shares (see Note 15), Euro 3 thousand for co-investment plans for directors involving Prysmian S.p.A. shares (see Note 15) and Euro 73 thousand for stock option plans involving Prysmian S.p.A. shares (see Note 15);
- an increase of Euro 86 thousand in the carrying amount of investments in subsidiaries, whose managers are beneficiaries of stock option plans involving Prysmian S.p.A. shares (see Note 15).

Treasury shares

The book value of treasury shares is Euro 30,179 thousand at 31 December 2010 and refers to 3,028,500 ordinary shares acquired under the share buy-back programme described earlier.

Movements in treasury shares are as follows:

	Number of ordinary shares	Total nominal value (in Euro)	% of total share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2008	**3,028,500**	**302,850**	**1.68%**	**9.965**	**30,179,003**
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2009	**3,028,500**	**302,850**	**1.67%**	**9.965**	**30,179,003**
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2010	**3,028,500**	**302,850**	**1.66%**	**9.965**	**30,179,003**

Retained earnings

Retained earnings amount to Euro 30,337 thousand at 31 December 2010, having decreased by Euro 25,488 thousand since 31 December 2009 following the distribution of dividends, approved by the Shareholders' Meeting on 15 April 2010.

In compliance with art. 2427, no. 7-bis of the Italian Civil Code, the following table analyses each component of equity, indicating its origin, permitted use and distribution, as well as how it has been used in previous years.

(in thousands of Euro)

Nature/description	Amount	Permitted use (A,B,C)	Amount available for distribution	Uses in three previous years	
				to cover losses	other purposes
Share capital	**18.203**				
Capital reserves:					
- Capital contribution reserve	6,113	A,B,C	6,113		
- Share premium reserve	9,233	A,B,C	9,233		
- Capital increase costs	(2,664)		(2,664)		
Earnings reserves:					
- Extraordinary reserve	52,688	A,B,C	52,688		
- IAS/IFRS first-time adoption reserve [1]	30,177	A,B,C	30,177		45,640
- Legal reserve	3,625	B			
- Stock option reserve	7,076		-		
- Actuarial gains (losses) reserve	(726)		(726)		
- Retained earnings	30,337	A,B,C	30,337		25,488
Total	**154,062**		**125,158**		**71,128**
Undistributable amount					
Distributable amount			**125,158**		

Key: A: to increase capital
B: to cover losses
C: distribution to shareholders

8. BORROWINGS FROM BANKS AND OTHER LENDERS

These amount to Euro 489,022 thousand at 31 December 2010, compared with Euro 115,473 thousand at 31 December 2009.

(in thousands of Euro)

	31 December 2010		
	Non-current	Current	Total
Borrowings from banks and other lenders	66,801	11,363	78,164
Bond	395,554	15,304	410,858
Total	**462,355**	**26,667**	**489,022**

[1] The IAS/IFRS first-time adoption reserve is presented net of Euro 30,179 thousand, corresponding to the value of treasury shares acquired, which under art. 2357-ter of the Italian Civil Code represents an undistributable reserve.

(in thousands of Euro)

	31 December 2009		
	Non-current	Current	Total
Borrowings from banks and other lenders	86,574	10,210	96,784
Borrowings from Group companies	-	18,689	18,689
Total	**86,574**	**28,899**	**115,473**

At 31 December 2010 non-current borrowings from banks and other lenders (Euro 66,801 thousand) refer to the residual portion of the term loan granted to Prysmian S.p.A. under the Credit Agreement.
On 16 April 2010, thanks to the proceeds of the bond issue, Prysmian made an early repayment of Euro 20,000 thousand in respect of the second, third and fourth instalments due under the Credit Agreement's repayment schedule.
The current portion of borrowings from banks and other lenders (Euro 11,363 thousand) reflects Euro 9,971 thousand in debt repayable in 2011 under the Credit Agreement, Euro 116 thousand in interest payable on the Credit Agreement relating to 2010, Euro 1,153 thousand in fees relating to the Forward Start Credit Agreement and Euro 123 thousand in fees for non-utilisation of the Bonding and Revolving credit facilities.
The increase since 31 December 2009 is mainly due to the fees payable in connection with the Forward Start Credit Agreement, discussed below.

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

(in thousands of Euro)

	31 December 2010	31 December 2009
Credit Agreement	76,888	96,691
Bond	410,858	-
Other borrowings	1,276	93
Totale	**489,022**	**96,784**

Credit Agreement

The Credit Agreement is a variable rate Euro facility, tied to Euribor. The spread applied as at 31 December 2010, inclusive of fees on the Forward Start Credit Agreement, is approximately 1% per annum. The fair value of the Credit Agreement at 31 December 2010 approximates its carrying amount.
Under the credit agreement signed on 18 April 2007 ("Credit Agreement"), Prysmian S.p.A. and some of its subsidiaries were granted a total of Euro 1,700 million in loans and credit facilities.
On 16 April 2010, the Prysmian Group 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 tables summarise the committed lines available to the Group at 31 December 2010 and 31 December 2009:

(in thousands of Euro)			31 December 2010
	Total lines	Used	Unused
Term Loan Facility	770,000	(770,000)	-
Revolving Credit Facility	400,000	(6,564)	393,436
Bonding Facility	300,000	(145,521)	154,479
Total Credit Agreement	**1,470,000**	**(922,085)**	**547,915**
Securitization	350,000	-	350,000
Total	**1,820,000**	**(922,085)**	**897,915**

(in thousands of Euro)			31 December 2009
	Total lines	Used	Unused
Term Loan Facility	970,000	(970,000)	-
Revolving Credit Facility	400,000	(6,897)	393,103
Bonding Facility	300,000	(144,661)	155,339
Total Credit Agreement	**1,670,000**	**(1,121,558)**	**548,442**
Securitization	350,000	-	350,000
Total	**2,020,000**	**(1,121,558)**	**898,442**

Unused committed lines at 31 December 2010 of Euro 897,915 thousand comprise Euro 154,479 thousand in credit lines relating to guarantees (Bonding Facility) and Euro 743,436 thousand in cash facilities.
Unused committed lines at 31 December 2009 of Euro 898,442 thousand comprised Euro 155,339 thousand in credit lines relating to guarantees (Bonding Facility) and Euro 743,103 thousand in cash facilities.

The Revolving Credit Facility is used to finance ordinary working capital requirements, as well as the issue of guarantees other than those covered by the Bonding Facility.
The Bonding Facility is used to issue guarantees such as bid bonds, performance bonds and warranty bonds.

Forward Start Credit Agreement
On 21 January 2010, the Group entered into a long-term credit agreement for Euro 1,070 million with a syndicate of major 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 million, 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.

Bond

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, with an issue price of Euro 99.674, has a 5-year term and will pay a fixed annual coupon of 5.25%.

The bond settlement date was 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market. At 31 December 2010 the bond has a fair value of Euro 406,972 thousand.

The following tables report movements in borrowings from banks and other lenders:

(in thousands of Euro)	Credit Agreement	Bond	Other borrowings	Total
Balance at 31 December 2009	**96,691**	**-**	**93**	**96,784**
New funds	-	395,554	-	395,554
Repayments	(20,000)	-	(93)	(20,093)
Amortisation of bank and financial fees and other expenses	228	-	-	228
Interest and other movements	(31)	15,304	1,276	16,549
Total movements	**(19,803)**	**410,858**	**1,183**	**392,238**
Balance at 31 December 2010	**76,888**	**410,858**	**1,276**	**489,022**

(in thousands of Euro)	Credit Agreement	Other borrowings	Total
Balance at 31 December 2008	**99,771**	**179**	**99,950**
Repayments	(3,000)	(179)	(3,179)
Amortisation of bank and financial fees and other expenses	203	-	203
Interest and other movements	(283)	93	(190)
Total movements	**(3,080)**	**(86)**	**(3,166)**
Balance at 31 December 2009	**96,691**	**93**	**96,784**

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2010 and 2009:

(in thousands of Euro)			31 December 2010
	Variable rate Euro	Fixed rate Euro	Total
Due within 1 year	11.363	15.304	26.667
Due between 1 and 2 years	66.801	-	66.801
Due between 2 and 3 years	-	-	-
Due between 3 and 4 years	-	-	-
Due between 4 and 5 years	-	395.554	395.554
Due after more than 5 years	-	-	-
Total	**78.164**	**410.858**	**489.022**
Average interest rate in period, as per contract	2,0%	5,3%	4,7%

(in thousands of Euro)			31 December 2009
	Variable rate Euro	Fixed rate Euro	Total
Due within 1 year	28.899	-	28.899
Due between 1 and 2 years	19.625	-	19.625
Due between 2 and 3 years	66.949	-	66.949
Due between 3 and 4 years	-	-	-
Due between 4 and 5 years	-	-	-
Due after more than 5 years	-	-	-
Total	**115.473**	**-**	**115.473**
Average interest rate in period, as per contract	2,7%	0,0%	2,7%

The Credit Agreement and the Forward Start Credit Agreement do not require any collateral security, except for a lien on shares in the main subsidiaries if the financial covenants are breached. More information can be found in Note 27 Financial Covenants.

NET FINANCIAL POSITION

(in thousands of Euro)

	Note	31 December 2010	Of which related parties (Note 23)	31 December 2009	Of which related parties (Note 23)
Long-term financial payables					
- Term Loan Facility	8	67,000		87,000	
- Bank fees	8	(199)		(426)	
Credit agreement		**66,801**		**86,574**	
- Bond	8	395,554		-	
Total long-term financial payables		**462,355**		**86,574**	
Short-term financial payables					
- Term Loan Facility	8	10,116		10,117	
- Bank fees	8	(29)		-	
- Bond	8	15,304		-	
- Borrowings from Group companies	8	-		18,689	18,689
- Other borrowings	8	1,276		93	
Total short-term financial payables		**26,667**		**28,899**	
Total financial liabilities		**489,022**		**115,473**	
Long-term financial receivables	5	93		213	
Long-term bank fees	5	14,648		1,756	
Short-term financial receivables	5	119		119	
Short-term bank fees	5	1,500		1,312	
Receivables from Group companies	5	223,616	223,616	-	
Cash and cash equivalents	6	633		4,925	
Total financial assets		**240,609**		**8,325**	
Net financial position		**248,413**		**107,148**	

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

(in thousands of Euro)

	Note	31 December 2010	Of which related parties (Note 23)	31 December 2009	Of which related parties (Note 23)
Net financial position - as reported above		**248,413**		**107,148**	
Long-term financial receivables	5	93		213	
Long-term bank fees	5	14,648		1,756	
Recalculated net financial position		**263,154**		**109,117**	

9. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in thousands of Euro)

	31 December 2010	31 December 2009
Trade payables	27,005	15,650
Total trade payables	**27,005**	**15,650**
Other payables:		
Tax and social security payables	4,097	3,770
Payables to employees	6,961	4,279
Accrued expenses	258	11
Others	2,833	2,806
Total other payables	**14,149**	**10,866**
Total	**41,154**	**26,516**

Trade payables mostly refer to charges by suppliers and external professional consultants for organisational, legal and IT services and charges from Group companies involved in the receivables securitization programme.

The increase is mainly due to costs associated with the public mixed exchange and cash offer for the ordinary shares of Draka Holding N.V. that relate to 2010 but have not yet been paid.

Other payables comprise:

- social security payables relating to contributions on employee wages and salaries and amounts payable into supplementary pension funds;
- tax payables mainly relating to tax withheld from employees and not yet paid to the tax authorities;
- payables to employees for accrued wages and salaries not yet paid; the increase mainly reflects long-term incentives maturing up until 31 December 2010 that will be paid in coming years;
- others, which mainly relate to legal fees payable in connection with the investigation started by the European Commission to verify the existence of alleged anti-competitive agreements in the high voltage underground and submarine cables sector (Euro 500 thousand), to amounts due to Group companies for the transfer of recoverable withholding taxes (Euro 806 thousand) to the Company under the group income tax election (art. 117 et seq of the Italian Income Tax Code) and to tax payments on account under the group VAT filing (Euro 511 thousand).

The following table breaks down trade and other payables according to the currency in which they are expressed:

(in thousands of Euro)

	31 December 2010	31 December 2009
Euro	26,329	15,109
British Pound	140	107
US Dollar	389	286
Chinese Renminbi (Yuan)	18	-
Australian Dollar	107	100
Other currencies	22	48
Total	**27,005**	**15,650**

10. PROVISIONS FOR RISKS AND CHARGES

These amount to Euro 2,653 thousand, compared with Euro 2,043 thousand at 31 December 2009.

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

(in thousands of Euro)

	Contractual and legal risks	Other risks and charges	Total
Balance at 31 December 2009	**2,006**	**37**	**2,043**
Increases	2,030	-	2,030
Utilisations	(1,195)	-	(1,195)
Releases	(225)	-	(225)
Total movements	**610**	**-**	**610**
Balance at 31 December 2010	**2,616**	**37**	**2,653**

The increase of Euro 2,030 thousand in the provision for contractual and legal risks refers to the provision of legal costs relating to the investigation started by the European Commission aimed at verifying the existence of alleged anti-competitive agreements in the high voltage underground and submarine cables sector.

These amounts have not been discounted because the related outlay is expected to occur in the next 12 months.

11. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amount to Euro 4,705 thousand (Euro 4,844 thousand at 31 December 2009) and are detailed as follows:

(in thousands of Euro)

	31 December 2010	31 December 2009
Employee indemnity liability (Italian TFR)	3.746	3.825
Termination and other benefits	959	1.019
Total	**4.705**	**4.844**

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

(in thousands of Euro)

	31 December 2010	31 December 2009
Employee indemnity liability (Italian TFR)	272	194
Termination and other benefits	15	549
Total	**287**	**743**

The cost of employee indemnity liability was Euro 272 thousand in 2010, while that of termination benefits was Euro 15 thousand.

Employee indemnity liability

This is detailed as follows:

(in thousands of Euro)

	2010	2009
Opening balance	**3,825**	**3,463**
Interest costs	272	194
Actuarial (gains)/losses recognised in equity	(1)	755
Staff transfer	(56)	(106)
Utilisations	(294)	(481)
Total movements	**(79)**	**362**
Closing balance	**3,746**	**3,825**

Other information

Other information relating to employee indemnity liability is as follows:

	31 December 2010	31 December 2009
Discount rate	5.00%	5.00%
Future expected salary increase	N/A	N/A
Inflation rate	2.00%	2.00%

The average headcount in each period is reported below, as well as the closing headcounts at 31 December 2010 and 31 December 2009:

2010	Average 1/1 31/12/2010	%	At 31/12/2010	%
Blue collar	39	14%	34	12%
White collar and management	240	86%	239	88%
Total	**279**	**100%**	**273**	**100%**

2009	Average 1/1 31/12/2009	%	At 31/12/2009	%
Blue collar	39	14%	38	14%
White collar and management	242	86%	241	86%
Total	**281**	**100%**	**279**	**100%**

12. SALES OF GOODS AND SERVICES

These amount to Euro 37,020 thousand compared with Euro 37,695 thousand in the prior year and refer to revenue from recharges by Prysmian S.p.A., under specific contracts, to its sub-holding companies Prysmian Cavi e Sistemi Energia S.r.l. and Prysmian Cavi e Sistemi Telecom S.r.l. for coordination activities and services provided by headquarters functions to Group companies.

13. OTHER INCOME

This amounts to Euro 38,728 thousand compared with Euro 35,420 thousand in 2009 and is detailed as follows:

(in thousands of Euro)

	2010	2009
Royalties	30,530	25,338
Other services	1,124	1,062
Rental income	1,086	948
Insurance reimbursements and indemnities	89	40
Other income	5,899	8,032
Total	**38,728**	**35,420**

Royalties refer to charges for the use of patents and know-how by the subsidiaries Prysmian Cavi e Sistemi Energia S.r.l. (Euro 28,833 thousand) and Prysmian Cavi e Sistemi Telecom S.r.l. (Euro 1,269 thousand) and by other companies outside the Group (Euro 428 thousand).

Other services refer to charges to the Irish vehicle company, Prysmian Financial Services Ireland Ltd., for services rendered in relation to the receivables securitization programme.

Rental income refers to the recharge to Group companies of rent for the Company's office building, on the basis of the portion used by each of them.

Other income refers to sundry types of income and expense recharges.

14. RAW MATERIALS AND CONSUMABLES USED

These amount to Euro 634 thousand (Euro 919 thousand in 2009) and include purchases of fuel and other materials.

15. PERSONNEL COSTS

These are detailed as follows:

(in thousands of Euro)

	2010	2009
Wages and salaries	23,628	21,157
Social security	6,681	6,097
Retirement pension costs	1,363	1,271
Non-recurring personnel costs (income):		
Staff lay-off costs	*1,060*	*127*
Total non-recurring personnel costs (income)	1,060	127
Other personnel costs	542	876
Total	**33,274**	**29,528**

Personnel costs are higher in 2010 than in 2009 partly as a result of an increase in management bonuses and incentives, as discussed in Note 23.

Retirement pension costs (Euro 1,363 thousand) refer to the amount of employee indemnity liability accruing in the year and paid by the Company into supplementary pension funds or into the special fund established by INPS (Italy's social security agency) following the changes introduced under Law 296/06.

SHARE-BASED PAYMENTS

At 31 December 2010 and 31 December 2009, Prysmian S.p.A. had share-based compensation plans in place for managers of Group companies and members of the Company's Board of Directors.

These plans are described below:

Co-investment plans

During July 2005, certain managers of Group companies were given the right to buy shares representing the share capital of Prysmian (Lux) S.à r.l., the company which had indirect control of Prysmian S.p.A. through Prysmian (Lux) II S.à r.l.. The purchase price was set at Euro 28.16 for each ordinary share and Euro 1.00 for each non-Interest Bearing Preferred Equity Certificate (nPEC) and Interest Bearing Preferred Equity Certificate (iPEC). Such purchase prices were equivalent to the prices paid by Goldman Sachs for the same shares during the Acquisition.

In June 2006, the final co-investment plan was signed and, subsequently, in the months July-September 2006 the shares of the former parent company Prysmian (Lux) S.à r.l. were subscribed at the contractually agreed prices reported above.

The main features of the agreement were as follows:

(in Euro)

	Fair value
Ordinary shares	2,001.83
nPEC	Not less than 1.00
iPEC	1.12

The fair value of the co-investment plan at the grant date

was Euro 10.5 million. The overall cost recognised in the income statement in the year ended 31 December 2010 is Euro 58 thousand compared with Euro 162 thousand at 31 December 2009. This cost has been recognised in "Personnel costs" for the portion attributable to the Company's employees, and in "Other expenses" for the portion attributable to the Company's directors.

This cost represents the difference between the fair market value (FMV) of the Prysmian (Lux) S.à.r.l. shares on their grant date and the subscription price for management.

As at 31 December 2010 the co-investment plan has been discontinued.

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 in 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 as follows:

(in Euro)

	31 December 2010		31 December 2009	
	Number of options	Strike price	Number of options	Strike price
Options at start of year	1,560,436	4.65	2,318,974	4.65
Granted	-	4.65	-	4.65
Cancelled	(28,327)	-	(69,726)	-
Exercised	(794,263)	4.65	(688,812)	4.65
Options at end of year	737,846	4.65	1,560,436	4.65
of which Prysmian Spa	*375,728*	*4.65*	*754,898*	*4.65*
of which vested at end of year	737,846	4.65	880,599	4.65
of which Prysmian Spa	*375,728*	*4.65*	*441,131*	*4.65*
of which exercisable [1]	-	-	-	-
of which not vested at end of year	-	4.65	679,837	4.65
of which Prysmian Spa	-	*4.65*	*313,767*	*4.65*

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 Board's approval of the Company's proposed financial statements for 2012 (the original option expiry date was 30 days after the Board's approval of the proposed 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 incentive plan's amendment has been accompanied by an extension of the term for the capital increase by

[1] Option exercise is limited to the periods reported below.

Prysmian S.p.A. in relation to this plan, with a consequent revision of article 6 of the Company's by-laws.

The fair value of the original stock option plan was measured using the Black-Scholes method. Under this model, the options had a grant date weighted average fair value of Euro 5.78, determined on the basis of the following assumptions:

Average life of options (years)	3.63
Expected volatility	40%
Average risk-free interest rate	3.78%
Expected dividend yield	0%

As at 31 December 2010, the options have an average remaining life of 2.3 years.

The overall cost for the stock option plan recognised under "Personnel costs" (Wages and salaries) in the income statement is Euro 73 thousand in 2010, compared with Euro 196 thousand in 2009.

Lastly, a total of Euro 86 thousand was added to the cost of investments in subsidiaries in the year to reflect options that had vested for employees of such subsidiaries.

As at 31 December 2010, there are no loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

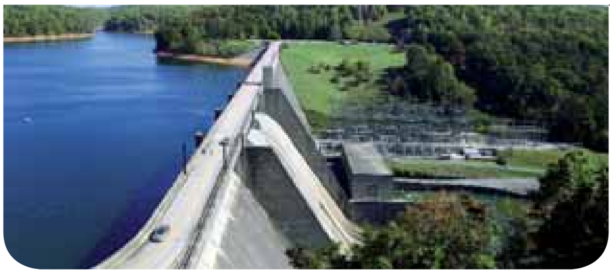
16. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in thousands of Euro)

	2010	2009
Depreciation of buildings, plant, machinery and equipment	521	352
Depreciation of other property, plant and equipment	177	383
Amortisation of intangible assets	4,906	3,462
Total	**5,604**	**4,197**

The significant increase in amortisation of intangible assets is mainly due to amortisation of the new information system now in use.



17. OTHER EXPENSES

These amount to Euro 60,104 thousand in 2010, compared with Euro 57,982 thousand in the prior year.

(in thousands of Euro)

	2010	2009
Professional services	30,583	31,338
IT costs	6,848	7,411
Insurance	853	858
Maintenance services	489	440
Operating and other costs	3,454	3,016
Utilities	1,214	1,085
Travel costs	2,799	2,396
Rental costs	5,173	5,021
Increases in provisions for risks	30	-
Non-recurring other expenses:		
Antitrust investigation legal costs	*2,275*	*3,156*
Special project costs	*6,386*	*3,261*
Total non-recurring other expenses	8,661	6,417
Total	**60,104**	**57,982**

Other expenses are detailed as follows:

Professional services mainly refer to outsourcing (particularly of IT and personnel administration services) of Euro 12,823 thousand (Euro 13,340 thousand in 2009) and costs recharged by the sub-holding companies that relate to Prysmian S.p.A., of which Euro 422 thousand by Prysmian Cavi e Sistemi Energia S.r.l. (Euro 507 thousand in 2009) and Euro 531 thousand by Prysmian Cavi e Sistemi Telecom S.r.l. (Euro 377 thousand in 2009).

Professional services include the compensation of the directors and statutory auditors of Prysmian S.p.A., of Euro 319 thousand and Euro 47 thousand respectively, and the fees of the independent auditors of Euro 918 thousand.

Maintenance services mainly refer to software, electronic equipment and motor vehicles.

Rental costs primarily refer to rent of Euro 2,024 thousand for the Company's office building (Euro 2,011 thousand in 2009) and rent of Euro 1,635 thousand for the premises and laboratories used by the Company's Research and Development department.

18. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

(in thousands of Euro)

	2010	2009
Interest on borrowings	1,217	2,881
Interest on bond	15,304	-
Amortisation of bank and financial fees and other expenses	1,525	1,513
Interest costs on employee benefits	214	222
Other bank interest	1	205
Costs for undrawn credit lines	688	600
Sundry bank fees	6,351	506
Other	129	133
Finance costs	**25,429**	**6,060**
Foreign currency exchange losses	136	175
Total finance costs	**25,565**	**6,235**

Interest on borrowings relates to the portion of the Term Loan received by Prysmian S.p.A. under the Credit Agreement. The reduction compared with 2009 reflects a lowering of interest rates as well as early repayment of some of the loan instalments (more details can be found in Note 8).

The bond interest refers to interest accruing in the year on the bond issued on 9 April 2010.

Amortisation of bank and financial fees and other expenses reflects the Company's share for the year of costs relating to the Credit Agreement.

Other bank interest was virtually nil in 2010 after the balance on the current account held with Prysmian Treasury S.r.l., the Group's cash management company, returned to credit.

The current account with Prysmian Treasury S.r.l. was overdrawn at the end of 2009 and had incurred Euro 202 thousand in interest expense.

Sundry bank fees increased significantly in 2010, most of which due to fees relating to the Forward Start Credit Agreement (Euro 4,971 thousand).

Other finance costs refer to the Company's share of each year's costs relating to the receivables securitization.

Finance income is detailed as follows:

(in thousands of Euro)

	2010	2009
Interest income from banks and other financial institutions	61	61
Other finance income	6,647	1,896
Finance income	**6,708**	**1,957**
Foreign currency exchange gains	138	169
Total finance income	**6,846**	**2,126**

Interest income from banks and other financial institutions includes Euro 51 thousand in interest earned on the current account balance with Prysmian Treasury S.r.l., the Group's cash management company. The current account with Prysmian Treasury S.r.l. was overdrawn at 31 December 2009 and had incurred Euro 202 thousand in interest expense, classified in finance costs as "Other bank interest".

Other finance income mainly refers to:

- the recharge to Group companies of Euro 4,505 thousand for part of the bank fees incurred by Prysmian S.p.A. after entering the Forward Start Credit Agreement.
- the recharge to Group companies of Euro 803 thousand in bank fees incurred by Prysmian S.p.A. in relation to the Credit Agreement (Euro 745 thousand in 2009). This recharge is in proportion to the drawdown of available credit lines (Revolving Credit Facility and Bonding Facility);
- the recharge to Group companies of Euro 688 thousand in costs incurred by Prysmian S.p.A. for undrawn credit lines (Euro 595 thousand in 2009).

19. DIVIDENDS FROM SUBSIDIARIES

In 2010 Prysmian S.p.A. collected a total of Euro 106,762 thousand in dividends, of which Euro 105,443 thousand from its subsidiary Prysmian Cavi e Sistemi Energia S.r.l. and Euro 1,319 thousand from its indirect subsidiary Prysmian Kabel und Systeme GmbH.

20. TAXES

These are detailed as follows:

(in thousands of Euro)

	2010	2009
Current income taxes	(17,991)	(28,362)
Deferred income taxes	(1,074)	(1,679)
Total	**(19,065)**	**(30,041)**

Current income taxes report a positive Euro 17,991 thousand, compared with Euro 28,362 thousand in 2009, and reflect the net benefits of not paying tax on tax losses transferred from some Italian companies under the group tax election.

Please refer to Note 4 for information about deferred taxes.

Taxes charged on profit before taxes differ from those calculated using the theoretical tax rate applying to the Company for the following reasons:

(in thousands of Euro)

	2010	Tax rate	2009	Tax rate
Profit before taxes	64,174		19,125	
Theoretical tax expense at Parent Company's nominal tax rate	17,648	27.5%	5,259	27.5%
Dividends from subsidiaries	(27,892)	(43.5%)	(11,167)	(58.4%)
Other permanent differences	(684)	(1.1%)	-	0.0%
Recognition of deferred tax assets relating to prior years	(1,146)	(1.8%)	(1,092)	(5.7%)
IRAP (reduction in amount due in prior years)	(398)	(0.6%)	263	1.4%
Other	(1,706)	(2.7%)	(1,693)	(8.9%)
Net effect of group tax filing for the year	(3,409)	(5.3%)	(8,136)	(42.5%)
Utilisation of carryforward losses from group tax filing	(1,477)	(2.3%)	(13,475)	(70.5%)
Effective income taxes	**(19,065)**	**(29.7%)**	**(30,041)**	**(157.1%)**

Since 2006 the Company, along with all its Italian resident subsidiaries, has opted to file for tax on a group basis, pursuant to art. 117 et seq of the Italian Income Tax Code, with the Company acting as the head of this group. The intercompany transactions arising under such a group tax filing are governed by specific rules and an agreement between the participating companies, which involve common procedures for applying regulatory and statutory tax provisions.

These rules were updated in 2008 to reflect the amendments and additions introduced by Law 244 of 24 December 2007 (Finance Act 2008) and

Legislative Decree 112 of 25 June 2008.

Prysmian S.p.A. acts as the head of the tax group and calculates a single taxable base for companies in the Italian tax group; this has the benefit of being able to offset taxable profits against taxable losses in a single tax return. The following is the list of companies which, apart from the Company itself, have elected to file for tax on a group basis for the three years 2009 - 2010 - 2011:

- Fibre Ottiche Sud (FOS) S.r.l.
- Prysmian Cavi e Sistemi Energia S.r.l.
- Prysmian Cavi e Sistemi Italia S.r.l.
- Prysmian Cavi e Sistemi Telecom S.r.l.
- Prysmian Treasury S.r.l.

On 16 June 2008 Prysmian S.p.A., as head of the tax group, presented the Italian tax authorities with an electronically transmitted communication that Prysmian PowerLink S.r.l. had elected to file for tax on a group basis for the three years 2008 - 2009 – 2010, under the option permitted by art. 5, par. 1 of the Ministerial Decree dated 9 June 2004.

The rate used for calculating the tax charge is 27.5% for IRES (Italian corporate income tax), while it is 4.82% for IRAP (Italian regional business tax) as from 2007, following the Company's registration with the Italian Exchange Office (UIC) in May 2007, as required by art. 113 of the Italian Banking Code.

21. 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. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations.
The investigations in Japan and New Zealand have ended without any penalties for 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.

Given the highly uncertain timing and outcome of these investigations, for the time being the Group companies involved have just recognised provisions (in the legal risks provision) against the estimated legal costs incurred during the investigation process.

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

22. COMMITMENTS

The Company has the following types of commitments at 31 December 2010:

(a) Commitments to purchase property, plant and equipment and intangible assets.

Contractual commitments, already given to third parties at 31 December 2010 and not yet reflected in the financial statements, amount to Euro 325 thousand (Euro 814 thousand at 31 December 2009), of which Euro 274 thousand relate to the SAP Consolidation project (Euro 463 thousand at 31 December 2009).

(b) Operating lease commitments.

Future commitments relating to outstanding operating leases at 31 December 2010 are as follows:

(in thousands of Euro)

	2010	2009
Due within 1 year	4,392	3,631
Due between 1 and 5 years	8,618	8,677
Due after more than 5 years	-	133
Total	**13,010**	**12,441**

(c) Comfort letters in support of bank guarantees given to Group companies.

Comfort letters in support of bank guarantees given to Group companies amount to Euro 69 thousand (Euro 2,495 thousand at 31 December 2009), all of which given to P.T. Prysmian Cables Indonesia.

(d) Other guarantees given in the interest of Group companies for Euro 74,160 thousand (Euro 40,370 thousand at 31 December 2009), detailed as follows:

(in thousands of Euro)

	2010	2009
Prysmian Cavi e Sistemi Energia S.r.l.	34,810	12,970
Prysmian Cables and Systems B.V.	27,637	19,134
Prysmian Cavi e Sistemi Telecom S.r.l.	4,193	5,817
Prysmian Kabel und Systeme GmbH	2,400	2,400
F.O.S. - Fibre Ottiche Sud S.r.l.	744	-
Others	49	49
Total	**69,833**	**40,370**

(e) Other guarantees given in the interest of other companies for Euro 815 thousand (Euro 796 thousand at 31 December 2009).

Comfort letters and guarantees given in the interest of Group companies generally refer to projects and business supplies.

As required by art. 2427 point 22-ter, it is reported that, in addition to the above disclosures about commitments, there are no other agreements that are not reflected in the statement of financial position that carry significant risks or benefits and which are critical for assessing the Company's assets and liabilities, financial position and results of operations.

23. RELATED PARTY TRANSACTIONS

During 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). Following this disposal, The Goldman Sachs Group Inc. has no longer been treated as a related party.

Transactions between Prysmian S.p.A. and its subsidiaries and ultimate parent company mainly refer to:

- services (technical, organisational and general) provided by head office to subsidiaries;
- financial relations maintained by the Parent Company on behalf of, and with, Group companies.

All the above transactions fall within the ordinary course of business of the Parent Company and its subsidiaries.

Related party transactions also include key management compensation.

The following tables summarise related party transactions in the year ended 31 December 2010:

(in thousands of Euro) — **31 December 2010**

	Trade and other receivables	Trade and other payables	Financial payables
Subsidiaries	294,231	3,770	-
Other related parties:			
Compensation of directors, statutory auditors and key management personnel	-	2,205	-
Total	**294,231**	**5,975**	**-**

(in thousands of Euro) — **31 December 2009**

	Trade and other receivables	Trade and other payables	Financial payables
Subsidiaries	64,296	4,223	18,689
Other related parties:			
Compensation of directors, statutory auditors and key management personnel	-	1,222	-
The Goldman Sachs Group Inc.	-	354	-
Total	**64,296**	**5,799**	**18,689**

(in thousands of Euro)						1/1 - 31/12/2010
	Sales of goods and services	**Cost of goods and services**	**Personnel costs**	**Finance income/(costs)**	**Dividends**	**Taxes**
Subsidiaries	72,413	5,987	-	6,699	106,762	31,841
Other related parties:						
Compensation of directors, statutory auditors and key management personnel	-	366	5,356	-	-	-
Total	**72,413**	**6,353**	**5,356**	**6,699**	**106,762**	**31.841**

(in thousands of Euro)						1/1 - 31/12/2009
	Sales of goods and services	**Cost of goods and services**	**Personnel costs**	**Finance income/(costs)**	**Dividends**	**Taxes**
Subsidiaries	69,729	7,913	-	1,692	42,746	30,776
Other related parties:						
Compensation of directors, statutory auditors and key management personnel	-	372	4,111	-	-	-
The Goldman Sachs Group Inc.	-	674	-	-	-	-
Totale	**69,729**	**8,959**	**4,111**	**1,692**	**42,746**	**30,776**

Transactions with subsidiaries

These refer to services supplied to and received from Group companies and to current account transactions with the Group's cash management company.

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)	2010	2009
Salaries and other short-term benefits - fixed part	2,364	2,266
Salaries and other short-term benefits - variable part	2,915	1,659
Other benefits	15	15
Share-based payments	62	171
Total	**5,356**	**4,111**
of which Directors	5,356	3,638

24. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006, the effects of non-recurring events and transactions on the Company's income statement are shown below, reporting total net non-recurring expenses of Euro 9,721 thousand in 2010 and Euro 6,545 thousand in 2009.

(in thousands of Euro)

	2010	2009
Non-recurring personnel costs:		
Staff lay-off costs	(1,060)	(128)
Total non-recurring personnel costs	**(1,060)**	**(128)**
Non-recurring other expenses:		
Special project costs	(6,386)	(3,261)
Antitrust investigation legal costs	(2,275)	(3,156)
Total non-recurring other expenses	**(8,661)**	**(6,417)**
Total	**(9,721)**	**(6,545)**

The statement of financial position and the net financial position contain no material amounts relating to events regarded as non-recurring.

25. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Directors' compensation amounts to Euro 6,335 thousand in 2010, and Euro 5,188 thousand in 2009. Statutory auditors' compensation amounts to Euro 159 thousand in 2010 and Euro 234 thousand in 2009. Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as Directors or Statutory Auditors of Prysmian S.p.A. and other companies included in the scope of consolidation, and that have constituted a cost for the Prysmian Group.

No separate emoluments are envisaged for membership of Board committees.

Board of Directors (in Euro)

Name	Office held	Period for which office held	Office end date [(1)]	Emoluments of office	Benefits in kind	Bonuses and other incentives	Other compensation [(2)] Fixed	Other compensation [(2)] Variable	Total
1. Paolo Zannoni (P)	Chairman	01.01.2010-31.12.2010	31.12.2011	-	-	-		-	-
2. Battista Valerio (AD)	Chief Executive Officer	01.01.2010-31.12.2010	31.12.2011	-	5,195	-	970,000	1,481,643	2,456,838
3. Wesley Clark	Director	01.01.2010-31.12.2010	31.12.2011	70,000	-	-	-	-	70,000
4. Giulio Del Ninno	Director	01.01.2010-31.12.2010	31.12.2011	70,000	-	-	-	-	70,000
5. Pier Francesco Facchini	Director	01.01.2010-31.12.2010	31.12.2011	-	3,508	-	500,000	501,840	1,005,348
6. Fabio Ignazio Romeo	Director	01.01.2010-31.12.2010	31.12.2011	-	3,322	-	551,709	668,088	1,223,119
7. Stefano Bulletti	Director	05.04.2010-31.12.2010	31.12.2011	-	2,938	-	273,357	306,678	582,973
8. Claudio De Conto	Director	21.07.2010-31.12.2010	31.12.2011	51,400	-	-	-	-	51,400
9. Massimo Tononi	Director	21.07.2010-31.12.2010	31.12.2011	51,400	-	-	-	-	51,400
No longer in office									
1. Sergio Erede	Director	21.07.2010-24.01.2011		51,400	-	-	-	-	51,400
2. Fabio Labruna	Director	01.01.2010-19.07.2010		6,600	-	-	-	-	6,600
3. Hugues Lepic	Director	01.01.2010-19.07.2010		-	-	-	-	-	-
4. Francesco P. Mattioli	Director	01.01.2010-10.01.2010		-	-	-	-	-	-
5. Michael Ogrinz	Director	01.01.2010-05.03.2010		-	-	-	-	-	-
6. Udo Günter W. Stark	Director	01.01.2010-19.07.2010		18,400	-	-	-	-	18,400
7. Michele Titi Cappelli	Director	01.01.2010-05.03.2010		-	-	-	-	-	-

Board of Statutory Auditors (in Euro)

Name	Office held	Period for which office held	Office end date [(1)]	Emoluments of office	Benefits in kind	Bonuses and other incentives	Other compensation [(2)] Fixed	Other compensation [(2)] Variable	Total
In office									
1. Marcello Garzia	Chairman	01.01.2010-31.12.2010	31.12.2012	20,660	-	-	59,290	-	79,950
2. Luigi Guerra	Standing Auditor	01.01.2010-31.12.2010	31.12.2012	12,920	-	-	53,450	-	66,370
3. Paolo Burlando	Standing Auditor	01.01.2010-31.12.2010	31.12.2012	12,920	-	-	-	-	12,920
Key management personnel [(3)]				-	3,195	12,960	340,000	391,050	747,205

(1) Mandate expires at the Shareholders' Meeting called to approve the financial statements closing at the date shown.
(2) This compensation refers to salaries as employees.
(3) Refers to one senior manager.

The following persons have been granted stock options:

Name	Office held	Options held at start of year			Options granted in year			Options exercised in year			Options expiring in year	Options held at end of year		
		Number of options	Average strike price	Average life	Number options	Average strike price	Average life	Number options	Average strike price	Average market price upon exercise	Number options	Number options	Average strike price	Average life
Pier Francesco Facchini	Director	207,203	4.65	1.3	-	-	-	109,152	4.65	13.82	-	98,051	4.65	2.3

26. ATYPICAL OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during the year.

27. FINANCIAL COVENANTS

The Credit Agreement and Forward Start Credit Agreement, details of which are presented in Note 8, 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 Credit Agreement);
- Ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement).

b) Non-financial covenants

A series of non-financial covenants must be observed and 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;
- issuance of particularly significant judicial rulings;
- 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 Credit Agreement, together with interest and any other amount due under the terms and conditions of this Agreement. No collateral security is required, except for a lien on shares in the main subsidiaries if the financial covenants are breached. The ratio between consolidated EBITDA and consolidated net finance costs was 7.33 at 31 December 2010. The ratio between consolidated net financial position and consolidated EBITDA was 1.14 at this same date. The above financial ratios both comply with the covenants contained in the Credit Agreement and in the Forward Start Credit Agreement.

Further information can be found in Note 30 Subsequent events.

28. STATEMENT OF CASH FLOWS

Net cash flow provided by operating activities amounted to Euro 7,559 thousand in 2010, inclusive of Euro 24,437 thousand in taxes collected by the Group's Italian companies for IRES transferred under the group tax filing (art. 117 et seq of the Italian Income Tax Code). Net cash flow used for investing activities came to Euro 59,373 thousand, most of which relating to the capital payment of Euro 155,000 thousand made to the subsidiary Prysmian Telecom S.r.l. and to investments of Euro 10,504 thousand in information systems, net of Euro 106,762 thousand in dividends received from subsidiaries.

Net finance costs recognised in the income statement came to Euro 18,719 thousand inclusive of non-monetary items; excluding these items, net cash finance costs reflected in the statement of cash flows amounted to Euro 20,650 thousand, most of which referring to bank fees and other incidental expenses in connection with the Forward Start Credit Agreement and the Bond issue. Cash flow provided by financing activities included the proceeds of the bond issued on 9 April 2010, net of the early repayment of a number of Credit Agreement instalments and net of the dividends paid to shareholders on 22 April 2010.

29. INFORMATION PURSUANT TO ART.149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

Pursuant to art. 149-duodecies of the Consob Issuer Regulations, the following table shows the fees in 2010 and 2009 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Fees relating to 2010	Fees relating to 2009
Audit services	PricewaterhouseCoopers S.p.A.	918	397
Certification services	PricewaterhouseCoopers S.p.A. [1]	1,714	14
Other services	PricewaterhouseCoopers S.p.A. [2]	462	886
Total		**3,094**	**1,297**

30. SUBSEQUENT EVENTS

On 22 November 2010, Prysmian announced its intention of making a public mixed exchange and cash offer for Draka Holding N.V., a listed company and parent of the Draka Group, with the aim of creating a global leader in the energy and telecom cable-making industry. On the same day, Prysmian had signed a conditional merger agreement with Draka in relation to the public mixed exchange and cash offer and an irrevocable undertaking with Flint, Draka's largest shareholder with an ownership interest of around 48.5%, under which Flint undertook to support the offer and to tender its shares under the offer terms.

The offer consideration comprised Euro 8.60 in cash plus 0.6595 newly issued Prysmian shares for each Draka ordinary share.

The *merger agreement* obtained the immediate support and unanimous recommendation of Draka's Board of Management and Supervisory Board.

On 5 January 2011, Prysmian S.p.A. formally announced the public mixed exchange and cash offer for all the outstanding ordinary shares of Draka Holding N.V.. The offer price was confirmed at Euro 8.60 in cash plus 0.6595 newly issued Prysmian ordinary shares for each Draka share.

On 26 January 2011, Prysmian announced it had entered into two conditional agreements to purchase all the 5,754,657 issued and outstanding preference shares of Draka Holding N.V. owned by ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V..
Both these agreements were subject to fulfilment of the condition precedent that Prysmian declare the offer unconditional.
The purchase price of the preference shares was approximately Euro 86 million.

On 8 February 2011, Prysmian S.p.A. declared the offer

[1] Services performed to comply with laws and regulations in connection with the Draka acquisition.
[2] Due diligence, audit support and other services.

unconditional, having then received acceptances from 44,064,798 shares, representing around 90.4% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).

On 22 February 2011, Prysmian settled the offer for those shares tendered during the offer period, by acquiring 44,064,798 Draka shares and issuing 29,059,677 ordinary shares of Prysmian S.p.A. and paying Euro 378,973,735.24 in cash. The unit price of the ordinary shares acquired, determined in accordance with IFRS 3, was equal to Euro 18.47379.

During the post-closing acceptance period, ending on 22 February 2011, another 4,192,921 shares were tendered for acceptance, representing around 8.6% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Together with the 44,064,798 shares tendered during the offer period ending on 3 February 2011, Prysmian will hold a total of 48,257,719 shares, representing 99.055% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Lastly, taking account of the 5,754,657 Draka preference shares acquired by Prysmian from ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V. on 1 March 2011, Prysmian will hold 99.121% of Draka's total share capital.
Payment of the offer price to the Draka shareholders who accepted the offer during the post-closing acceptance period will be settled on 8 March 2011.

The total consideration paid for the acquisition is Euro 978 million, of which Euro 501 million in cash (including Euro 86 million for purchasing the preference shares) and Euro 477 million through the issue of around 31.8 million shares in Prysmian S.p.A.

At 31 December 2010, Draka reported consolidated shareholders' equity of Euro 590 million (Source: press release by Draka Holding N.V. dated 15 February 2011).

Acquisition-related costs are estimated at around Euro 25 million, before estimated tax of Euro 8 million. The portion of these costs directly associated with the capital increase by Prysmian S.p.A. serving the acquisition will be accounted for, net of tax, as a deduction from Prysmian's equity, while the remaining costs will be recognised in the income statement.

Having acquired more than 95% of Draka's ordinary share capital, Prysmian intends to delist the Draka shares from the NYSE Euronext Amsterdam (Euronext). In agreement with Euronext, the last day of trading in the shares will be 6 April 2011, meaning that the shares will be delisted on 7 April 2011.

Prysmian also intends to initiate a squeeze-out process permitted under the Dutch Civil Code, in order to acquire the remaining shares not tendered to the offer and therefore not yet held by Prysmian.

Prysmian and Draka will create the leading group in the energy and telecom cables industry. Together they will be even more competitive and efficient, and in a stronger position to face the industrial challenges ahead and to satisfy the constantly evolving expectations and demands of their customers.

The financial outlay for the Draka acquisition has been funded using available liquidity and part of the committed credit lines.

With reference to the Draka acquisition, during February 2011, Prysmian obtained from its group of

financing banks a significant extension to its financial covenants; under the new terms, the ratio between EBITDA and Net finance costs (as defined in the Credit Agreement and the Forward Start Credit Agreement) and the ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement and Forward Start Credit Agreement) must be not less than 4.00x and not more than 3.50x respectively at 31 December 2011.

Prysmian is also negotiating with a group of major banks a new five-year loan agreement for Euro 800 million in order to re-establish the financial flexibility absorbed by the acquisition.

31. FILING OF FINANCIAL STATEMENTS

Prysmian S.p.A.'s financial statements at 31 December 2010 will be filed within the legally required term at its registered office in Viale Sarca 222, Milan and at Borsa Italiana S.p.A. and published on the website at www.prysmian.com.

The financial statements of the two sub-holding companies Prysmian Cavi e Sistemi Energia S.r.l. and Prysmian Cavi e Sistemi Telecom S.r.l. will be filed at the registered office in Viale Sarca 222, Milan.

Milan, 3 March 2011

On Behalf of the Board of Directors, the Chairman
Prof. Paolo Zannoni

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2010

(in thousands of Euro)

	Registered office	Book value	% owned	Share capital	Total equity	Prysmian share of equity	Profit/(loss) for the year
Italian subsidiaries							
Prysmian Cavi e Sistemi Energia S.r.l.	Milan, Viale Sarca 222	159,108	100	100,000	507,136	507,136	155,214
Prysmian Cavi e Sistemi Telecom S.r.l.	Milan, Viale Sarca 222	257,928	100	31,930	430,724	430,724	6,610
Total Italian subsidiaries		**417,036**					
Foreign subsidiaries							
Prysmian Pension Scheme Trustee Limited	Hampshire, Chickenhall Lane, Eastleigh	-	100	1	1	1	-
Prysmian Kabel und Systeme GmbH	Berlin, Germany	2,154	6.250	15,000	17,792	1,112	12,610
Prysmian Kablo SRO	Bratislava, Slovakia	1	0.005	21,246	2,879	-	(1,136)
Total foreign subsidiaries		**2,155**					
Grand total		**419,191**					

CERTIFICATION OF THE 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 2010 the accounting and administrative processes for preparing the 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 financial statements at 31 December 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 during 2010 Prysmian S.p.A. was involved in a project to adopt a new information system. The process of fine-tuning the new system's operating and accounting functions is being completed.

3. They also attest that:

   3.1 The financial statements at 31 December 2010:

   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;

   correspond to the underlying accounting records and books of account;

   are able to provide a true and fair view of the issuer's statement of financial position and results of operations.

   3.2 The directors' report contains a reliable analysis of performance and the results of operations, and of the issuer's situation, together with a description of the principal risks and uncertainties to which it is exposed.

3 March 2011

Chief Executive Officer
Valerio Battista

Managers responsible for preparing corporate accounting documents
Massimo Branda, Jordi Calvo

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

1 We have audited the financial statements of Prysmian SpA as of 31 December 2010 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by CONSOB, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 12 March 2010.

3 In our opinion, the financial statements of Prysmian SpA as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position as of 31 December 2010, the result of operations and cash flows of Prysmian SpA for the year then ended.

4 As described in the explanatory notes to the financial statements in note 21 "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

PricewaterhouseCoopers SpA
Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561
www.pwc.com/it

event of ascertained breaches of applicable price fixing laws and regulations, the penalties levied could be significant to the Prysmian Group.

5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance and ownership structure, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure are consistent with the financial statements of Prysmian SpA as of 31 December 2010.

Milan, 16 March 2011

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

REPORT BY THE BOARD OF STATUTORY AUDITORS

REPORT BY THE BOARD OF STATUTORY AUDITORS (Art. 153 Legislative Decree 58 of 24/2/1998 and art. 2429, par. 2 of Italian Civil Code)

Shareholders,

The present report refers to the activity of this Board of Statutory Auditors performed in accordance with art. 149 et seq of Legislative Decree 58/1998 dated 24 February 1998 and with Legislative Decree 39/2010; it follows the format recommended by Consob in its Communication 1025564 dated 6 April 2001, as subsequently amended.

The supervisory activities required of us by law have been duly performed, taking into account the standards of conduct for the Board of Statutory Auditors published by the Italian Accountancy Profession and the recommendations and guidance of Consob.

1 Discussion of the Company's transactions with the most significant impact on its results of operations, financial position and assets and liabilities and their compliance with the law and the Company's deed of incorporation

The acquisition of Draka, a Dutch group, was undoubtedly the most important transaction in 2010. Even if formally concluded in February 2011, this transaction significantly occupied the Company during the second half of the year just ended. The transaction was conducted through a public mixed exchange and cash offer for all of Draka's ordinary shares and through a direct purchase of all of Draka's preference shares, and resulted in the acquisition of 99.12% of Draka's share capital for a total consideration of Euro 978 million, of which Euro 501 million paid in cash and Euro 477 million settled by issuing 31.8 million new shares of Prysmian S.p.A. (approximately 14.9% of the new share capital) to the shareholders of Draka Holding NV. During 2011 it is expected to delist the Draka shares from the Euronext market and to operate a squeeze-out on the remaining shares not tendered to the offer.

The new Prysmian Group is now the world's largest cable-maker, with a presence in 50 countries, 90 plants and some 20,000 employees; the industrial integration, due to be completed over the next three years, is expected to add about Euro 100 million to annual pre-tax earnings.

Apart from the Draka transaction, the Company duly performed its activities as a group holding company during 2010, exercising "Direction and coordination" for its subsidiaries as well as providing them with various kinds of services. The year under review also saw a number of significant transactions and events that warrant specific mention in this report, but on a memorandum basis only and primarily for fulfilling our supervisory duties. The Board of Directors has already provided adequate disclosure about such transactions and events in its report, to which reference should be made for greater detail.

Such transactions and events included:

- strengthening of the Company’s leading position in power transmission cables, including those for connections with offshore wind farms; Prysmian is present in the world's largest underground and submarine connection projects;
- the Group made investments for approximately Euro 102 million, of which Euro 54 million in technological innovation and selective increases in production capacity; the most important investments included those in flexible pipes in Brazil, in high voltage cables in the USA and China and in optical fibre in Italy;
- in 2010 the Board of Directors approved a new customer-centric organisational structure, effective from 1 January 2011, involving, amongst others, the introduction of two important new positions: a chief operating officer and a

chief commercial officer, both with global responsibility in their respective areas;
- the entering of a Forward Start Credit Agreement for Euro 1,070 million, maturing in December 2014, which will replace the current Credit Agreement when it matures on 3 May 2012;
- the placement of a bond for Euro 400 million;
- the acquisition of 51% of the share capital in the Indian company Ravin Cables Ltd., representing the Group's first presence in the high-potential Indian market; Ravin Cables Ltd. has a turnover of about Euro 30 million;
- the exit of The Goldman Sachs Group Inc. as the relative majority shareholder in March, now making Prysmian a genuine public company; the Company accordingly maintained constant contact with the markets, holding more than 350 meetings with shareholders and investors;
- continuation of the project to standardise and roll out the SAP-based financial and management accounting system; the project was 30% complete at year end (having been rolled out to 17 production facilities in 9 European countries);
- at the beginning of 2009, antitrust authorities in Europe, the USA and Japan started an investigation into several European and Asian cable manufacturers to verify the existence of alleged anti-competitive agreements in the underground and submarine high voltage sectors; subsequently, the Australian and New Zealand authorities also started similar investigations. The investigations in Japan and New Zealand have ended without any penalties for the Company, while the other investigations are still in progress and the Group is fully collaborating with the relevant authorities. In Australia, the antitrust authority has filed a case against the Italian subsidiary Prysmian Cavi e Sistemi Energia S.r.l. and two other companies for alleged breach of antitrust rules in connection with one particular underground high voltage cable project. Prysmian Cavi e Sistemi Energia S.r.l. has duly filed its defence. The Board of Directors has reported that *"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"*.

With reference to these points and company performance in general, during the year we always received promptly the information needed to know and comprehend the progress of the above events and of others discussed in the Directors' Report.
The Board of Statutory Auditors is of the opinion that the above company transactions comply with the law and the Company's By-laws, are in the Company's interest, are not manifestly imprudent or risky, do not conflict with any resolutions adopted by shareholders and are not such as to compromise the integrity of the Company's net assets.

2 Atypical or unusual transactions
There were none (See Explanatory Note 35).

2.1 Atypical or unusual transactions with related parties
There were none (See Explanatory Note 35).

2.2 Atypical or unusual transactions with third parties or intragroup companies
There were none (See Explanatory Note 35).

2.3 Ordinary intragroup transactions with related parties

In compliance with the "Self-Regulatory Code of Borsa Italiana S.p.A.", the Company has adopted standards of conduct for related party transactions. On 10 November 2010 the Board of Directors adopted a new set of "Procedures for related party transactions" in compliance with the Related Parties Regulation 17221, as later amended, adopted by Consob on 13 March 2010.

The Directors have provided disclosures about ordinary intragroup transactions and related party transactions in their reports accompanying both the consolidated financial statements and the Parent Company's separate financial statements. These mainly relate to trade transactions involving intragroup purchases and sales of raw materials and finished goods, of technical, organisational and general services provided by the Parent Company and of financial services provided by the Group's treasury company.

During the year the Board of Statutory Auditors checked that intragroup or related party transactions were carried out in compliance with these procedures, and in any case under contracts entered into on an arm's length basis. The intragroup transactions examined appeared to be consistent, in the best interests of the Company and the Group it heads, as well as properly motivated and documented.

The Board of Statutory Auditors does not have anything to add to these disclosures which seem to be satisfactory.

3 Opinion on the adequacy of the information provided by the Directors about atypical or unusual transactions

No atypical and/or unusual transactions took place and so no opinion is required.

4 Observations on disclosures specifically mentioned in the Independent Auditors' Opinion

PricewaterhouseCoopers S.p.A. (the "Independent Auditors") issued their opinions on the separate financial statements and the consolidated financial statements on 16 March 2011; neither opinion contains any qualifications. In both opinions the Independent Auditors have reported that *"... during 2009 the European Commission and other competent competition authorities started an investigation into the Prysmian Group and other electrical cable manufacturers in order to verify the existence of alleged anti-competitive agreements in the underground and submarine high voltage cables sector. At the current stage of the investigation it is not possible to foresee the outcome; in the event of proven breach of the applicable legislation, the Prysmian Group could incur significant financial penalties"*.

We do not have any other observations to make in addition to those already made in point 1 of the present report.

5 Complaints under art. 2408 of the Italian Civil Code

There were none.

6 Presentation of petitions

There were none.

7 Other services provided by the Independent Auditors

See the table in Note 38 to the consolidated financial statements.

8 Engagement of parties connected with the Independent Auditors

See the table in Note 38 to the consolidated financial statements.

9 Legal opinions issued

During 2010 the Board of Statutory Auditors issued:

- an opinion given at the meeting of the Board of Directors on 21 July 2010, concerning the appointment, under art. 2386 of the Italian Civil Code, of three directors to replace three directors who had resigned;
- an opinion given at the meeting of the Board of Directors on 13 May 2010, concerning the appointment of the managers responsible for preparing corporate accounting documents;
- an opinion given at the meetings of the Board of Directors on 13 May and 3 August 2010, concerning the division between the Directors of the annual emoluments set by the Shareholders' Meeting for the entire Board of Directors;
- a statement under art. 2412, par. 1 and 2 of the Italian Civil Code concerning the issue of bonds, provided during the meeting of the Board of Directors on 3 March 2010.

10 Frequency of meetings of Board of Directors and Board of Statutory Auditors

During 2010 the Board of Statutory Auditors held 9 meetings, attended 11 meetings of the Board of Directors, 7 meetings of the Internal Control Committee, 4 meetings of the Compensation and Nominations Committee, as well as 1 ordinary Shareholders' Meeting and 1 extraordinary Shareholders' Meeting.

11 Observations on compliance with principles of fair administration

The Board of Statutory Auditors has obtained information about and monitored compliance with the principles of fair administration. This was done by attending meetings of the Board of Directors and of the Internal Control Committee, through personal meetings with the Directors, by direct observation and investigation, by obtaining information from company managers, by meeting with the Independent Auditors, including for the mutual exchange of relevant information under art. 150, par. 2, TUF.

The work of the Board of Statutory Auditors focused on controlling the legality of management decisions by the Directors and whether the decision-making process followed rational economic and financial principles in accordance with the techniques and practice recommended by best corporate practice. This activity by the Board of Statutory Auditors did not, however, involve going into the merits of the opportunities and benefits of the decisions themselves.

The Board of Statutory Auditors has checked that typical, usual and more significant transactions did not fall outside the Company's business purpose, did not conflict with the By-laws, did not represent a conflict of interests, even potentially, and were not such as to compromise the integrity of net assets or were not, in any case, manifestly imprudent or risky.

The Board of Statutory Auditors has also controlled that such decisions did not conflict with any resolutions adopted by the Company's governing bodies or did not harm the rights of individual shareholders or minority shareholders.

The Board of Statutory Auditors has also checked that decisions by the Board of Directors concerning the more important transactions were supported by the usual investigations, analyses, checks and opinions and evaluations by outside advisors as recommended by best corporate practice in relation to the economic and financial fairness of such transactions and their correspondence with the Company's interests.

The Board of Statutory Auditors does not have any observations to make concerning compliance with the principles of fair administration.

12 Observations on adequacy of organisational structure

The Board of Statutory Auditors has obtained information about and monitored the adequacy of the Company's

organisational structure, through a process of direct observation, interviews, obtaining information from the competent company functions and meetings with the persons responsible for internal and external audit.
During the year the Board of Statutory Auditors monitored, in close collaboration with the Independent Auditors, the Internal Control Committee and the Director of Internal Audit, whether any organisational-operational dysfunctions were reported that directly arose from organisational shortcomings; there were no cases requiring mention in this report.
The company organisational structure has been constantly revised for particular requirements as they arise; the Board of Statutory Auditors has been regularly informed about any rotations of key positions.
The Board of Statutory Auditors is of the opinion that the overall organisational structure is reliable.
The existing system of delegated authority is based on a distinction, by nature, between various kinds of deeds and transactions, as well as on maximum financial limits on the execution of the various types of management action. Overall, it is based on rational principles and is appropriate for the Company's type of operations.

13 Observations on adequacy of internal control system

The Board of Statutory Auditors has monitored the adequacy of the internal control system, directly through meetings with persons in charge of the various company functions, by attending meetings of the Internal Control Committee and by periodic meetings with the Independent Auditors and can report that the system has not displayed any major weaknesses or facts or matters warranting disclosure in the present report.
The annual internal audit plans have been adopted in agreement between the Internal Audit department and the Chief Executive Officer, after prior presentation to the Board of Statutory Auditors and the Internal Control Committee; they have been approved annually by the Board of Directors. The preparation of such plans clearly does not rule out unplanned work when the bodies and functions concerned see the need or opportunity to do so.
The systematic meetings of the Director of Internal Audit with the Internal Control Committee, with the Board of Statutory Auditors in attendance, have allowed the progress and results of internal auditing to be effectively followed. These meetings have also allowed the Board of Statutory Auditors to coordinate with the Internal Control Committee the conduct of its duties as "Internal Control and Financial Audit Committee" assumed after implementation of art. 19 of Legislative Decree 39/2010, involving particular vigilance over (i) the financial reporting process and (ii) the effectiveness of the systems of internal control, internal audit and risk management.
The reviews and controls performed on the areas and functions covered by internal auditing have led us to form an opinion of substantive fairness and reliability in relation to the internal control system.
No significant weaknesses in the system have been identified so that, even though it is constantly evolving and being improved, the system can be viewed as reliable.
The "Report by the Monitoring Board (set up under Legislative Decree 231/01)" on the work performed in 2010, presented to the Board of Directors on 3 March 2011, also provided an account of its monitoring and revision activities concerning the Organisational Model adopted by the Company under Legislative Decree 231/01 and its actual application.
A specific section of the Directors' Report accompanying the consolidated financial statements describes the risk factors to which the Company is exposed, while the "Report on Corporate Governance" provides a full account of the activities for managing risks relating to the financial reporting process, with particular attention to the disclosure required by Law 262/05.

14 Observations on adequacy of accounting and administrative system

The Board of Statutory Auditors has regularly monitored that the existing system is operating correctly, including through meetings with the Manager in charge of Financial Statements, Administration and Tax, with the Group CFO, and with the Managers responsible for preparing corporate accounting documents, and even with individual heads of function within the administrative office.

The parent company provides certain accounting and administrative services to the Group's Italian companies, although several accounting and administrative functions are delegated to subsidiaries, whose respective CFOs report directly to the Group CFO.

A major project has been in progress since 2009 to standardise the financial and management accounting system, based on the adoption of a standard SAP platform by all the Group's companies; this project reached a 30% completion stage in 2010, having been rolled out to 17 production facilities in 9 European countries; the project is due to be extended in 2011 to the Group's more important companies.

In brief, the accounting and administrative system has proved itself reliable. Our opinion on the system is positive; in particular, we believe that the accounting and administrative system is capable of correctly representing the results of operations.

The financial statements therefore reflect the Company's performance in 2010 and contain a comprehensive analysis of its situation, performance and operating results, and a description of the principal risks and uncertainties to which the Company is exposed, with a detailed and consistent presentation of its assets and liabilities, financial position and results of operations contained in the "Directors' Report" and in the "Explanatory Notes".

15 Observations on adequacy of instructions given to subsidiaries (art. 114 TUF)

The Board of Statutory Auditors has taken note of the Company's instructions to its subsidiaries in accordance with art. 114, par. 2, TUF and is of the opinion that they are suitable for fulfilling the duties of communication required by law.

16 Relevant matters emerging during meetings with the Independent Auditors (art. 150 TUF and art. 19 Legislative Decree 39/2010)

Regular contact was maintained during the year under review with the Independent Auditors, with whom a productive exchange of data and information was established, also in view of the new duties assumed by the Board of Statutory Auditors following implementation of art. 19 of Legislative Decree 39/2010 in its role as the "Internal Control and Financial Audit Committee".

This involved not only meetings, also attended by the Company, but also informal contact between members of the Board of Statutory Auditors and representatives of the Independent Auditors, during which the following matters were particularly discussed: (i) organisation of the statutory audit of the separate and consolidated financial statements and (ii) matters concerning the independence of the Independent Auditors with particular reference to services other than auditing ones.

No facts or matters warranting mention in the present report have emerged in connection with the process of preparing the separate and consolidated financial statements; in particular, the Independent Auditors have not informed the Board of Statutory Auditors of any critical matters or significant weaknesses such as to influence the overall reliability of the process of preparing these documents.

In a notice dated 16 March 2011, the Independent Auditors provided confirmation to the Board of Statutory Auditors

of their independence and the absence of any incompatibilities under art. 10 and art. 17 of Legislative Decree 39/2010; this same notice also provided the information required by art. 17 par. 9 (a) of the same decree concerning non-audit services rendered to the Prysmian Group.
Lastly, the Board of Statutory Auditors acknowledges that on 16 March 2011 the Independent Auditors presented it with the report required by art. 19 par. 3 of Legislative Decree 39/2010, which stated that during the statutory audit no fundamental issues had arisen other than the cited "Antitrust investigation", nor had any significant weakness emerged in the internal controls over the financial reporting process.

17 Compliance with Self-Regulatory Code

The disclosures in this paragraph are also given in compliance with art. 149 par.1.c-bis) of TUF.
The Company has adopted the principles established by the Self-Regulatory Code published by Borsa Italiana S.p.A.; the Board of Directors approved the Annual Report on Corporate Governance and Ownership Structure in its meeting of 3 March 2011.
For memorandum purposes, we recall that: (i) the Internal Control Committee, made up of board members, acts in a consultative and proposal-making capacity to the Board of Directors; its role, duties and operation are discussed in chapter 9 of the Report on Corporate Governance; (ii) the Board of Directors has appointed Valerio Battista, the Chief Executive Officer, as the director in charge of supervising the operation of the internal control system;(iii) the Company has also set up an Antitrust Committee and a Compensation and Nominations Committee; the roles, duties and operation of these two committees are described in chapters 6 and 7 respectively of the Report on Corporate Governance; (iv) the Company has also adopted specific procedures for:

- the conduct of related party transactions;
- the conduct of Shareholders' Meeting;
- the communication of price sensitive information outside the Company;
- reporting obligations relating to transactions by "relevant persons" involving shares or other financial instruments issued by the Company (Code of Conduct for Internal Dealing);
- compliance with the obligations to inform the Board of Statutory Auditors under art. 150, par. 1, TUF

The Board of Statutory Auditors has checked that the Board of Directors has applied the proper principles when evaluating the independence of its non-executive members, and that the related verification procedures were properly performed. The Board of Statutory Auditors has also reviewed and confirmed the independence of its own members. The Board of Statutory Auditors therefore has no observations to make as a result of this review.
Lastly, the Board of Statutory Auditors recalls that the Company has an Investor Relations function which is responsible for relations with shareholders and institutional investors.

18 Concluding remarks on supervisory activities

The Board of Statutory Auditors has checked that the Company has an appropriate and adequate organisational structure, such as to ensure its compliance with legislation and its correct and timely performance of the associated requirements.
This detailed control - as already reported above - has also been managed and supplemented with:

- specific targeted activities for reviewing compliance with law or the By-laws;
- attendance at meetings of the Board of Directors;

- acquisition of information about tests and monitoring performed by the Independent Auditors;
- gathering of additional information in meetings - even informally - with the Directors, the Internal Audit department, the Internal Control Committee and the Heads of the various company functions;
- review, together with the Company, of any new instructions or communications by Consob that affect the Company.

In this way it has been possible to confirm that the organisational and technical conditions exist for effectively complying with the By-laws, laws and regulations that govern the Company's officers, activities and business.

19 Proposals for the Shareholders' Meeting (art. 153 TUF)

The Board of Statutory Auditors acknowledges that it has monitored the observance of procedural and legal requirements for the preparation and filing of the Parent Company's separate financial statements and of the consolidated financial statements for 2010 and the fulfilment of the duties of the Directors and Independent Auditors in this regard.
The financial statements being submitted for your examination reflect the Company's performance, with a detailed and consistent presentation of its assets and liabilities, financial position and results of operations contained in the "Directors' Report" and in the "Explanatory Notes". The consolidated financial statements reflect the performance of the Prysmian Group, as well as its assets and liabilities, financial position and results of operations; the Directors' Report suitably describes the Group's results of operations, assets and liabilities and financial position, its performance and events after the reporting period; lastly, it is consistent with the consolidated financial statements.

Based on the controls performed directly and the information exchanged with the Independent Auditors, and taking note of their unqualified opinion on the separate financial statements, which are consistent with the Directors' Report; having acknowledged that the Directors have not made any exceptions as permitted in certain circumstances by art. 2423, par. 4 of the Italian Civil Code, the Board of Statutory Auditors does not have any observations or proposals concerning the separate financial statements, the Directors' Report and the proposed apportionment of the profit for the year which, consequently, and to the extent of our remit, can be approved by yourselves.

Milan, 16 March 2011

The Board of Statutory Auditors
Marcello Garzia, Chairman
Paolo Burlando, Standing Statutory Auditor
Luigi Guerra, Standing Statutory Auditor

Copyright
Prysmian

Art director
Enrico de Gasperi

Graphic design
Dega Design Group

Printed in Italy, May 2011

Printed on Splendorlux 1 Premium White and Symbol Matt Plus Premium White Fedrigoni paper, made of pure cellulose coming from woods responsibly managed according to strict environmental, social and economic standards.

PRYSMIAN S.P.A.

Viale Sarca 222
20126 Milan
Italy
ph. +39 02 64491
www.prysmian.com