



CARRYING OUT IDEAS TO KEEP ON GROWING

2011 ANNUAL REPORT

Prysmian
Group

Disclaimer

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

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Notice of Shareholders' Meeting

Shareholders are convened to an Ordinary Shareholders' Meeting to be held in Via Filodrammatici 3, Milan (at the premises of Mediobanca), on:

- **Wednesday 18 April 2012, at 2:30 p.m. (CET), in single call,**

to discuss and resolve on the following

Agenda

1. Financial statements at 31 December 2011; Directors' report and proposed allocation of net profit for the year; report by the Board of Statutory Auditors; report by the Independent Auditors; related resolutions.
2. Appointment of the Board of Directors after determining its size and term in office.
3. Determination of the emoluments of members of the Board of Directors.
4. Grant of authority to the Board of Directors to buy back and dispose of treasury shares pursuant to articles 2357 and 2357-ter of the Italian Civil Code; related resolutions.
5. Consultation on the Prysmian Group's remuneration policies.

Subscribed and paid-in share capital amounts to Euro 21,439,348.10, divided into 214,393,481 ordinary shares of nominal value Euro 0.10, each of which carries the right to one vote at Shareholders' Meetings. As at the present date the Company directly and indirectly owns 3,039,169 treasury shares.

Attendance at the meeting

All persons entitled to vote may attend the Shareholders' Meeting or be represented according to the law, provided the communication issued by appointed intermediaries based on the contents of their accounting records, has reached the Company's registered office (Viale Sarca 222 - 20126 Milan) by the close of Thursday 5 April 2012, being the seventh trading day before the date of the Shareholders' Meeting. Those who become shareholders only after this date will not be entitled to attend and vote at the Shareholders' Meeting. In order to facilitate confirmation of their entitlement, eligible shareholders are invited to display a copy of the document sent to the Company by their intermediary.

Every shareholder may be represented at the Shareholders' Meeting by written proxy, and may use the proxy form available on the Company's website www.prysmiangroup.com (under Investor Relations/Shareholder Information/Shareholder Meetings) or from the Company's registered office. The proxy may also be notified to the Company by sending the proxy form by registered mail with proof of delivery to the registered office or by sending it to the following certified email address: corporate-pryspa@pec.Prysmian.com.

For the meeting referred to in this notice, the Company has appointed the lawyer Mr. Dario Trevisan as the Designated Representative under art. 135-undecies of Italian Legislative Decree 58/98. The proxy is conferred upon the Delegated Representative, free of charge to shareholders, by completing and signing the form available on the Company's website

www.prysmiangroup.com (under Investor Relations/Shareholder Information/Shareholder Meetings) or from its registered office. The duly signed and completed proxy form and voting instructions should be sent by registered mail to the following address: Mr. Dario Trevisan, Viale Majno 45 - 20122 Milan, or by certified email to rappresentante-designato@pec.it, by the close of Monday 16 April 2012, being the second trading day before the date of the Shareholders' Meeting. Proxy and voting instructions may be revoked within the same deadline. Proxies conferred upon the Company's Designated Representative will have no effect with regard to items on the agenda for which no voting instructions have been given.

Pursuant to art. 127-ter, par. 1, of Italian Legislative Decree 58/98, shareholders may submit questions on the agenda even before the meeting, by sending them by registered mail to the Company's registered office or by email to corporate-pryspa@pec.prysmian.com. Questions must be received by the close of Monday 16 April 2012, being the second trading day before the date of the Shareholders' Meeting, and must be accompanied by the relevant proof of shareholder status issued by the intermediary; such proof is not required if the Company has received the intermediary's communication required for the meeting's attendance. Questions received before the Shareholders' Meeting will be answered at the latest during the meeting itself. The Company may provide a single response to questions concerning the same topic.

Additions to the Agenda

Pursuant to art. 126-bis of Italian Legislative Decree 58/98, shareholders who individually or jointly represent at least one fortieth of share capital may request, within ten days of publication of the notice convening the meeting, to add items to the agenda, indicating in such request the proposed additional matters for discussion. The request must be submitted in writing to the Company's registered office by registered mail with proof of delivery, together with the intermediary's note proving ownership of the number of shares required to submit the request. A report on the proposed matters for discussion must be submitted using the same procedures within the same timeframe. Additions to the agenda are not permitted for matters on which the Shareholders' Meeting adopts, by law, resolutions proposed by the Directors or resolutions based on a proposal or report prepared by the Directors, other than those envisaged by art. 125-ter, par. 1, of Italian Legislative Decree 58/98.

Any additions to the agenda will be published in the same manner of publication as the present notice.

Appointment of the Board of Directors

Pursuant to art. 14 of the Company's By-laws, the directors are appointed on the basis of slates, in which the candidates must be listed with a sequential number.

The outgoing Board of Directors is entitled to present slates, as are those shareholders who, alone or together with other shareholders, represent at least 1.5% of ordinary share capital. As far as slates presented by shareholders are concerned, ownership of the minimum shareholding needed to present such slates is determined on the basis of shares registered to such shareholders on the day the slates are filed with the Company. The related note can be produced even after filing, provided by 18:00 CET on 28 March 2012.

The slate of the Board of Directors, if presented, must be filed at the Company's registered office by the thirtieth day before the date of the Shareholders' Meeting, meaning by 19 March 2012. Slates presented by shareholders, signed by those presenting them, must be filed, at least twenty-five days before the date of the Shareholders' Meeting, at the Company's registered office, meaning by 13:00 CET on Saturday, 24 March 2012, or sent by email to corporate-

pryspa@pec.prysmian.com, on the same day. They will be made publicly available at the registered office, on the Company's website www.prysmiangroup.com and in the other ways envisaged by Consob (Italy's Stock Exchange Commission) at least twenty-one days before the date of the Shareholders' Meeting.

Each shareholder can present or contribute to the presentation of only one slate and each candidate may appear on only one slate, otherwise they will be disqualified. In addition, the first two candidates on each slate must satisfy the independence requirements laid down by law.

Each slate must be filed together with acceptances by each candidate of their candidacy and declarations in which they state, under their own responsibility, that there are no grounds for ineligibility or incompatibility, and that they meet the requirements prescribed for the position. The declarations must be filed together with a curriculum vitae for each candidate containing full information about their personal and professional characteristics, indicating the directorships and statutory auditorships held in other companies and, if the conditions are satisfied, whether they meet the independence requirements set out in art. 148, par. 3, of Italian Legislative Decree 58/98 and in the Self-Regulatory Code for listed companies issued by Borsa Italiana S.p.A. (the Italian Stock Exchange) and adopted by the Company.

Any changes that occur up to the date of the Shareholders' Meeting must be promptly notified to the Company.

Slates submitted without complying with the foregoing provisions will be disregarded.

Candidates are also advised to authorise the publication of their curriculum vitae on the Company's website.

Lastly, shareholders intending to present slates for the appointment of members of the Board of Directors are invited to take into account the recommendations contained in Consob Communication DEM/9017893 dated 26 February 2009.

Documentation

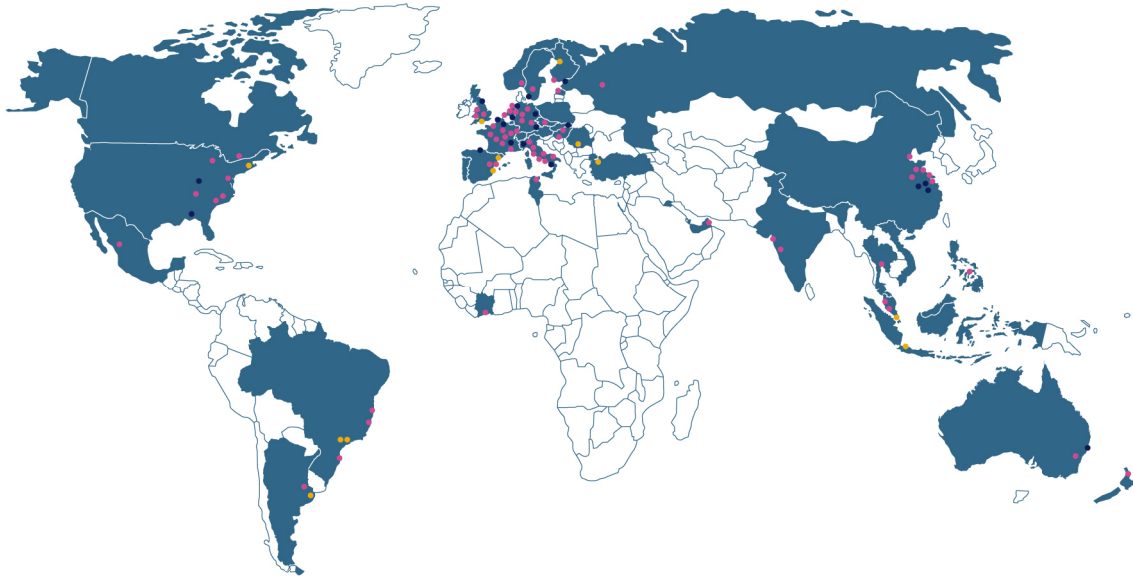
The Board of Directors' proposals relating to items on the agenda along with the relevant reports will be publicly available as of today from the Company's registered office (Viale Sarca 222 – 20126 Milan), from Borsa Italiana S.p.A. and on the Company's website at www.prysmiangroup.com, while the financial statements, corporate governance report and remuneration report will be made available from the same sources by 28 March 2012. Shareholders are entitled to examine them and obtain a copy upon request.

Milan, 8 March 2012

By order of the Board of Directors
Paolo Zannoni
(Chairman)

DIRECTORS' REPORT

A TRULY GLOBAL GROUP



● Prysmian Group global presence

● Energy

● Telecom

● Shared Energy and Telecom

PLANTS

EMEA

Italy: Arco Felice, Ascoli Piceno, Battipaglia, Giovinazzo, Livorno, Livorno Ferraris, Merlino, Pignataro Maggiore, Quattordio

France: Amfreville, Angy, Charvieu, Chavanoz, Gron, Neuf Pré, Paron, Xoulces, Dovrin, Calais, Aubevoye, Sainte Genevieve

UK: Aberdare, Bishopstoke, Wrexham, Derby, Washington

Spain: Sant Vicens dels Hors, Vilanova y la Geltru (2), Santander, Barcelona

Germany: Eschweiler, Neustadt, Schwerin, Nurnberg, Wuppertal, Berlin

Norway: Drammen

Denmark: Brondby

Sweden: Nassjo

Finland: Pikkala, Oulu

Hungary: Balassagyarmat, Kistelek

Slovakia: Presov

Netherlands: Eindhoven, Delft, Amsterdam, Emmen, Delfzijl, Nieuw Bergen

Romania: Slatina

Russia: Rybinsk, St. Petersburg

Czech Republic: Velke Mezirici

Estonia: Keila

Turkey: Mudanya

Ivory Coast: Abidjan

Tunisia: Grombalia

U.A.E.: Fujairah

ASIA & OCEANIA

China: Baoying, Tianjin, Wuxi, Wuhan (2), Haixun, Shanghai, Suzhou, Zhongyao

Australia: Dee Why, Liverpool

India: Pune, Chiplun

Indonesia: Cikampek

Singapore: Singapore

Thailand: Rayong, Melaka

Philippines: Cebu

Malaysia: Kuala Lumpur

New Zealand: Auckland

NORTH AMERICA

Canada: Prescott

USA: Abbeville, Lexington, North Dighton, Bridgewater, Rocky Mount, Hickory, Claremont, Schuylkill Haven

Mexico: Durango

SOUTH AMERICA

Brazil: Joinville, Sorocaba (2), St. André, Vila Velha

Argentina: La Rosa, Quilmes

PRYSMIAN GROUP

Cable industry world leader offering solutions based on advanced technologies ranging from extra high to low voltage and a wide variety of applications, Prysmian Group supports the development and management of energy and telecom networks around the world with its two internationally recognised commercial brands -Prysmian and Draka-, 97 plants in 50 countries and some 22,000 employees.

Drawing on over 130 years of experience and continuous investment in R&D, Prysmian Group leverages on the values of excellence, integrity and understanding, with the commitment to meeting the high expectations of its customers in every continent and in every business sector.

In the **energy sector** the Group works with grid operators and utilities such as China State Grid, E.ON, Eletropaulo, Enel, National Grid, Qatar General Electricity & Water Corporation, RTE/EDF, REE, RWE, TenneT, Terna and Vattenfall, as well as other industrial concerns like Aker, Alstom, Changchung Railcars, Kone, Lear, Otis, Petrobras, Siemens, STX Marine and Yazaki.

Its customers in the **telecom sector** include some of the major global players such as Bharti, British Telecom, France Telecom, Free, KPN, Telecom Italia, Telefonica, Telstra, Verizon and Vodafone.

Partner in key energy and telecom infrastructure projects

Prysmian Group works for utilities and electrical grid operators all over the world on some of the major **submarine power interconnection** projects, including SAPEI in Italy, which is not only the longest ever connection ever produced by a single supplier (more than 400 km) but also boasts a number of industry records in terms of power transmitted (1000 MW) and maximum depth (more than 1600 metres). The Trans Bay, Neptune and Hudson projects in the United States are illuminating large areas between San Francisco and New York City with energy from different sources, including renewables and natural gas.

The Group has helped build the **electrical grids** in some of the world's largest cities, from New York to Buenos Aires, from London to St. Petersburg, and from Singapore to Hong Kong.

In the **renewable energy** sector, Prysmian Group is a world leader in connections for offshore wind farms, with technology that includes cables for wind turbine operation, inter-array cables and cables for mainland connection. In addition to its involvement in major projects realised in recent years throughout Europe, particularly in the United Kingdom, the Group has supplied cabling solutions for the SylWin1 wind farm in Germany, representing an industry milestone with a rating of 864 MW and a record voltage of 320 kV DC.

We support the **petrochemicals industry** with a wide range of high-tech products. A strategic technical cooperation agreement with Petrobras has introduced Prysmian Group to the sector of high-tech flexible pipes for oil drilling, which, combined with our existing production of umbilical cables for offshore oil platforms, allows us to offer Oil Gas and Petrochemicals operators a complete range of SURF (Subsea Umbilical, Riser and Flowline) products and services.

In the **construction sector**, our fire-resistant cables can be found in the very heart of the most spectacular, state-of-the-art developments, like the Wimbledon tennis stadium and Masdar City in the Arab Emirates,

the world's first carbon-neutral city. By cabling the Burj Khalifa in Dubai, the world's tallest building at 828 metres high, the Group has guaranteed the safety of every one of its 162 floors with elevator cables and fire-resistant cables the length of which is more than 1,300 times the tower's height. In Singapore, our solutions have helped to build the Marina Bay Sands, the most expensive and luxurious casino resort ever built and one of the most challenging construction projects in the world.

In the **transport sector** we have cabled some of the world's biggest aircraft and ships, like the Royal Caribbean's GENESIS fleet, its fastest trains, like those designed by Alstom and Siemens, and its most innovative metro systems, like the one in Istanbul. Three million passengers on the London Underground travel each day through 275 stations along 400 km of lines, thanks to Prysmian and Draka fire-resistant cables.

By measuring the thickness of ice on land and water, satellites equipped with our cables are able to see half the planet by providing detailed images of specific places and evidence of climatic change. We are proud to be involved in major **space projects** as a partner of the European Space Agency.

Prysmian Group is the world's top manufacturer of **telecom cables**, which with it contributes to developing the infrastructure of many of the major industry players. The wide range of copper and fibre solutions for voice, video and data, continuous investments in R&D and more than 30 dedicated factories allow the Group to support information flows between communities around the world.

High fibre-count ribbon cables are helping the Australian government to achieve its goal of creating a "Fibre-to-the-Premises" network that will connect 93% of the country's residential and commercial buildings. This project confirms the Group's central role in the largest infrastructure challenge ever faced in Australia's history.

The quality of our optical fibre allows us to meet the most delicate and forward-looking challenges. Draka optical fibre cables were chosen for the construction of the Large Hadron Collider (LHC), the largest particle accelerator at CERN in Geneva. The 1,500 km of cables installed in the tunnel, that convey the vast quantity of data generated by experiments to the supercomputer, have allowed us to receive a Golden Hadron, an award for suppliers that not only meet the needs and requirements of CERN, but exceed their contractual obligations.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION (*)

(in millions of Euro)

	2011 (**)				2010	% Consolidated change	% Prysmian change	2009
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Sales	5,363	2,279	(59)	7,583	4,571	65.9%	17.3%	3,731
EBITDA ⁽¹⁾	172	111	(14)	269	365	-26.4%	-52.9%	366
Adjusted EBITDA ⁽²⁾	419	149	-	568	387	46.8%	8.5%	403
Operating income	(3)	50	(28)	19	307	-93.8%	-100.8%	386
Adjusted operating income ⁽³⁾	342	98	(14)	426	309	37.8%	10.7%	334
Profit/(loss) before taxes	(105)	37	(33)	(101)	213	-147.6%	-149.0%	337
Net profit/(loss) for the year	(137)	20	(28)	(145)	150	-197.0%	-191.1%	252

(in millions of Euro)

	31 December 2011	31 December 2010	Consolidated change	31 December 2009
Net capital employed	2,436	1,403	1,033	1,314
Employee benefit obligations	268	145	123	142
Equity	1,104	799	305	698
of which attributable to non-controlling interests	62	43	19	21
Net financial position	1,064	459	605	474

(in millions of Euro)

	2011 (**)			2010	% Consolidated change	% Prysmian change	2009
	Prysmian	Draka	Total	Prysmian			Prysmian
Investments	130	29	159	102	55.9%	27.5%	107
Employees (at period end)	12,653	8,894	21,547	12,352	74.4%	2.4%	11,704
Earnings/(loss) per share							
- basic			(0.65)	0.82			1.40
- diluted			(0.65)	0.82			1.39

(1) 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.

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

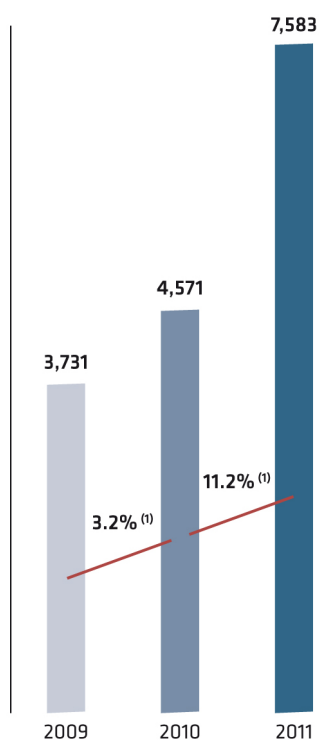
(3) Adjusted operating income is defined as operating income before non-recurring income/(expenses) and the fair value change in metal derivatives and in other fair value items.

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

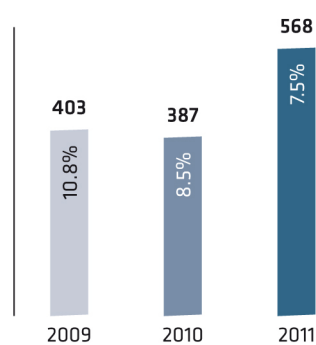
(**) The Draka Group's results have been consolidated for the period 1 March – 31 December 2011.

KEY FINANCIALS

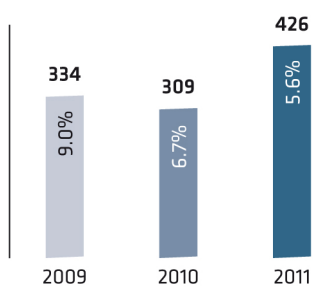
SALES



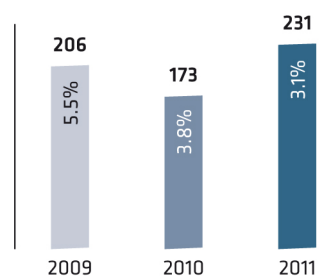
ADJ. EBITDA ⁽²⁾

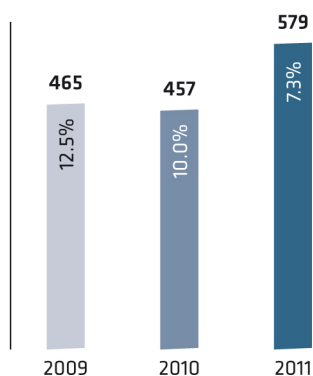


ADJ. OPERATING INCOME ⁽³⁾

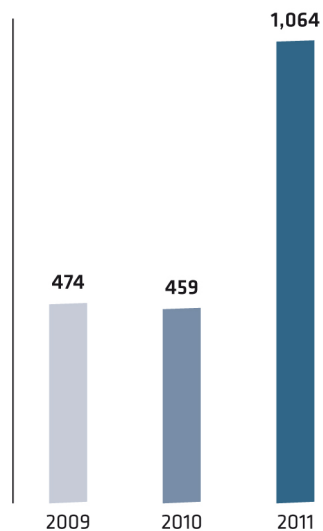


ADJ. NET PROFIT ⁽⁴⁾



NET OPERATING WORKING CAPITAL ⁽⁵⁾

NET FINANCIAL POSITION



1) Organic growth: growth net of changes in the group structure, 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/(expenses) and the fair value change in derivatives and in other fair value items.

4) Adjusted Net Profit is defined as net profit/(loss) before non-recurring income/(expenses), the effect of derivatives and of other fair value items, exchange rate differences and the related tax effects.

5) Net Operating Working Capital means Net Working Capital excluding the effect of derivatives. The percentage is calculated as Net Working Capital/Annualised last-quarter sales.

LETTER TO SHAREHOLDERS

The year 2011 marked a strategically important turning point for Prysmian. The success of the Draka acquisition, completed last spring, has led to the creation of a new Group, the world leader in the energy and telecom cables industry by size and wealth of technology and expertise possessed by both companies. The integration process has been defined and implemented quickly and effectively and the initial results confirm the cogency of the decisions made by shareholders and management of both companies. The launch of the new organisational structure, together with the development of a new mission, vision and values shared by both organisations, took place in record time already by last July, with the subsequent deployment of all the operating units almost completed by year end. The integration is moving ahead according to plan also on the technology, production and commercial fronts with the new brand strategy and the expected benefits in terms of strengthening the Group's market competitiveness have already started to be seen. The validity of the approach adopted so far to manage the integration process is reflected in the approximately Euro 13 million of synergies already achieved, which exceed, if only by slightly, the original target of Euro 10 million.

The market scenario facing the new Group in 2011 showed signs of a recovery in demand which, although still weak, benefited nearly every business area in different regions around the world. These favourable signs were nonetheless still characterised by extremely competitive terms of sale and unpredictable fluctuations. The Energy segment benefited from a global recovery in volumes in all its business areas, particularly in North Europe, South America and Asia Pacific, while Telecom segment growth mostly came from optical fibre cables in places like North America and Australia.

Our focus on technological innovation and production flexibility, combined with ever increased emphasis on responding quickly to market changes and customer needs, have allowed the Group to close 2011 with a positive growth in its results, even in a market that, despite first-half signs of recovery, is still affected by macroeconomic uncertainties and volatility.

On the sales front, the Group achieved organic growth of +11.2%, a particularly significant result if compared to both 2010 (+3.2%) and 2009 (-17.4%). This growth came from both the energy cables business (+10.5%), where the utilities business area performed particularly well, and the telecom cables business, which reported an excellent +17.4%, a particularly significant result given this business's importance in the new Group (accounting for about 20% of total sales). The geographical breakdown of sales also reveals the growing importance of high-growth emerging countries, which accounted for approximately 30% of total sales. This performance was achieved also thanks to the policy of selectively investing in high-tech and high value-added businesses, consistent with the Group's global strategy.

The speed with which the two commercial teams started to work together helped protect sales even during the integration's initial stages by adopting an effective double-branding policy and by giving visibility from the start to the benefits of the heightened competitiveness of the Group's commercial offering. In particular,

in the business of submarine cables for offshore wind farms, Prysmian Group is now able to offer the widest range of technologies, from inter-array connections between turbines to cable systems for connection to mainland grids; in the SURF - Oil&Gas business, the Group's range of technologies and products (which already included umbilicals and flexible pipes) has been enlarged with the addition of Draka's DHT (Downhole Technology) cables; in the telecom cables business, the Group can now leverage on the most extensive and competitive product range in the industry. The availability of worldwide fibre production capacity also reduces production and logistics costs, resulting in better margins. In the renewable energy cables business, the enlarged offer is helping improve geographical reach, with a focus on high-growth markets; lastly, in the T&I business, current integration of the product ranges is improving the offer mix, with a focus on high-end products and key global customers.

The major endorsements received by the Group in the form of new contracts have confirmed its market and technological leadership in submarine systems. In the USA the Group was awarded the Hudson Transmission Project to create a new power connection to Manhattan, while in Northern Europe it was awarded four new projects for offshore wind farm connections, confirming its strategic partnership for the development of major renewable energy programmes in Germany. In the telecom cables business, the Group won a tender for the construction of the new broadband network in Australia that will connect 93% of the country's residential and commercial buildings. In Brazil, the Group will supply OPGW overhead cables for the construction of the new Tucuruí-Macapá-Manaus telecommunications line, stretching 1,800 km and strategically important for the country.

The Group's cables have also achieved important recognition in the oil industry, where, the start of full production by the new flexible pipes plant in Brazil has seen the arrival of the first contracts from Petrobras, confirming the Group's significant level of know-how and technology in this sector.

The validity of its technological and product offering, as well as its reliability and market reputation, are also confirmed by the growth in the Group's submarine cables order book, which, including the major Western Link project acquired at the beginning of 2012, increased to over Euro 2.3 billion at the end of February, assuring sales visibility for more than three years. Sales visibility for high voltage underground cables is for about one year.

The growth in sales has also benefited profitability, with Adjusted EBITDA improving on 2010 to Euro 568 million (inclusive of the consolidation of Draka from 1 March 2011). This figure is at the top end of the expected target range initially announced, confirming once again the Group's ability to respond positively to the expectations of the market and shareholders in general.

The income statement and statement of financial position for the year just ended reflect strong cash generation and a clear improvement in key indicators, such as a level of net debt just above Euro 1 billion, representing a multiple of less than two times Adjusted EBITDA. This allows the Company to enter the current year with a solid balance sheet.

The Group's ability to look to the future with foresight, with the aim of ensuring continued growth and value creation for shareholders, is also evident from its level of investments, which came to approximately Euro

145 million in 2011, most of which to develop high-tech businesses in keeping with the global strategy. The principal projects included completion of the new plant in Brazil for flexible offshore oil drilling pipes, and expansion of production capacity for high voltage cables in China and France, for submarine cables in Italy and Finland, and for optical cables in Brazil.

For a public company like the Prysmian Group, controlled by a wide array of shareholders and institutional and private investors, the continued confidence of the markets and its stakeholders is of paramount importance. The Group's wide and prestigious spectrum of shareholders and the positive opinion on the stock price held by almost all the financial analysts, confirm the validity of the results achieved and appreciation of its strategies.

Valerio Battista, Chief Executive Officer

DIRECTORS AND AUDITORS

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

(*) Independent directors

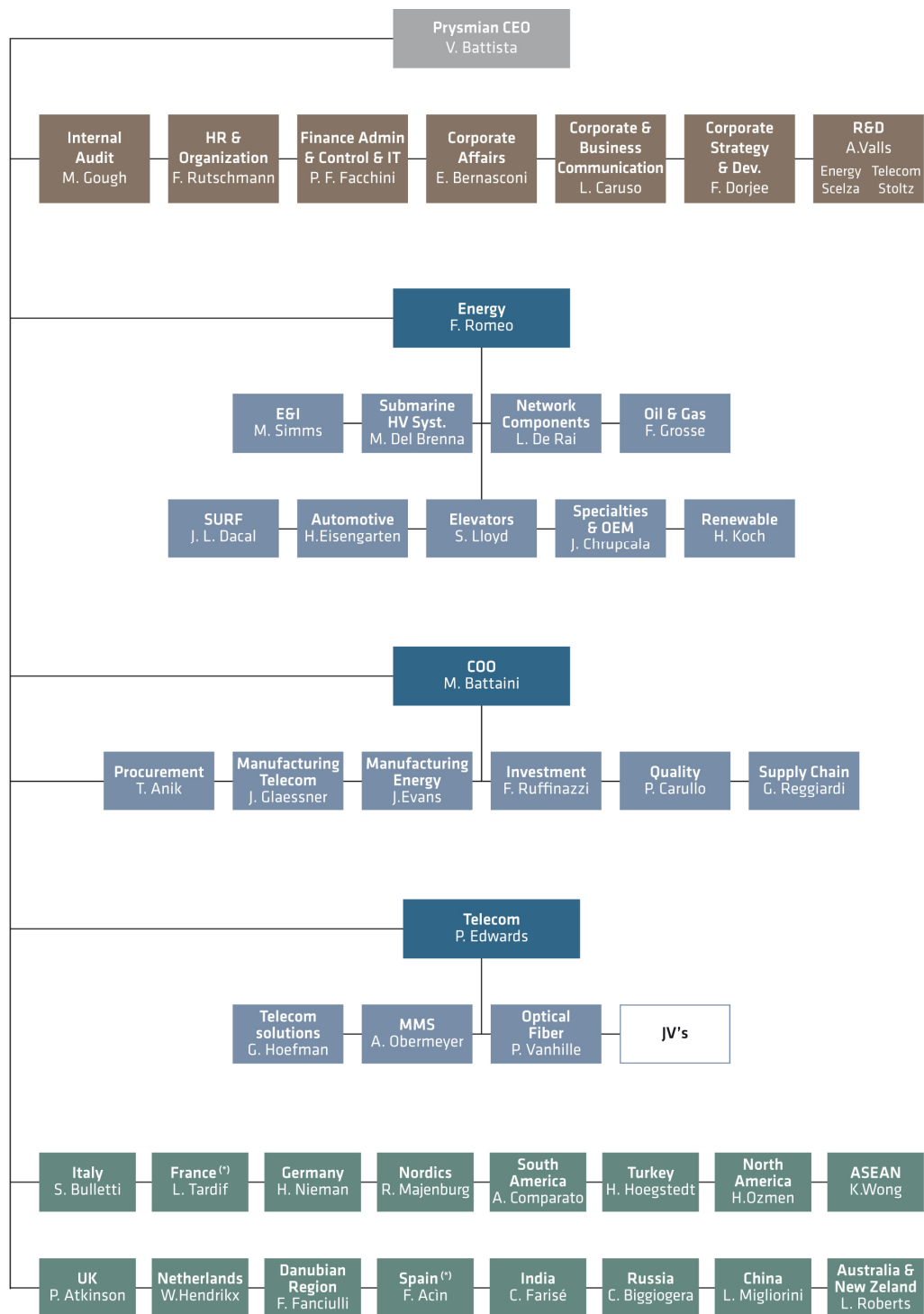
(1) Members of the Internal Control Committee

(2) Members of the Compensation and Nominations Committee

(3) Appointed on 24 January 2011

(4) Appointed on 14 April 2011

ORGANISATIONAL STRUCTURE



- *Staff Functions*
- *Businesses & COO*
- *BU's & COO Functions*
- *Countries*

^(*) France delegated for Aerospace, Spain for OPGW.

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. The Prysmian stock has since joined the principal world and sector indexes, including the Morgan Stanley Capital International index and the Dow Jones Stoxx 600, made up of 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, control of which it had acquired 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%, which he raised to about 1.4% during 2011.

At 31 December 2011 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.

The macroeconomic environment in the first half of 2011 confirmed the initial signs of recovery already seen in 2010, albeit with very low growth rates at levels still well below those before the 2008 financial crisis. However, the second half of the year began to be affected by growing concerns about Eurozone and US debt sustainability, leading to a sharp deterioration in consumer confidence and a gradual slowing of industrial output and demand.

In general, the increase in global demand in 2011 was largely driven by high growth in emerging countries. Furthermore, in the United States, the government stimulus package helped support the recovery in demand. Growth in Europe was more modest, also penalised by the risk of default hitting several Eurozone countries, leading to a sharp increase in interest rates on the related government bonds. The best performers in terms of growth included Germany, Austria, Turkey, Poland and Sweden.

The world's principal stock markets reflected this uncertainty: on the one hand, US indexes managed to close the year with zero or positive growth, partly thanks to speculation affecting many Eurozone listed companies which encouraged an inflow of capital to US dollar-denominated stock markets, while on the other, European stock markets reported losses of varying size also reflecting the debt management difficulties faced by each country. In particular, Italy saw its major indexes lose a quarter of their value during the year. Lastly, even Asian and emerging markets reported a decline due to a general slowdown in growth rates compared with the past.

In this context, the Prysmian stock reported a 25% decrease during 2011, representing a 36% loss in value since its listing date (3 May 2007)¹, nonetheless significantly outperforming its main competitors and the FTSE MIB (-66% from Prysmian's listing date to 31 December 2011), thus increasing its weight in this index. By way of reference, the principal financial markets performed as follows in 2011: FTSE Italia All

¹ The stock's performance, net of dividends paid in the period, was a loss of -23% over the course of 2011 and -27% since its listing date.

Shares: -24%; FTSE MIB: -25%; CAC 40 (France): -17%; IBEX (Spain): -13%; FTSE 100 (UK): -6%; DAX (Germany): -15%; Dow Jones (US): +6%; S&P 500 (US): +0%; Nikkei (Japan): -17%; MSCI Europe Capital Goods: -19%.

During the first quarter of 2011, the Prysmian stock steadily rallied in reaction to the launch of the mixed exchange and cash offer for the shares of Draka Holding N.V. in Holland, confirming the appreciation of the financial markets for this transaction which ended on 22 February 2011 with a record acceptance by 99% of the outstanding Draka shares. Following the offer's completion and start of a squeeze-out for the remaining outstanding shares, the newly-acquired Dutch company was delisted from the Amsterdam stock market on 7 April 2011. The Prysmian stock subsequently stabilised in a Euro 14-16 range, only to then enter a bearish phase following the steep downturn in international stock markets from July triggered by growing concerns about public debt sustainability in different Eurozone countries and consequently about the single currency's stability. In fact, from September the stock stabilised in the range of Euro 9-11, closing the year at Euro 9.60, 25% down on Euro 12.75 at the end of 2010.

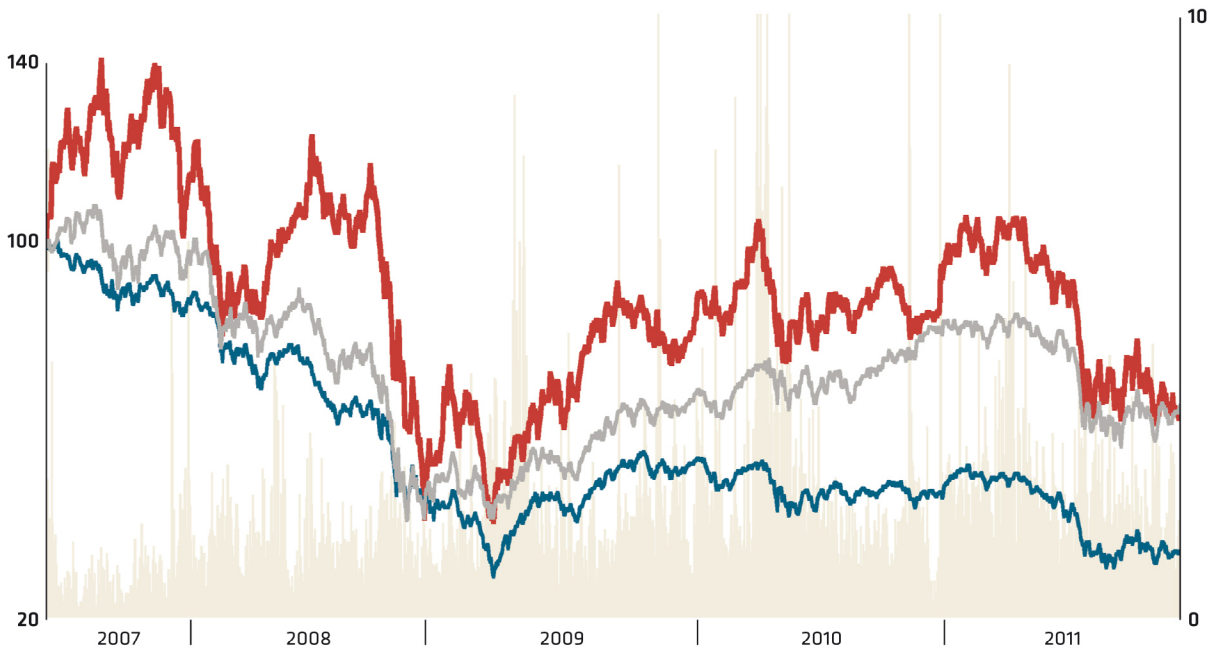
Even in 2011 the stock's liquidity remained high, with average daily trading volumes of approximately 2.2 million shares, largely in line with the 2.3 million average in 2010 and significantly higher than those the years before (see the chart, Average Daily Trading Volume), despite the reduction during the year in average trading volumes of stocks listed on the FTSE MIB index. Even the value of average daily trades was high, stabilising at Euro 28 million, slightly below Euro 30 million in 2010 and comparing with Euro 19 million in 2009 and Euro 18 million in 2008. This result was partly due to increased broker coverage (28 brokers covered the stock at the end of 2011 compared with 26 in 2010, 22 in 2009 and 18 in 2008), and to management activity to increase Prysmian's visibility in the world's major financial markets.

The shareholders of Prysmian S.p.A. met twice during 2011. The first meeting, held in ordinary and extraordinary session on 24 January 2011, to approve, among others, the capital increase linked to the public mixed exchange and cash offer for Draka Holding, was attended by shareholders representing 47% of share capital; the meeting approved every item on the agenda by majority vote; in particular, the item concerning the acquisition-related capital increase was approved with more than 99.9% of the votes in favour. The second meeting, held in ordinary and extraordinary session on 14 April 2011, to approve, among others, the 2010 financial statements, was attended by shareholders representing approximately 56% of share capital and approved every item on the agenda by majority vote.

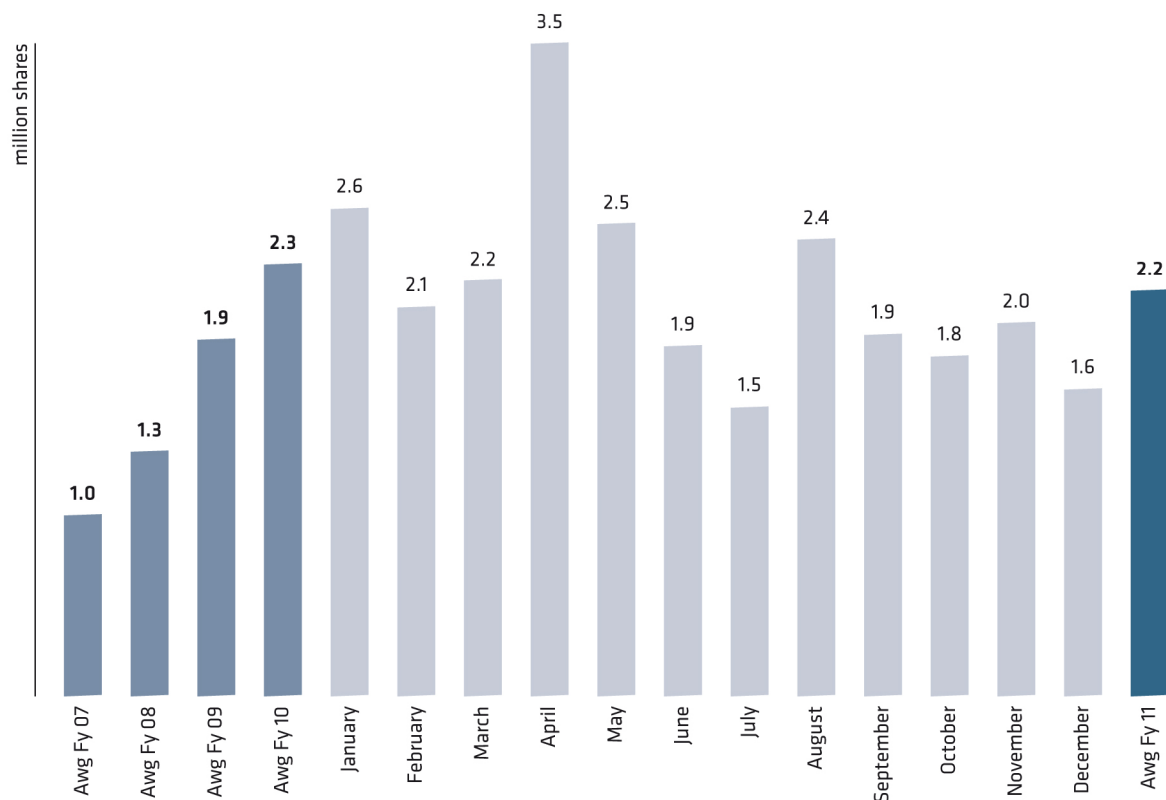
The dividend for 2010 was paid on 21 April 2011 and amounted to Euro 0.166 per share, corresponding to a total of Euro 35 million and a 24% pay-out ratio on the 2010 consolidated net profit. Earnings per share in 2010 amounted to Euro 0.82 per share.

At 31 December 2011, Prysmian share capital, following the capital increase, had risen to Euro 21,439,348.10, comprising 214,393,481 ordinary shares with a nominal value of Euro 0.100 each.

STOCK PERFORMANCE



- Volume (no. shares)
- Prysmian
- MSCI CapGoods Euro
- FTSE MIB

AVERAGE DAILY TRADING VOLUME (million shares)

Source: Thomson Reuters

	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007 ^(*)
Price	9.60 €	12.75 €	12.19 €	11.10 €	16.89 €
Change over period	-24.75%	4.59%	9.82%	-34.28%	12.60%
Average price	12.90 €	13.13 €	10.60 €	13.76 €	18.36 €
Maximum price	15.95 €	15.81 €	13.84 €	18.54 €	21.00 €
Minimum price	9.25 €	11.27 €	6.10 €	6.21 €	15.34 €
Market capitalisation at period end	2.057 Mil €	2.321 Mil €	2.209 Mil €	2.004 Mil €	3.040 Mil €
Average capitalisation	2.701 Mil €	2.388 Mil €	1.918 Mil €	2.482 Mil €	3.305 Mil €
Average daily trading volume	2,15 Mil	2,28 Mil	1,88 Mil	1,30 Mil	0,96 Mil
Average value of daily trades	28 Mil €	30 Mil €	19 Mil €	18 Mil €	17 Mil €
Number of shares at 31 December	214,393,481	182,029,302	181,235,039	180,546,227	180,000,000

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

Source: Thomson Reuter

INVESTOR RELATIONS

Creating value for shareholders, and other stakeholders, is a key priority for Prysmian Group as part of its commitment to accuracy, clarity and transparency in the communication of business 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 access to information and to ensure effective compliance with the principle that all investors and potential investors have the right to receive the same information in order 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 2011, involving more than 400 meetings held at the Group's offices, roadshows in the major financial centres of Europe, North America and Asia, as well as participation at conferences organised by major international brokers.

Coverage of the Prysmian stock increased further during the year, confirming the high interest by national and international financial markets in the Group. There are now 28 independent analysts who regularly cover the Prysmian stock (26 at the end of 2010): Axia, Banca Akros, Banca Aletti, Banca IMI, Banca Profilo, Barclays Capital, Berenberg, BofA Merrill Lynch, Centrobanca, Cheuvreux, Citi, Deutsche Bank, Equita, Exane BNP Paribas, Execution-Noble, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, ING, Intermonte, JP Morgan, Kepler, Mediobanca, Morgan Stanley, Natixis, UBS, 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, documentation relating to the public mixed exchange and cash offer for Draka Holding and information about corporate governance, the Group's Code of Ethics and the shares.

Investor Relations contact details:

Investor Relations Office



+39 02 6449 1

investor.relations@prysmiangroup.com

Luca Caserta

Investor Relations Director



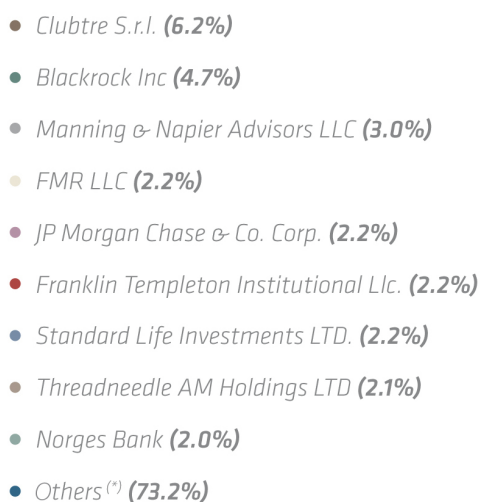
+39 02 6449 51400

luca.caserta@prysmiangroup.com

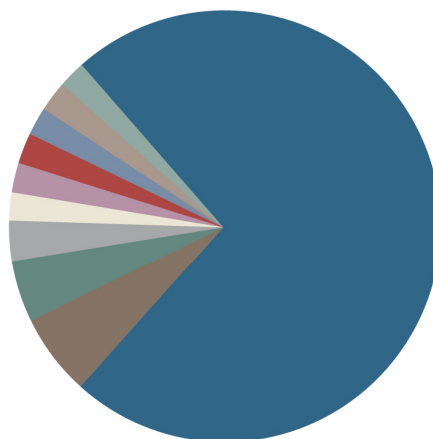
OWNERSHIP STRUCTURE

At 31 December 2011, the share capital of Prysmian S.p.A. amounted to Euro 21,439,348.10, comprising 214,393,481 ordinary shares with a nominal value of Euro 0.100 each. The ownership structure at 31 December 2011 was as follows:

Investors

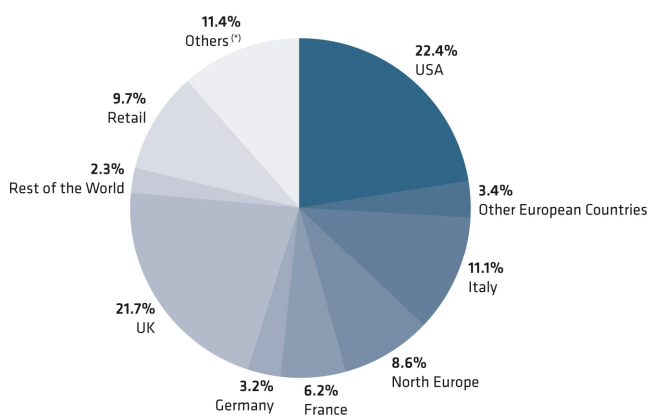


^(*) Includes 3,039,169 (1.4%) in treasury shares



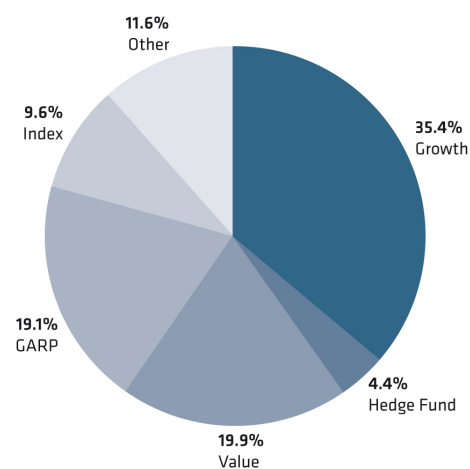
After Goldman Sachs Group and Taihan sold their remaining interests in 2010, Prysmian is now one of Italy's few public listed companies, with a free float of 100%. At 31 December 2011, major shareholdings (in excess of 2%) accounted for around 27% of share capital, none of which were majority or controlling interests.

Ownership structure by type and geographical area



^(*) Includes 3,039,169 (1.4%) in treasury shares

Institutional investors by investment approach



Source: Thomson Reuters

The ownership structure by geographical area confirms the predominant share of UK and US institutional investors, who together held approximately 44% of the Prysmian shares at the end of 2011; they were followed by Italian institutional investors with 11% and North European ones with 9%.

Approximately 75% of share capital is held by institutional investors with Value or Growth investment strategies. There was also a large increase in the proportion of shareholders adopting an Index investment strategy, based on the principal stock indexes; in fact, this increase is consistent with the greater weight of the Prysmian stock within such baskets.

Financial Calendar

FINANCIAL CALENDAR	
Board of Directors Group Annual Report and draft Annual Report of Prysmian S.p.A. at 31 December 2011	7 March 2012
Shareholders' Meeting to approve Annual Report	18 April 2012
First-Quarter Report at 31 March 2012	10 May 2012
Half-Year Report at 30 June 2012	7 August 2012
Third-Quarter Report at 30 September 2012	8 November 2012

HUMAN RESOURCES

Prysmian Group views the quality of human resources as a condition for business success. The HR strategy, developed in connection with the Prysmian-Draka integration process, is based on four fundamental processes:



- **Leadership Alignment** to ensure a common reference model and consequently effective alliance between the organisation and management in the integration process, with a constant focus on continuous improvement in performance;
- **People Quality Process** to create a group of talents needed to manage and develop the business;
- **Organisational efficiency** to achieve adequate standards in terms of synergy and organisational efficiency/effectiveness;
- **Social and internal relations** to ensure good industrial relations and internal relations (communication), in line with the Group's values and policies.

Group Values

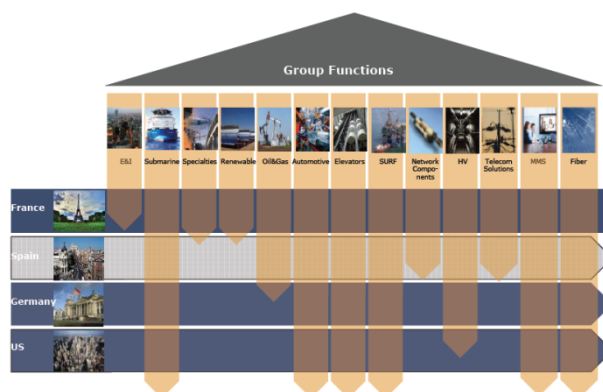
Prysmian Group has redesigned its system of values in order to direct people's behaviour and actions towards the business goals. The Prysmian value system defines how company staff communicate and interact with customers, partners, suppliers, shareholders and communities, and how they manage the business and decide priorities. Management leadership must be consistent with the value system, ensuring appropriate management of people and of the processes of change.



Our Values are about how: the principles we are share.

Matrix organisational model and clear processes

Prysmian Group has adopted a matrix organisational model that is able to exploit the strengths of previous models, ensuring proximity to local businesses through Country organisations, and presence in global markets through Business Units.



Along with the organisational structure, a specific method of working has been developed to define responsibilities within the organisation, facilitated by tools such as the "Terms of Reference", the "Group Meetings System" and the model's implementation Guidelines.

Quality of recruitment and selection united with employer branding policies

Prysmian Group is implementing continuous improvements in terms of human resource search, selection and development, by adopting particularly structured processes aimed to:

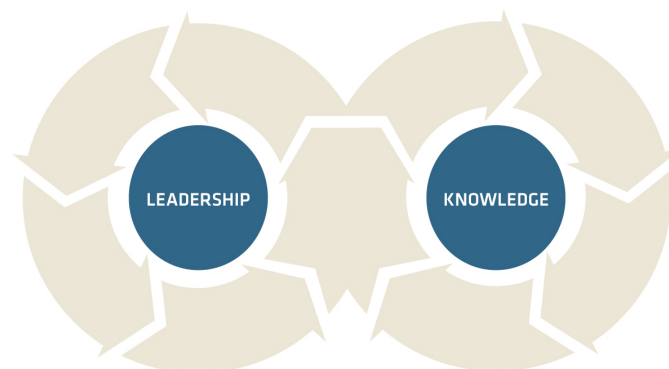
- identify and attract pools of qualified candidates able to provide a selection of potential future leaders;
- ensure consistency between the requirements and development of the business;
- establish the right skills, experience and personal qualities necessary for a given role, placing the right people in the right place at the right time;
- ensure the recruitment of people who match the defined profile and organisational values.

In addition, the first "Building the Future" graduate programme was developed in 2011 for launch in 2012, with the goal, in line with the talent management policies, of placing high potential graduates with international profiles in different functions and geographical regions.

Training and development

Prysmian Group views training as an important investment for building, strengthening and developing the Group and so has initiated policies for continuous improvement and development of know-how and skills to provide employees with the necessary tools to achieve business and personal development objectives.

A mix of internal and external methods have been used to develop training and development tools and initiatives for management skills (Leadership) and professional skills (Knowledge).



"Talent Development Programmes" have been created to develop managerial skills, including the development of three courses for the various employee target groups:

1. Building the future: an induction programme for new graduates, comprising a variety of formative methods (experience, training, local projects and international assignments);
2. Linking the future: a management development programme for talents to support them in learning and professional growth (Business, Change, People, Development);
3. Leading the future: a management development programme for key people or leaders of the Group to support them in directing the business, in developing the skills needed for continuous professional growth and for talent and resource management (Business, Change, People, Development).

A series of "Professional Training" courses have been developed for technical skills; these are organised in the form of masters programmes for each function or job category (eg. Engineering Energy Junior Knowledge training for Junior Cable Designers), and are designed to improve, protect and share know-how in order to equip participants to meet business challenges.

Talent management and critical know-how

Prysmian Group believes that intellectual capital is a strategic asset that must be identified, developed and protected, and so treats the management of key people as critical. Specific Talent Management policies and processes have therefore been defined with the following objectives:

- to identify, develop and retain talent to support long-term business growth;
- to develop and protect critical know-how, meaning those people with the essential knowledge and skills for continuously improving product quality, expanding markets, managing customers and acquiring new business;

In particular, a number of important initiatives were undertaken during 2011 as part of an integrated talent review process:

- a review was conducted, with the assistance of specialist companies, to evaluate management performance and potential, in support of the choice of management team;
- a succession management or succession grid process was devised to provide a series of special measures to ensure smooth succession of the company's leadership;
- an internal talent scouting process was initiated to make the most of young talent.

International mobility

Global mobility for Prysmian is a key tool for improving business results by developing people and obtaining high quality performance. Global mobility represents one of the main strategic processes aimed at supporting achievement of the business objectives:

- by providing an opportunity for professional development in an international context to high-potential and senior professionals;
- by motivating and retaining current leaders with extensive experience and high performance;
- by sharing critical know-how and best practices at a global level;
- by regularly monitoring the performance of international resources on secondment to measure the return on investment.

Remuneration policies

Prysmian Group has continued to develop its remuneration policies with the following objectives:

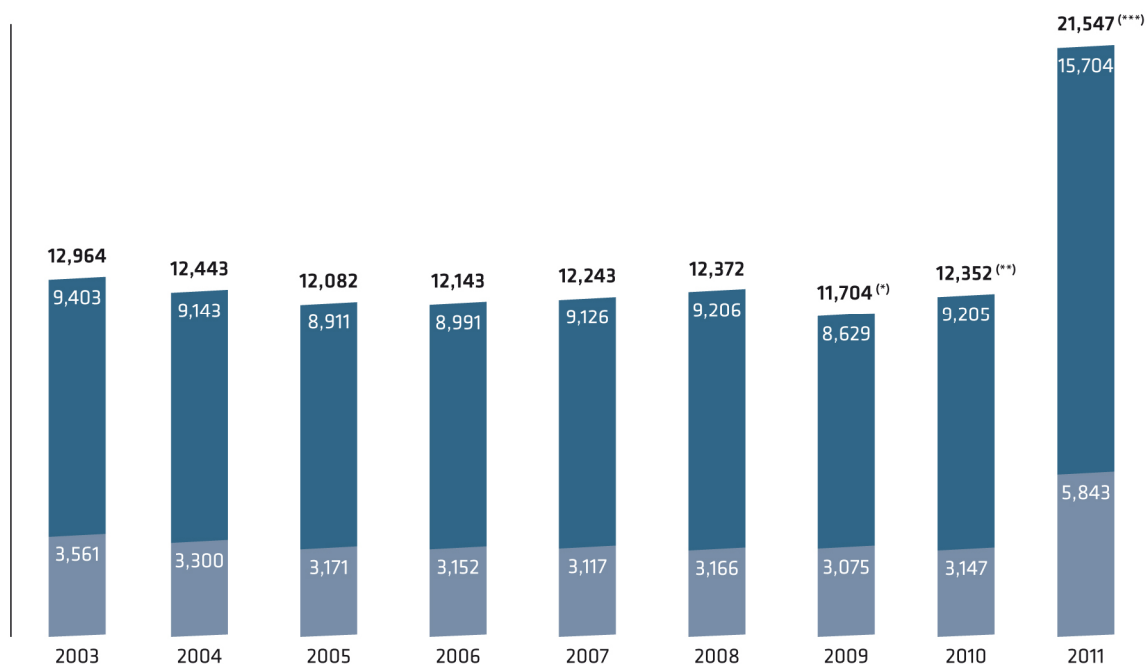
- to attract and retain talented people, equipped with the skills and expertise needed to achieve the business objectives;
- to motivate management to perform to the best of their ability;
- to align remuneration correctly with responsibility;
- to differentiate employees based on merit and both short and long-term performance;
- to find a balance between the need to meet the expectations of key resources and to operate in the best long-term interests of shareholders;
- not to discriminate on the basis of gender;
- to comply with the provisions of local legislation with reference to guaranteed remuneration for a grade/position;
- to adopt effective and challenging short-term incentive schemes as additional motivation for management to achieve key financial and economic targets;
- to supplement monetary remuneration mechanisms with the offer of non-monetary goods and services.

One example of the Prysmian remuneration policies is the long-term incentive plan for 2011-2013 introduced for senior management and whose guiding principles are:

- to develop a shared Group identity through a common, challenging goal for all three years;
- to align the performance of our organisation's key people with shareholder expectations;
- to introduce an important mechanism of retention over the period of integration;
- to enhance the sustainability of business results in accordance with the new Self-Regulatory Code.

Headcount

The Prysmian Group had a total of 21,547 employees at 31 December 2011, of whom 5,843 management/white collar staff and 15,704 blue collar staff. The headcount can be broken down as follows:



- Blue collar
- Management/White collar

^(*) 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).

^(***) December 2011 inclusive of acquisition Draka.

The Group had a total staff turnover of 9.3% in 2011, down from 15% in 2010 and 15.6% in 2009. Turnover due to resignation was 5.8%, down from the levels reported in the two previous years. Other major reasons for turnover were: poor performance, retirement, redundancy and end of employment contract.

Industrial relations

The year 2011 was marked by activities in connection with the Draka Group's acquisition. In fact, in January consent to the acquisition was obtained from the Dutch trade union committee; under Dutch law, such consent was required in order to finalise the transaction.

Talks were then initiated with the two separate European Works Councils of Prysmian and Draka to explain the rationale and objectives of the integration process between the two companies. In the following months,

several meetings were held for this purpose with the works councils and representative structures in each country to update them on the integration process and its effects.

Talks were then started to unify the two works councils in light of European Directive 38/2009, even if this is not yet reflected in Italian law.

At Group level, discussions with the employee representative bodies generally focused on improving competitiveness in every single production unit through greater efficiency and cost savings, as appropriate to the economic and market situation in the country concerned.

RESEARCH AND DEVELOPMENT

The Prysmian Group has always attributed key strategic importance to Research & Development to maintain its market leadership, by providing its customers with technologically innovative solutions at increasingly competitive costs. The acquisition of Draka has added to the Group's know-how and expanded its expertise in specific high value-added fields such as optical fibre, multimedia & special cables, elevator systems, aviation cables and downwell pump cables for the offshore oil industry. Following the integration of Draka's Research and Development, the Group has 17 Centres of Excellence, headquartered in Milan, in which the R&D function develops specific products according to local know-how. The Prysmian Group has long, established relationships with major universities and research centres (including the Polytechnic University in Milan, the Polytechnic University in Bologna, the University of Genoa and Trento's Bruno Kessler Foundation in Italy, the University of Barcelona in Spain, the University of Sao Paulo in Brazil and the University of Delft in Holland); with about 600 skilled professionals, the Prysmian Group means to be an industry leader in R&D.

The Group's total R&D expenditure amounted to approximately Euro 68 million in 2011, up from Euro 46 million the previous year following the contribution of Draka, which spent about Euro 20 million in the period it was consolidated from March to December. If Draka had been consolidated for the entire year, total R&D expenditure would have been about Euro 72 million.

Among the main achievements in 2011:

- in the area of High Voltage cables, the 400 kV alternating current cables produced at the Abbeville plant were certified; the 500 kV XLPE prototype was successfully completed at the Baoying plant. Pre-certification was also successfully completed for the high voltage direct current systems for the interconnection between France and Spain;
- in the area of Submarine cables, the Arco Felice plant continued development and official testing of 300 kV XLPE direct current cables with new insulating materials for the BorWin2 project; work was also completed on upgrading the Pikkala plant for the production of extra high voltage XLPE submarine cables for the HelWin project;
- in the area of P-Laser technology, a specific new production line was launched in Holland with the start of trial production for local wind farms; research and development work also continued for a gradual extension of P-Laser technology to high voltage cables;
- in the Trade & Installers business, the new Afumex Green cable was developed in Brazil; this is a building wire that is insulated with halogen-free polyolefin obtained from sugar cane;
- in the petrochemicals sector, the Vila Velha plant successfully completed the development and certification of high-tech 2.5" and 4.0" flexible pipes for offshore oil drilling, intended for installation in Brazil's Santos and Campos basins; in the field of hybrid umbilical cables, the first cables using 100% steel pipes were developed and certified for installation on the P-37 Petrobras platform in the

Marlin field at a depth of up to 1500 metres; a new hybrid umbilical cable, the largest ever made by the Prysmian Group, was also developed and certified for installation on the P-48 Petrobras platform in the Caratinga field;

- in the renewable energy field, the Tecsun solar cable was certified in Germany in accordance with local specifications; also certified was the Turbowind cable, a halogen-free thermoplastic sheathed cable for use in onshore wind farms; lastly, the new MV 35 kV cable for use inside towers received certification in China and Brazil;
- in the optical fibre field, different new bend-resistant fibres were developed, including the "Large-Effective-Area SMF" presented at the Optical Fibre Communication Conference 2011 and the innovative "MaxCap-BB" multimode fibre, able to replace traditional standard multimode fibre and so offering high sales potential, as well as other families of optical fibre for special applications operating at high temperatures and in extreme environmental conditions;
- in the area of optical telecom cables, several new types of optical cables were introduced, including halogen-free and fire-retardant optical cables containing new BB-XS technology fibre; a new cable was also developed and certified using "Gel" and "Gel Free" technology, with a low environmental impact thanks to its reduced diameter and lighter weight. Lastly, a new hybrid optical-power cable for the FTTA (Fibre To The Antenna) market was certified and launched commercially; this can be installed in towers for 4G LTE systems, the latest development in mobile communication standards;
- in the Connectivity area, a new Home Hub Wall Box for use in FTTH applications, a first for the Prysmian Group in connective products, was developed in Australia for the local market and subsequently launched. During 2012 this new solution will be extended to the NBN optical network, allowing Australian market sales to increase significantly;
- in the Multimedia & Specials (MMS) business, production of Cat.-7° cables was certified at the Presov plant in Slovakia; development of second generation "multipair" cables for data centres also continued.

The integration process, started during the year, allowed the first project synergies to be realised: in the area of "compounds", for example, such synergies will produce several million euros of savings during 2012. Also in 2011, R&D activities made it possible to define a series of some 600 Design-to-Cost (DTC) projects that will let the Group start saving costs from 2012 by optimising design and making better use of materials.

Intellectual property rights

Protecting its portfolio of patents and trademarks is a key part of the Group's business, particularly due to its strategy of growth in high-tech market segments. In particular, the Group's intense R&D activities, including the contribution of Draka, have allowed it to obtain a particularly large number of patents during the year in high-tech and higher value-added sectors, confirming its major investment in such areas over recent years.

As at 31 December 2011, the Prysmian Group had 5,288 patents and patent applications throughout the world, covering 907 inventions (of which 237 in the Energy segment and 665 in the Telecom segment), a significant increase on the 2,887 patents held at 31 December 2010 primarily thanks to the contribution made by Draka.

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

2011, the Prysmian Group also owned 2,900 trademarks covering its companies, activities, products and product lines.

PRYSMIAN FOR THE ENVIRONMENT

During 2011 the integration with Draka and the transition to "One Company" was the main driver of the new Group's activities in the areas of environmental management and protection of health and safety at work.

The union between the two multinational companies and their respective Health, Safety and Environment functions has given rise to a series of initiatives aimed at synergetic integration between the two industrial groups, while creating an opportunity for further improvement by applying the experience and past results of both.

The process of mutual understanding and integration of HSE management has covered both organisational and operational aspects, involving not only the newly-acquired business units, but also the HSE function itself at its various organisational levels. In particular, the following activities were carried out:

- selection of the most representative Draka sites and conduct of several visits to various countries, aimed at analysing the core issues and related operational controls in order to identify potential liabilities and/or actions being taken or needing to be taken;
- definition of the key elements of the new Group's HSE management, both in organisational and operational management terms, starting from Prysmian and Draka experience and best practices;
- consolidation of HSE function centrally and establishment of HSE functions for each of the Group's countries or regions;
- involvement of local HSE functions using available communication devices (e-mail, Webex, HSE web page, ad hoc meetings) and division of duties between central and local HSE functions.

These activities in 2011 have allowed Prysmian Group to lay the foundations for an ever more conscious management of its environmental, health and safety issues. The integration process is an opportunity for improvement and on this basis the commitment already given by top management in the form of the HSE policy will be reaffirmed and expanded during 2012. To ensure that such principles are applied by all the Group's operating companies, the central HSE function will continue to guide and support operating companies in environmental management and health and safety, by updating the Environment and Safety procedures and systems used to collect and aggregate data, through to performing audits in relation to the new Group structure.

The Sustainability Report for 2011 will be prepared in this context; it will reflect activities by both Draka and Prysmian in the "environment and safety" field and the related management models adopted, and will represent one of the major drivers of integration between the HSE activities of the two companies united under the Prysmian Group banner.

ISO 14001 and OHSAS 18001 certifications

As far as environmental and safety certifications are concerned, more than 80% of Prysmian Group's total plants are certified under the "ISO 14001" international standard (relating to environmental management systems), while 40% are certified "OHSAS 18001" for their safety management systems.

This result takes into account certifications obtained in previous years by both companies now forming Prysmian Group, in implementation of their Environment, Health and Safety policies.

Environmental investments

During 2011, Prysmian Group made around Euro 3 million in groupwide investments to improve environmental performance and safety at work.

In addition to centrally approved investments, this figure includes a number of investments made by individual plants, planned and implemented as part of environmental and safety management systems under ISO 14001 and OHSAS 18001 or simply based on a contingent requirement to comply with legislation or reduce risks to the environment and workers.

The various investments that make up the above total include:

- expenditure to maintain or achieve OHSAS 18001 certification;
- expenditure to improve prevention and emergency response;
- installation of structures to prevent environmental pollution (double wall tanks, containment systems, etc.);
- improvement of drainage systems;
- improvement of the safety of electrical testing equipment.

Training and sharing of experience

The scale of the efforts devoted to training and promotion of awareness about Environment, Health and Safety, continued in 2011. Activities in this area are planned by first analysing training needs, leading to the development of a plan to train and promote awareness among both employees and any external service providers according to their duties and the associated risks (with reference to both the environment and safety).

This applies both to technical training for operating staff, and to management or specific training (such as training courses for emergency management, training of internal auditors, etc..)

In addition to training organised at operating company or plant level, the integration of Prysmian and Draka into Prysmian Group has resulted in the need for additional training in order to present the common procedures and systems arising from integration of the years of experience by the two groups in question. This training is being managed by the Corporate HSE function, which in 2011 organised the first training workshop for Prysmian Group HSE managers, coming from both Draka and Prysmian, which has been and will be followed by numerous other types of initiative (Webex conferences, plant visits for training purposes, etc..).

AN INTEGRATED SUPPLY CHAIN

SOURCING

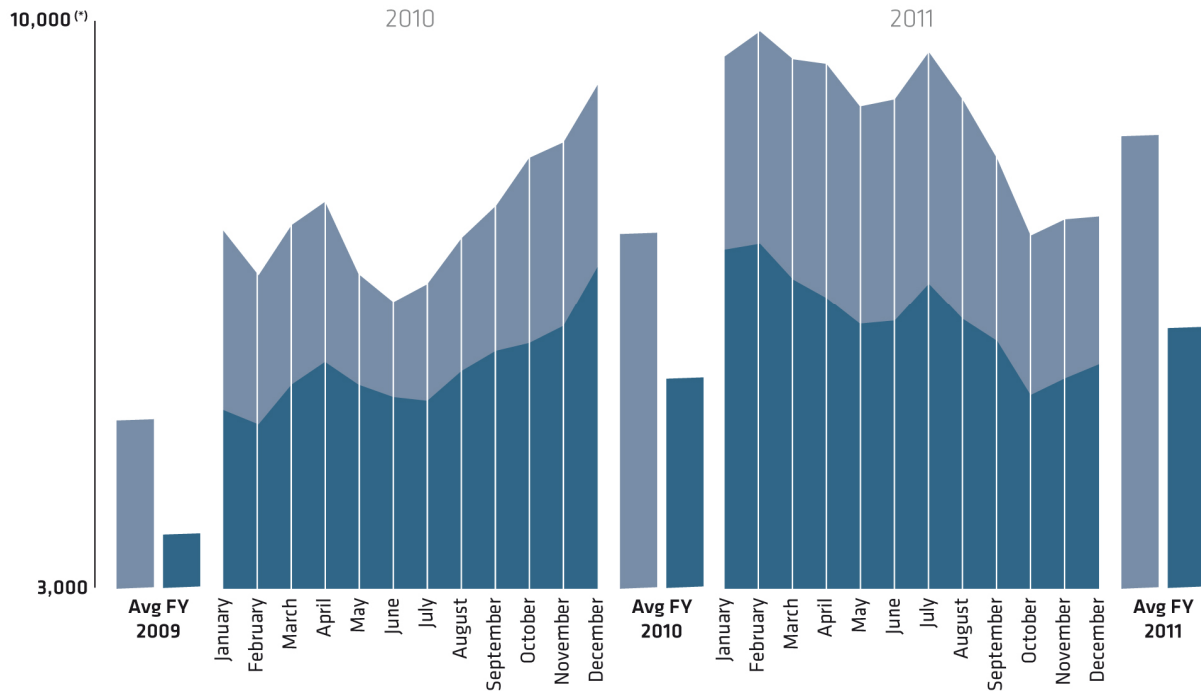
The main raw materials used by the Group in its production processes are copper, aluminium, lead and various petroleum derivatives, such as PVC and polyethylene.

During 2011 the average prices of all commodities increased on the prior year. In particular, commodity prices grew significantly in the first half of the year as a result of positive macroeconomic data for nearly all major economies. However, in the second half of the year there was a general decline in prices due to the steady weakening of the global economic climate.

- Copper: the average price per tonne of copper on the London Metal Exchange (LME) reached USD 8,821 (Euro 6,337) in 2011, an all-time high, up 17% on the USD value reported in 2010 (+11% in Euro). The year 2011 was marked by considerable price volatility: from a low of USD 6,785 to a high of USD 10,148 per tonne of copper.
- Aluminium: prices were less volatile during 2011 than the previous year. The average price per tonne of aluminium on the LME reached USD 2,398 (Euro 1,722) in 2011, compared with USD 2,173 (Euro 1,638) in 2010.
- Lead: the average price per tonne of lead on the LME reached USD 2,402 (Euro 1,725) in 2011, up 12% in USD and 7% in Euro on the prior year.
- Oil: the increase in oil prices during the year had a major impact on prices of the principal non-metallic raw materials and on energy costs. The average price per barrel of Brent crude was USD 110 in 2011, up 38% on USD 80 in the prior year, causing ethylene prices to rise by around 20%. As a result, even petroleum derivatives, like PVC and polyethylene, reported higher prices than the previous year, with an adverse impact on overall variable costs.

Even in 2011 the Group was able to confront these fluctuations thanks to strict application of its hedging policies. Sales price adjustment mechanisms, combined with prudent hedging, helped mitigate the impact of price fluctuations on the income statement. In addition, through constant monitoring of global supplies, and various measures to reduce costs, the Prysmian Group has continued to optimise its raw materials procurement process, also achieving initial cost synergies from the Draka integration process. The results achieved after the first few months confirm the potential for further cost reductions in the sourcing area, mainly due to the Group's increased size and its consequently greater bargaining power with suppliers. Lastly, during the year the Prysmian Group further consolidated its relationships with key suppliers, managing to minimise costs and avoid any disruption in supplies with a view to achieving not only short-term but also long-term benefits for the Group.

COPPER

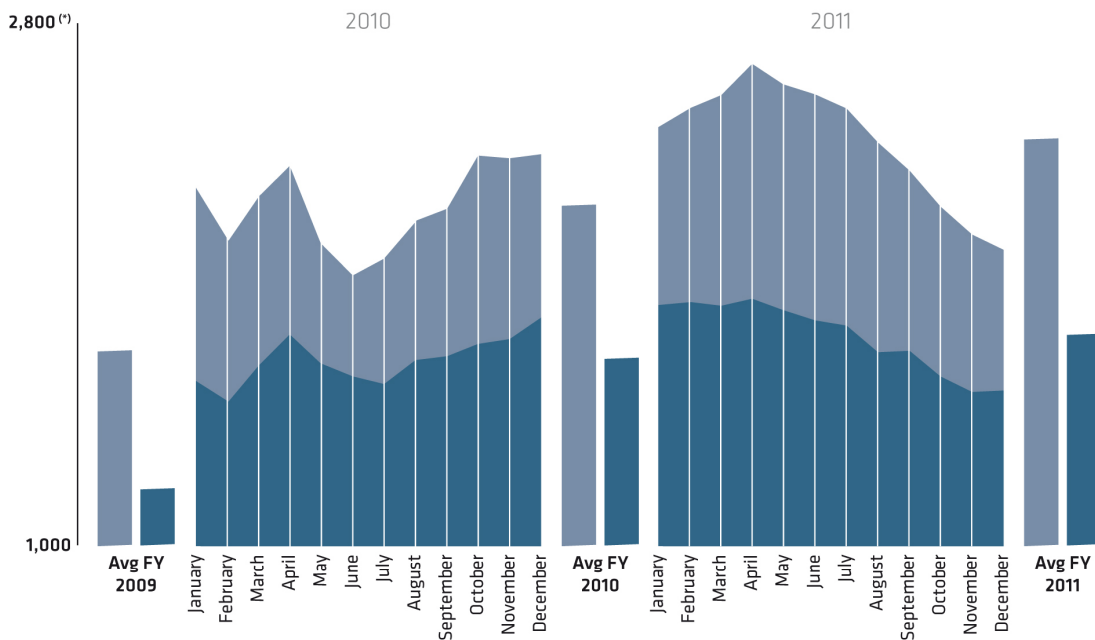


• USD

• EUR

(*) Price x tonne
Source: LME data

ALUMINIUM

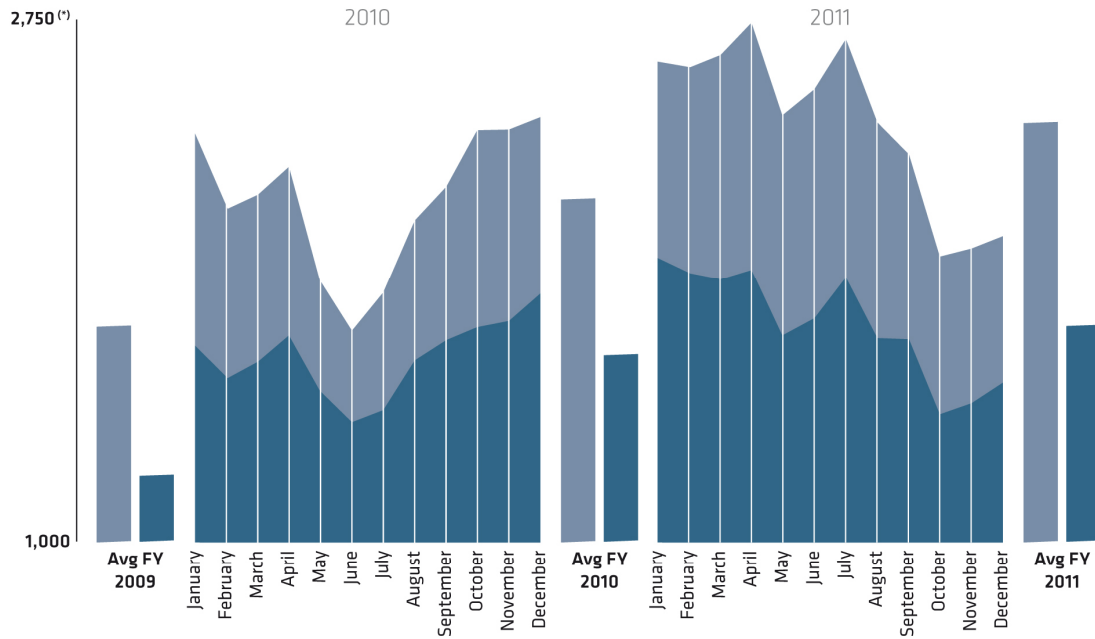


• USD

• EUR

(*) Price x tonne
Source: LME data

LEAD

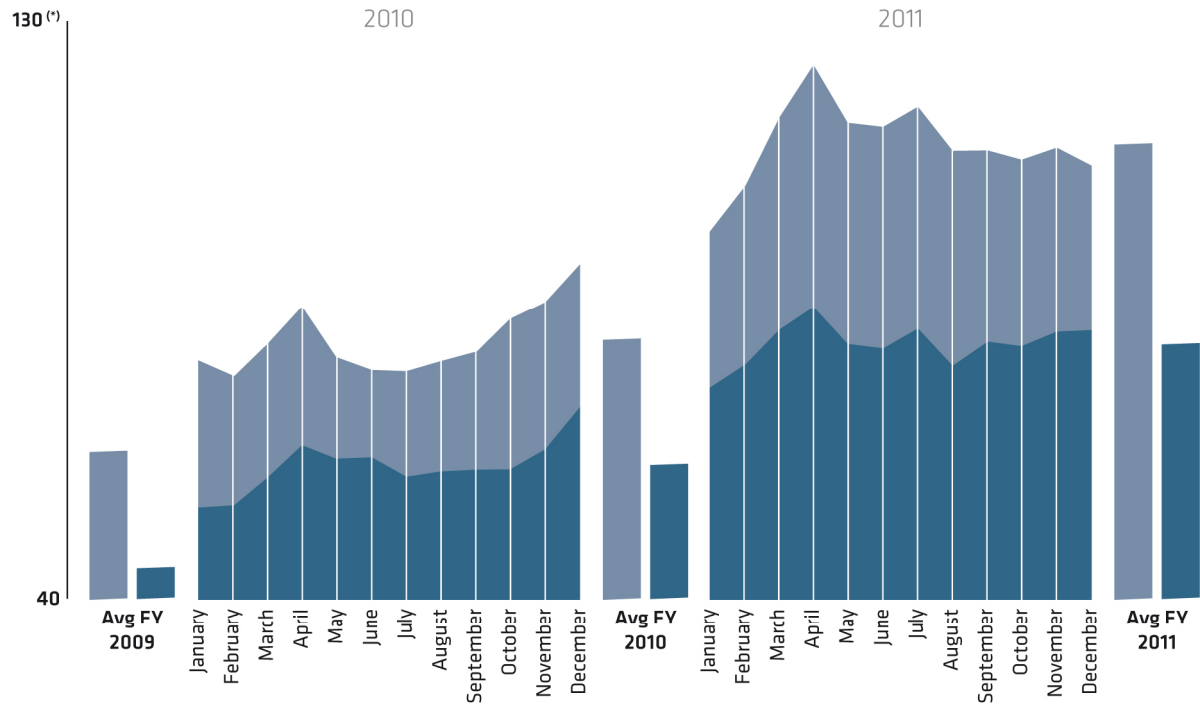


• USD

• EUR

(*) Price x tonne
Source: LME data

BRENT



• USD

• EUR

(*) Price x tonne
Source: LME data

INDUSTRIAL ACTIVITIES

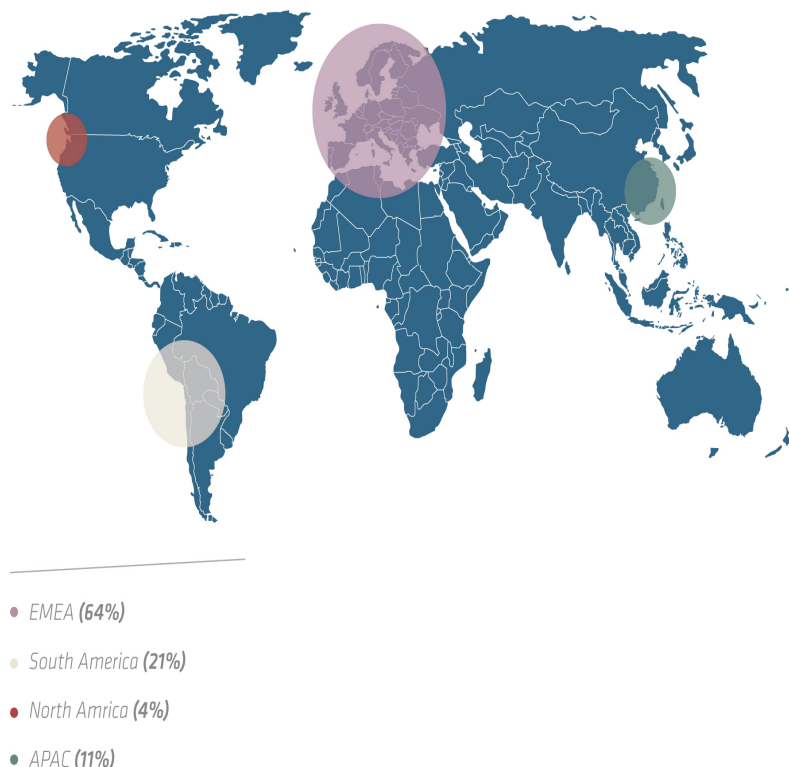
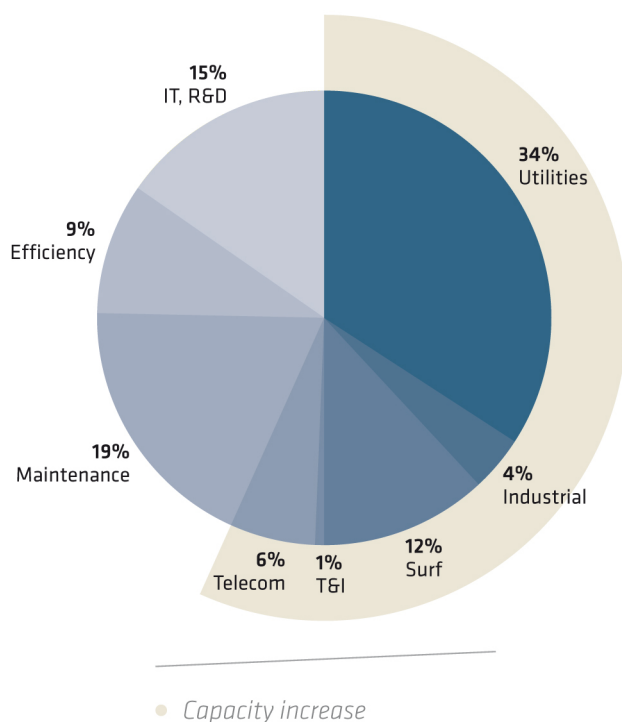
The Group's manufacturing operations are carried out through a highly decentralised model, involving 97 plants (of which 43 belonging to Draka) in 34 different countries. The wide geographical distribution of its plants is a strategic asset, allowing the Group to respond relatively quickly to different market requirements. Over the course of 2011 the Prysmian Group 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 high-tech product manufacture in a limited number of plants to leverage on economies of scale, increase manufacturing efficiency and reduce net capital employed.

The acquisition of Draka, a company focused on the production of cables for the Trade & Installers, Industrial and Telecom businesses, has further enriched and diversified the product/customer portfolio, enabling the Prysmian Group to become recognised world leader in both the Energy and Telecom industries. The process of integrating Draka's industrial activities started during the year, resulting in the gradual extension of the Prysmian Group's organisational models and systems of control to the acquired production facilities; at the same time, major strategic investments have continued to be made in submarine cables, high voltage cables, optical cables and fibre.

During the year the Angel plant in China was finally shut down and its machinery transferred to the factory in Suzhou. This concentration of production activities was carried out to optimise the country's cost structure.

Gross investments amounted to Euro 159 million in 2011, up from Euro 102 million the previous year mainly due to the contribution of Draka, whose investment expenditure in the period it was consolidated from March to December amounted to some Euro 29 million. If Draka had been consolidated for the full year, the Group's gross investments would have amounted to Euro 163 million. Investments to increase production capacity accounted for 57% of the total. Production capacity increases mostly referred to the Utilities and Industrial business areas and to the Optical Cables business line. In particular, major projects were started during the year to produce high voltage cables in Rybinsk (Russia) and direct current submarine cables in Pikkala (Finland); investments were also initiated at the Drammen plant in Norway to increase capacity for medium voltage submarine cables for inter-array connections and at the Gron plant in France to increase capacity for high voltage direct current underground cables. The process of developing and certifying flexible pipes for offshore oil drilling was also completed at the Vila Velha plant in Brazil, which started commercial production after successfully completing its expansion during the year. In the Telecom business, projects were initiated to increase fibre and optical cable production capacity at the Sorocaba plants in Brazil in order to meet growing demand for optical cables in the South American market. In view of the massive broadband investment programme throughout the country, a major project was started in Australia to produce cables locally using ribbon technology. Lastly, major projects were started at the European optical fibre plants in Battipaglia (Italy) and Douvrin (France) to reduce fibre manufacturing costs.

The following charts show how the Group's investments in 2011 were split by business, type and geographical area:



Structural maintenance capex accounted for about 19% of total investments. A significant share of the investments (about 15% of the total) was devoted to research and development and to the continuous improvement 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 2011, the new information system was rolled out to France, Turkey and Spain. Lastly, 9% of total investment expenditure went on making materials usage and product design more efficient.

LOGISTICS

The Logistics function manages all the Group's intercompany flows both at a budget and everyday operations level 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. This function also manages 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 responding fast to market demand while at the same time keeping inventories of finished goods 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.

The Group continues its policy adopted in recent years of prioritising customer service, with the ultimate objective of improving flexibility, reliability, and time to market.

The new concept of "Factory Reliability" introduced since 2010 has improved the reliability of planning and the execution of manufacturing output, both in terms of mix and volumes in ever faster response times, as well as allowing stricter control of every inventory category: 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 Group has also started Supply Chain Integration projects with some of its most important European customers with the goal of improving process effectiveness and efficiency throughout the supply chain, from the producers of raw materials and semi-finished products used in production to the end cable user.

Prysmian Group has also carried on rolling out the "SAP Consolidation" project, entailing the harmonisation and standardisation of all IT processes worldwide, including for the new Draka operating units. 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.

Following the acquisition of Draka in 2011, actions have been taken to achieve synergies between the Draka and Prysmian distribution networks, including warehouses and distribution centres.

QUALITY

During the first half of 2011, the Quality function worked on consolidating the initiatives launched in 2010, by gradually getting the various Group entities to comply with the guidelines of the Prysmian Group Quality Management System (PQMS).

During the first quarter, the ISO 9001:2008 certification for headquarters was completed.

Implementation of agreed prevention activities, together with intense auditing activities by the Group Quality function, produced another significant improvement in quality performance on the already excellent results achieved the previous year.

The second half of the year was dominated by integration activities subsequent to the acquisition of Draka: first and foremost, the census and assessment of resources and the definition of a new worldwide Quality organisational structure, leading to the introduction of new organisational positions (Business Unit Quality Manager) and the revision of existing roles and responsibilities.

In particular, the arrival of new resources from the former Draka Group has increased the level of competence and professionalism, as well as bridging some gaps in Prysmian's previous Quality structure, meaning that the function's management positions are now fully covered at every organisational level.

The integration process then continued with four alignment and training sessions held by the Group Quality function, which brought together the Country, Business Unit and Plant Quality Managers from the former Draka Group: the sessions were an opportunity to launch the new organisation, share the Group's guidelines and identify some Draka "best practices" that could be usefully adopted as a Group standard.

The priorities identified and the activities already started for the new Group structure are aimed at rolling out the Quality reporting system to the former Draka plants and at rapid adoption of the PQMS rules by the new entities.

INFORMATION SYSTEMS

The year 2011 was one of transition for the Prysmian Group's Information Technology. The IT area is one of the cornerstones of the Prysmian-Draka integration process, as confirmed by the significant level of investments in the major projects.

The integration of the Draka and Prysmian IT teams has created an IT structure with great expertise in business processes and infrastructure. The IT group's structure has been attuned to the new organisational model.

The IT strategy was reviewed during the year with the first steps being taken towards realising the short and long-term objectives.

The best practices of Prysmian and Draka were first evaluated and then combined, in the firm belief that the programmes being implemented will allow the expected synergies from the integration to be achieved and will result in an updated, structured portfolio of IT services and systems, capable of supporting the Prysmian Group's growth in coming years.

Country by country and business by business, the key initiatives will serve the dual purpose of simplifying and standardising systems and business processes.

Significant efforts have been devoted to optimising the portfolio of IT suppliers and to revising outsourcing contracts, a process that will continue in coming months.

Applications

SAP, already widely used in Prysmian and Draka, has been confirmed as the Group's Enterprise Resource Planning (ERP) solution. The SAP Consolidation Program, on which the bulk of the Group's IT investments are concentrated, is a key medium/long-term project. At the end of 2011, the new SAP consolidation platform was already present in 12 countries and 30 plants, with more than 2,500 users adopting the same functions for their routine activities.

The Group's reporting system has been completely revised and technologically updated to meet the needs of the new organisation. The important results of this new solution will be seen as early as 2012.

Other strategic projects have been launched to promote integration at a Country/Region level. These include the integration involving the supply chain, e-business solutions and SAP Business Intelligence tools. Some of the current local ERP solutions have been extended in order to obtain additional synergies, without however affecting the SAP Consolidation Program.

Infrastructure

Distributed and personal computing

Work began in 2011 to develop a desktop platform for more than 10,000 workstations; this includes standard pre-configured hardware and software that will reduce maintenance and support costs while

improving user productivity. The infrastructure area was developed in 2011 with new technologies, especially for mobility solutions and multi-use devices. These technologies will be adopted in line with the Group's policies for protecting business information and maintaining user productivity.

Consolidation of infrastructure services and network

The Draka-Prysmian integration has created the opportunity to consolidate and optimise data lines and data centres. The first steps were taken towards optimisation with the aim of securing benefits from contract review and economies of scale in certain services. The outsourcing model has been confirmed. The Group's strategy is to keep core competencies for the key technologies in-house to ensure that the roadmap is properly governed and developed. The objective in 2011 and for the medium-term is to provide an infrastructure to support the business that is reliable and will ensure user functionality.

SIGNIFICANT EVENTS DURING THE YEAR

Draka Acquisition

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).

On 8 March 2011, Prysmian settled the shares tendered during the Post-Closing acceptance period, by acquiring 4,192,921 additional Draka shares and issuing 2,764,893 ordinary shares of Prysmian S.p.A. and paying Euro 36,064,406.41 in cash. The unit price of the ordinary shares acquired in the Post-Closing acceptance period, determined in accordance with IFRS 3, was also equal to Euro 18.47379.

Together with the 44,064,798 shares tendered during the offer period ending on 3 February 2011, Prysmian holds a total of 48,257,719 shares.

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 now holds 99.121% of the issued shares of Draka Holding N.V. (corresponding to 99.047% of the voting rights).

At the end of the transaction, Prysmian has thus obtained control of Draka and so created a new world leader in the energy and telecom cables and systems industry. It will allow the Prysmian Group to further develop its activities in high-tech sectors through an industrial integration, the benefits of which the two companies had already considered in 2009 when, as announced at the time, they started discussions to propose a cross-border merger to their respective shareholders' meetings.

The acquisition is based on a strong strategic rationale and a significant value creation opportunity for the shareholders. In fact, the reference industries in which both Prysmian and Draka customers operate are demonstrating a tendency towards globalisation, meaning that companies are increasingly buying products and services globally and on a centralised basis. In addition, a clear trend towards consolidation 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 97 plants and a workforce of approximately 22,000 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.

Outline of Prysmian's plans for the acquired company

Prysmian believes that the new Group can establish itself as leader of the energy and telecom cables and systems industry, particularly in the various high-tech sectors. In particular:

- (a) in Submarine and High Voltage, the new Group continues to serve the main national grid operators involved in the most important transmission projects worldwide;
- (b) it extends its product offering by acquiring a significant presence in the industrial cables business, and is in a position to exploit important cross-selling opportunities; for some high value-added industrial applications, like wind energy for example, the new Group is in the ideal position to offer its enlarged customer base an even more complete range of products, thanks to the product and technological complementarity of Prysmian and Draka;
- (c) in the Trade & Installers business, improvements in logistics (due to increased geographical presence) 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) leveraging on Draka's optical fibre manufacturing technology, the new Group has fibre production facilities located all around the globe and has become leader in the optical cable segment with an even wider product range.

Based on 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 to be ideally positioned to better 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 150 million in annual pre-tax cost synergies by 2015, mainly by optimising the industrial footprint and synergies in procurement, by making organisational savings and improving operating efficiency and optical fibre sourcing, and by exploiting complementarities in the product portfolios. The net restructuring costs to generate these synergies are expected in the region of Euro 200 million over the integration period.

Antitrust

In July, the European Commission sent Prysmian Group a statement of objection in relation to the investigation started in January 2009 into the high voltage underground and submarine cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudge its final decision. Prysmian has therefore had access to the Commission's dossier and, while fully co-operating, has presented its defence against the related allegations.

Further information can be found in the section on "Risk factors".

Organisational structure

Prysmian unveiled its new organisational structure on 13 July 2011, marking an important step forward in the integration with Draka, acquired at the start of March and delisted from the Amsterdam Stock Exchange in April. Along with the new organisational structure, which came into effect from July, the Group has redefined its Mission & Vision and a new strategy aimed at promoting both the Prysmian and Draka commercial brands under the new Prysmian Group corporate umbrella.

"The launch of the new organisational structure - explained CEO Valerio Battista - marks a fundamentally important step in the integration process between Prysmian and Draka. We have put together the best of the two companies, with the goal of creating an organisation that is lean, efficient and fast in managing change and promoting innovation while being able to stay close to customers and the market. We now have the right people in place and the conditions to achieve the annual earnings target of an adjusted EBITDA in the range Euro 530 - 580 million. This will also allow us to start reducing the level of debt, which has risen due to the acquisition".

The new Group's matrix structure organisation revolves around two businesses: Energy Cables and Systems and Telecom Systems. In fact, most of the product lines will be managed by both geography and business, from building wires and underground power transmission and distribution, to fibre optic and copper telecom cables and special cables for industrial applications, renewable energy and the Oil&Gas industry. The more globalised product lines (submarine cables, optical fibre, data cables, cables for the automotive industry, flexible pipes and umbilicals for the Oil&Gas industry, special elevator cables) will be managed vertically by business.

The new Group's key people have also been named following an assessment of Prysmian and Draka's best resources. This new management structure includes 300 top positions, from the Group Chief Executive Officer's staff functions, to the individual country CEOs and headquarters directors of the various business segments. The launch of the new organisational structure effectively ratifies the birth of the new Prysmian Group, with nearly Euro 8 billion in turnover, a presence in 50 countries with 97 plants and approximately 22,000 employees. At the same time as conceiving the new organisation structure, the integration team has developed a new Mission & Vision and the branding strategy that will accompany the Group to market.

To support the sustainable supply of Energy and Information as primary drivers for the development of communities, by providing our customers with superior cable solutions based on state-of-the-art technology: these are the core elements of the new Mission & Vision.

The Group has also decided to retain and promote both the Prysmian and Draka commercial brands, both of which with strong recognition in their respective markets, at the same time as creating the new Prysmian Group corporate brand.

PRINCIPAL PROJECTS ACQUIRED AND COMMERCIAL INITIATIVES IN THE PERIOD

At the start of January 2011, the Group was awarded a contract worth in excess of Euro 40 million by Energinet.dk, the Danish transmission grid operator, to develop an underground HVDC (High Voltage Direct Current) cable system for the Skagerrak 4 interconnection between Norway and Denmark. The contract requires Prysmian to supply, install and commission 92 km of 500 kV impregnated paper-insulated underground cable and related accessories, with a 700 MW transmission capacity, that will be manufactured at Prysmian's Arco Felice plant in Naples, Italy. Work is scheduled to complete by late 2014.

Energinet.dk and Statnett, the respective Danish and Norwegian transmission grid operators, have decided to carry out the Skagerrak 4 project to increase the capacity of the existing power transmission system between Norway and Denmark, thus making the North European electricity market more efficient and competitive. Moreover, the project will help develop a more sustainable energy market in Europe, by supporting the export of renewable energy generated in Norway and the growth of wind power generation in Denmark.

Also in January, Prysmian Group secured a major contract to supply high-tech optical fibre cables to NBN Co Limited (National Broadband Network), a company set up by the Australian government to construct and operate the new national broadband network. This contract, awarded to the local subsidiary Prysmian Telecom Cables & Systems Australia Pty Ltd, is worth a total of Euro 223 million (AUD 300 million) over 5 years, against which an initial purchase order for Euro 112 million (AUD 150 million) has been issued.

This agreement makes Prysmian Group one of the principal suppliers of optical fibre cable to the new national broadband network that will connect 93% of Australia's residential buildings and business premises in one of the country's largest ever infrastructure projects.

Still in the first quarter, Prysmian Group was awarded a contract worth in excess of Euro 250 million by the Dutch-German grid operator TenneT for the SylWin1 project linking offshore wind farms in the North Sea to mainland Germany.

The SylWin1 project follows TenneT's award of two other major projects to Prysmian Group last year, namely HelWin1 and BorWin2, and represents another technological record for the industry in terms of length, power rating and voltage: in fact, with a capacity of 864 MW, the system will be the highest ever rated for VSC technology, and will operate at the highest available voltage level of ± 320 kV DC. Both the cables supplied by Prysmian Group and the converters supplied by Siemens will be realised using advanced HVDC (High Voltage Direct Current) technology. Under the overall contract awarded to the Prysmian Group and Siemens Energy consortium, Prysmian Group will be responsible for engineering, supplying, installing and commissioning the submarine and underground cable connections. Siemens Energy will supply the 864 MW rated VSC (Voltage Sourced Converter) system. The entire system will link the DanTysk offshore wind farm, located about 160 km offshore, to the mainland with the purpose of transmitting power from this renewable source to the German grid.

Prysmian Group's European high voltage plants will commence production of the cables and accessories in 2012, while installation will start in 2012 and continue into 2013. The link is due to enter service during 2014.

At the start of May, Prysmian Group signed two major contracts worth in excess of Euro 60 million with SAIPEM, a world leading Oil&Gas industry contractor, for the supply of special cables for applications in the Oil, Gas and Petrochemicals sector.

Under the first contract the Group will supply a wide range of power, instrumentation and optical fibre cables specially designed for process plant for treating natural gas at the Shah Arab Field in Abu Dhabi, United Arab Emirates. The second contract involves the supply of hydrocarbon-resistant instrumentation and signalling cables for the BS 171 pumping station and for oil transportation in Kuwait. The two contracts are worth in excess of Euro 50 million and Euro 10 million respectively. The cables are being manufactured at the Italian plants of Livorno Ferraris (Vercelli), Merlino (Lodi) and Ascoli Piceno, with delivery commencing May 2011.

The Middle East and the companies operating in the oil, petrochemicals and chemicals industry in this region are strategic for the development of the Group's business in this sector: in fact, Prysmian Group cable systems have been selected for current high-profile projects such as the QAFCO fertiliser plant in Qatar (the largest in the world), the Borouge polyolefin plant in Abu Dhabi and the LNG 2 plant in Yemen. These results reconfirm Prysmian Group's leadership and the validity of its know-how and technology, as well as its commitment to support main OGP players throughout the world with an extensive range of cable systems for offshore and onshore applications, umbilicals and flexible pipes.

During May 2011, the Group was awarded a contract worth in excess of USD 175 million by Hudson Transmission Partners LLC, for the development of a new underground and submarine power link between New York City and the New Jersey transmission grid as part of a larger contract awarded to the Prysmian Group and Siemens Energy consortium.

Prysmian Group will be responsible for the design, supply and installation of a 345 kV HVAC (High Voltage Alternate Current) underground and submarine power line that will run along a total route of approximately 13 km connecting the New Jersey transmission grid to New York City. The line will have a power transmission capacity of 660 MW. Siemens will build the back-to-back converter station in Ridgefield, New Jersey. The project is expected to be completed during the third quarter of 2013.

The Hudson Project is strategically important for satisfying New York's growing electricity requirements. It will also help increase the use of energy from renewable sources and natural gas, while allowing one or more obsolete, inefficient and environmentally unfriendly power stations located in the New York metropolitan area to be retired.

Prysmian Group will lay a bundle of three high voltage submarine cables and two optical fibre data transmission cables on the bed of the Hudson River using its cable-laying ship, the Giulio Verne. The submarine cable bundle will be buried below the river bed at depths ranging between three and five metres using the hydro-plow system designed by Prysmian Group. The high voltage submarine and optical fibre cables will be manufactured in Italy at the Arco Felice plant in Naples.

The underground cables will be installed under the streets of Manhattan running a distance of some 900 metres, from the point where the submarine cables come ashore to the converter station of the Consolidated Edison Company of New York (Con Edison) on 49th Street. Most of the high voltage underground cables will be manufactured at Prysmian's new state-of-the-art VCV (Vertical Continuous

Vulcanization) plant in Abbeville, South Carolina, while the optical fibre underground cables will be produced at the Lexington plant, also in South Carolina.

At the end of July, Prysmian was awarded a new contract worth in excess of Euro 200 million by the Dutch-German grid operator TenneT for the HelWin2 project linking offshore wind farms in the North Sea to mainland Germany. Prysmian Group will be responsible for supplying, installing and commissioning the submarine and underground cable connections as part of a larger contract worth more than Euro 600 million awarded to the Prysmian Group and Siemens Energy consortium. Siemens Energy will supply the 690 MW rated Voltage Sourced Converter (VSC) system. The system will link the Amrum Bank West offshore wind farm, located in the "HelWin" zone about 55 km offshore, to the mainland with the purpose of transmitting power from this renewable source to the German grid.

The HelWin2 project will use advanced HVDC technology both for the cables supplied by Prysmian Group and for the Siemens HVDC Plus® converters. Prysmian Group will supply approximately 130 km of extruded ± 320 kV HVDC submarine and underground cables, of which 85 km will be laid in the sea and 45 km on the mainland, ending up at the converter station in Büttel, north-west of Hamburg. The link will be completed with an extruded 155 kV HVAC submarine cable connecting the wind farm's transformer platform to the offshore converter platform. The cables and accessories will be manufactured in the period 2012-2014 at Prysmian Group's European high voltage plants. The link's commissioning and commencement of operation is expected in 2015.

HelWin2 is the fourth project of this kind awarded to Prysmian Group in the last 15 months, following on from BorWin2, HelWin1 and SylWin1 (still the highest ever rated system for VSC technology with a power rating of 864 MW and operating at the highest commercially available voltage level of ± 320 kV DC). The Group has developed a wide range of state-of-the-art products and technologies for the renewable energy sector, in which Prysmian Group is acquiring a leading role in the development of HVDC power transmission cables.

During October, Prysmian Group won a contract to supply TIM CELULAR S.A. (a subsidiary of TIM Brasile S.A.) with more than 1,200 km of high-tech Optical Ground Wire (OPGW) telecom cables in Brazil. The cables will be installed on the important Tucuruí-Macapá-Manaus transmission line as part of the Line-Transmission Amazonas infrastructural modernisation project.

The Tucuruí-Macapá-Manaus line, also known as "The Big Line" and located on the left bank of the Amazon River, is over 1,800 km long. Its purpose is to enhance the electricity system in the north of the country by connecting the capital cities of the Amazon and Amapá regions to Brazil's second largest hydroelectric plant, located in Tucuruí. The connection will consist of seven transmission lines and eight substations involving an overall investment of more than Euro 1,200 million.

The overhead OPGW cables, containing 36 optical fibres and manufactured for this project at the Sorocaba plant in Brazil, serve the dual purpose of protecting the transmission line against lightning and of being an excellent medium for image, voice, internet and high-speed data transmission.

The new flexible pipes production facility in Brazil is now fully operational and following the integration with Draka, Prysmian Group has broadened its product range to special DHT (Downhole Technology) cables, opening up new opportunities in the North American market. In fact, in November the Group announced the acquisition of important orders from Petrobras worth a total of some USD 50 million, for the supply of flexible pipes to connect platforms to wellheads thousands of metres below sea level, and special DHT cables, which include fibre optics to control downhole instrumentation, power and hydraulic fluid cables. It is worth highlighting the significant Brazilian content of these projects, both in terms of local workforce and know-how development and with regard to the use of domestic products and raw materials.

Built with an investment of some USD 150 million, including R&D expenditure, the plant stretches over an area of 15,000 sqm and has the capacity to produce more than 150 km of flexible pipes per year with a workforce of some 400 employees. The new plant complements the existing umbilicals plant, opened in 2007 also in Vila Velha, and Draka's two Downhole Technology cable plants in Massachusetts and New Jersey, USA. Petrobras remains the principal customer and technological partner, but following the Draka integration, the Group has widened its customer base to prestigious oil industry names like Schlumberger, Baker- Hughes, BJ Services, GCDT and Roxar.

In detail, the Petrobras contracts refer to around 25 km of 2 ½" and 4" flexible flow lines for the Sidon and Namorado oil fields, worth a total of some USD 20 million. The first contract awarded by Petrobras to Draka is for the supply of DHT cables for various fields in the Campos Basin, and is worth a total of some USD 30 million over 3 years. Apart from further consolidating the Petrobras relationship, this contract represents a first important benefit from the integration. With Prysmian Group not previously present in this product category, the new Group now has a wider range of technologies and can leverage on Draka's already established presence in the American market.

FINANCE ACTIVITIES

On 7 March 2011, Prysmian S.p.A. entered into a long-term credit agreement for Euro 800 million with a pool of major banks. The banking sector's receptiveness and support have allowed Prysmian to obtain a higher amount of credit at better terms than in the Forward Start Credit Agreement made in January 2010. The new facility has helped extend average debt maturity and re-establish the financial flexibility absorbed by the Draka acquisition.

The agreement, comprising a term loan for Euro 400 million and a revolving credit facility for Euro 400 million, lasts five years and will be used not only to refinance Draka's debt but also to finance the Group's ordinary activities.

Still with reference to the Draka acquisition, during the month of February 2011, Prysmian Group obtained, from its banking syndicates, a significant extension to the financial covenants contained in the Credit Agreement and Forward Start Credit Agreement; the new terms have also been applied to the Credit Agreement 2011. The ratio between EBITDA and Net finance costs (as defined in the Credit Agreement, Credit Agreement 2011 and Forward Start Credit Agreement) and the ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement, Credit Agreement 2011 and Forward Start Credit Agreement) must be, by way of example at 31 December 2011, not less than 4.00x and not more than 3.50x respectively.

Further information can be found in Note 32 to the Consolidated Financial Statements.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	Prysmian	Draka	Adjustments	2011 (*) Total	2010 Prysmian	% Consolidated change	% Prysmian change	2009 Prysmian
Sales	5,363	2,279	(59)	7,583	4,571	65.9%	17.3%	3,731
Adjusted EBITDA	419	149	-	568	387	46.8%	8.5%	403
% of sales	7.8%	6.5%		7.5%	8.5%			10.8%
EBITDA	172	111	(14)	269	365	-26.4%	-52.9%	366
% of sales	3.2%	4.9%		3.5%	8.0%			9.8%
Fair value change in metal derivatives	(56)	(6)	-	(62)	28			91
Remeasurement of minority put option liability	-	(1)	-	(1)	13			-
Fair value change in stock options	(6)	(1)	-	(7)	-			-
Amortisation, depreciation and impairment	(113)	(53)	(14)	(180)	(99)	82.0%	14.3%	(71)
Operating income	(3)	50	(28)	19	307	-93.8%	-100.8%	386
% of sales	0.0%	0.9%		0.3%	6.7%			10.3%
Net finance income/(costs)	(109)	(20)	-	(129)	(96)			(52)
Share of income from investments in associates and dividends from other companies	7	7	(5)	9	2			3
Profit/(loss) before taxes	(105)	37	(33)	(101)	213	-147.6%	-149.0%	337
% of sales	-1.9%	1.6%		-1.3%	4.7%			9.0%
Taxes	(32)	(17)	5	(44)	(63)	-31.2%	-49.5%	(85)
Net profit/(loss) for the year	(137)	20	(28)	(145)	150	-197.0%	-191.1%	252
% of sales	-2.5%	0.9%		-1.9%	3.3%			6.8%
Attributable to:								
Owners of the parent				(136)	148			248
Non-controlling interests			-	(9)	2			4

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

Operating income (A)	(3)	50	(28)	19	307	-93.8%	-100.8%	386
EBITDA (B)	172	111	(14)	269	365	-26.4%	-52.9%	366
Non-recurring expenses/(income):								
Draka acquisition costs	6	-	-	6	6			-
Draka integration costs	10	2	-	12	-			-
Effects of Draka change of control	2	-	-	2	-			-
Company reorganisation	22	34	-	56	11			19
Gains on disposal of assets held for sale	(1)	-	-	(1)	-			-
Antitrust	205	-	-	205	5			11
Release of provision for tax inspections	-	-	-	-	(2)			-
Special project costs	-	-	-	-	1			4
Environmental remediation and other costs	3	2	-	5	1			3
Release of Draka inventory step-up ⁽¹⁾	-	-	14	14	-			-
Total non-recurring expenses/(income) (C)	247	38	14	299	22			37
Fair value change in metal derivatives (D)	56	6	-	62	(28)			(91)
Fair value change in stock options (E)	6	1	-	7	-			-
Remeasurement of minority put option liability (F)	-	1	-	1	(13)			-
Impairment of assets (G)	36	2	-	38	21			2
Adjusted operating income (A+C+D+E+F+G)	342	98	(14)	426	309	37.8%	10.7%	334
Adjusted EBITDA (B+C)	419	149	-	568	387	46.7%	8.2%	403

(1) Refers to the higher cost of using finished and semi-finished goods and raw materials measured at the Draka Group's acquisition-date fair value.

(*) The Draka Group's results have been consolidated for the period 1 March – 31 December 2011.

The Prysmian Group's sales in 2011 totalled Euro 7,583 million, compared with Euro 4,571 million at the end of 2010.

The overall increase of Euro 3,012 million (+65.9%) comprises:

- Euro 2,220 million (+48.6%) for the first-time consolidation of Draka from 1 March 2011, net of Euro 59 million in intragroup transactions;
- Euro 792 million (+17.3%) in sales growth by the pre-acquisition Prysmian Group.

Net of changes in the scope of consolidation, metal prices and exchange rates, sales were significantly higher than in 2010, reporting organic growth of 11.2%, analysed by operating segment as follows:

- Energy +10.5%;
- Telecom +17.4%.

The Energy segment benefited from a global recovery in volumes in all its business areas, particularly in North Europe, South America and Asia Pacific, while Telecom segment growth mostly came from optical fibre cables in places like North America and Australia.

Draka's full-year sales for 2011 totalled Euro 2,669 million, reporting an increase of Euro 250 million (+10.4%) on the prior year and organic growth of 4.2%.

The Prysmian Group's overall organic growth for the entire year (consolidating Draka for the entire period) was 8.8%.

The Group's adjusted EBITDA (before Euro 299 million in non-recurring expenses) came to Euro 568 million, posting an increase of Euro 181 million (+46.8%) on the prior year, of which Euro 149 million (+38.5%) attributable to the first-time consolidation of Draka.

INCOME STATEMENT

The Group's sales came to Euro 7,583 million at the end of 2011, compared with Euro 4,571 million in 2010, representing a positive change of Euro 3,012 million (+65.9%).

This increase was due to the following factors:

- addition of Euro 2,220 million (+48.6%) for the line-by-line consolidation of the Draka Group from 1 March 2011, net of Euro 59 million in intragroup transactions;
- negative exchange rate effects of Euro 56 million (-1.2%);
- increase of Euro 337 million (+7.3%) in sales prices due to fluctuations in metal prices (copper, aluminium and lead);
- organic sales growth of Euro 511 million (+11.2%).

The organic growth, fostered by the upturn in demand in various parts of the world, has confirmed the validity of the Group's commercial and business segmentation strategies adopted in the past two years. The Group's enhanced ability to satisfy customer demands in the Trade & Installers, Power Distribution and Telecom businesses, combined with technological innovation, quality improvements and greater flexibility of production in its high value-added businesses (High Voltage, Submarine, Industrial Cables) have allowed it to benefit immediately from the more favourable market trends, which are nonetheless limited to certain geographical areas and characterised by extremely competitive terms of sale.

Adjusted EBITDA amounted to Euro 568 million, up 46.5% from Euro 387 million in 2010. This increase is attributable to Euro 32 million from organic sales growth by all businesses within the pre-acquisition Prysmian Group and to Euro 149 million from the consolidation of Draka since March 2011.

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

(in millions of Euro)		% change
Energy	96	
Utilities	17	4.4%
Trade & Installers	34	8.8%
Industrial	45	11.6%
Other	-	-
Telecom	85	22.0%

Group EBITDA amounted to Euro 269 million, compared with Euro 365 million in 2010. The reduction of Euro 96 million reflects the following factors:

- positive change in adjusted EBITDA of Euro 181 million, of which Euro 149 million for the first-time consolidation of Draka from 1 March and Euro 32 million in improvements by Prysmian alone;
- negative change in non-recurring expenses of Euro 277 million, of which Euro 205 million in provisions against the ongoing antitrust investigations.

The rest of the increase in net non-recurring expenses included in EBITDA is due to the following factors:

- costs in connection with the acquisition and integration of the Draka Group (Euro 18 million);
- taxes associated with the change of control (Euro 2 million);
- restructuring costs of Euro 56 million associated with projects to reorganise and improve the industrial of the new Group, compared with a corresponding figure of Euro 11 million in 2010 for Prysmian alone;
- higher cost of using finished and semi-finished goods and raw materials measured at the Draka Group's acquisition-date fair value (Euro 14 million);
- extraordinary gains on the disposal of the plant in Eastleigh, United Kingdom (Euro 1 million);
- expenses of Euro 5 million incurred for environmental remediation and related costs, including Euro 2 million at the St. Jean plant in Canada and Euro 2 million at the Aubevoye plant in France.

Amortisation, depreciation and impairment totalling Euro 180 million was Euro 81 million higher at the end of 2011 than the year before. The change reflects Euro 65 million for consolidation of the Draka Group, inclusive of the increase in amortisation and depreciation (Euro 14 million) after adjusting the Draka Group's property, plant and equipment and intangible assets to fair value in accordance with IFRS 3; Euro 25 million in impairment of plant and machinery at the Energy segment cash-generating units in India, Russia and China, and Euro 13 million in impairment of the four plants (Livorno Ferraris in Italy, Derby in Great Britain, Fercable in Spain and Wuppertal in Germany) whose restructuring was announced in February 2012.

The fair value change in metal derivatives was a negative Euro 62 million in the period January - December 2011, compared with a positive Euro 28 million in 2010. The negative change of Euro 90 million includes Euro 6 million for consolidation of the Draka Group.

Other expenses reflect Euro 7 million for the cost of the fair value of stock options linked to the incentive plan approved by the Parent Company's shareholders in April 2011, and Euro 1 million for the cost of remeasuring the liability for put options granted to certain minority shareholders.

Group operating income, inclusive of the effect of non-recurring items and of the fair value change in metal derivatives and in the cost of stock options, was a positive Euro 19 million at 31 December 2011, compared with a positive Euro 307 million at the end of the prior year, reporting a negative change of Euro 288 million, analysed as follows:

- addition of Euro 22 million for the first-time consolidation of the Draka Group;
- decrease of Euro 310 million in the pre-acquisition Prysmian Group's operating income, entirely attributable to the negative impact of Euro 345 million in non-recurring charges and negative fair value changes in metal derivatives.

Finance income and costs were a net negative Euro 129 million at 31 December 2011, compared with a negative Euro 96 million in 2010, posting a deterioration of Euro 33 million. This was largely due to the following factors:

- a negative change associated with the growth in net debt following the Draka acquisition, arising not only from the cash payment of Euro 501 million, but also from the consolidation of the Draka Group's net financial position of Euro 357 million at 28 February 2011;
- a positive change of Euro 16 million for derivatives and exchange rate differences;
- a negative change associated with the strengthening of the financial structure after entering a Forward Start Credit Agreement for Euro 1,070 million in January 2010, issuing a bond for Euro 400 million in April 2010 and finalising a credit agreement for Euro 800 million in March 2011.

Taxes amounted to Euro 44 million, representing a tax rate - excluding the estimated disallowable part of the antitrust provision and the impairment of the assets of certain CGUs - of 32.3%, compared with 29.8% in 2010.

The net result for 2011 was a loss of Euro 145 million, compared with a profit of Euro 150 million the previous year, reflecting the negative impact of Euro 299 million in non-recurring charges/(income) (of which Euro 205 million to provide against risks related to ongoing antitrust investigations).

Adjusted net profit² was Euro 231 million, compared with Euro 173 million in 2010; the increase is largely due to the first-time consolidation of Draka.

² Adjusted net profit/(loss) is defined as net profit/(loss) 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.

SEGMENT PERFORMANCE

ENERGY

(in millions of Euro)

	Prysmian	Draka	Adjustments	2011 (*) Total	2010 Prysmian	% Consolidated change	% Prysmian change	2009 Prysmian
Sales	4,860	1,517	(45)	6,332	4,145	52.8%	17.3%	3,334
of which to third parties	4,829	1,484	(45)	6,268	4,121	52.1%	17.2%	3,328
Adjusted EBITDA	373	74	-	447	351	27.4%	6.4%	372
% of sales	7.7%	4.9%		7.1%	8.5%			11.1%
EBITDA	148	46	(8)	186	339	-45.1%	-47.3%	342
% of sales	3.7%	3.0%		2.9%	8.2%			10.2%
Amortisation and depreciation	(69)	(28)	(2)	(99)	(71)	39.4%	-2.8%	(63)
Adjusted operating income	304	46	(2)	348	280	24.3%	8.2%	309
% of sales	6.2%	3.0%		5.5%	6.8%			9.3%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	148	46	(8)	186	339	-45.1%	-47.3%	342
Non-recurring expenses/(income):								
Company reorganisation	18	24	-	42	10			18
Draka integration costs	-	2	-	2	-			-
Antitrust	205	-	-	205	3			8
Gains on disposal of assets held for sale	(1)	-	-	(1)	-			-
Release of provision for tax inspections	-	-	-	-	(2)			-
Special project costs	-	-	-	-	-			1
Environmental remediation and other costs	3	2	-	5	1			3
Release of Draka inventory step-up ⁽¹⁾	-	-	8	8	-			-
Total non-recurring expenses/(income) (B)	225	28	8	261	12			30
Adjusted EBITDA (A+B)	373	74	-	447	351	27.4%	6.4%	372

(1) Refers to the higher cost of using finished and semi-finished goods and raw materials measured at the Draka Group's acquisition-date fair value.

(*) The Draka Group's results have been consolidated for the period 1 March – 31 December 2011.

Sales to third parties by the Energy segment amounted to Euro 6,268 million at the end of 2011, compared with Euro 4,121 million at 31 December 2010, posting an increase of Euro 2,147 million (+52.1%) due to combined effect of the following main factors:

- addition of Euro 1,439 million (+34.9%) from the first-time consolidation of the Draka Group, net of Euro 45 million in intragroup transactions;
- increase of Euro 327 million (+7.9%) in sales prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 52 million (-1.2%);
- organic sales growth of Euro 433 million (+10.5%) due to improvement in volumes and mix.

Draka Energy segment sales to third parties for the entire period January - December 2011 came to Euro 1,758 million, reporting an increase of Euro 165 million (+10.4%) on the prior year and organic growth of 1.9%.

The Energy segment's overall organic growth (consolidating Draka for the entire year) was 8.1%.

Adjusted EBITDA came to Euro 447 million at 31 December 2011, compared with Euro 351 million in 2010, reporting an increase of Euro 96 million (+27.4%). This reflects a positive contribution by Draka of Euro 74 million (+21.1%) as well as an improvement of Euro 22 million (+6.3%) by the pre-acquisition Prysmian Group.

The following paragraphs describe market trends and financial performance in each of the Energy segment's business areas of the pre-acquisition group, as well as a few brief comments concerning Draka.

UTILITIES

(in millions of Euro)

	2011 (*)				2010	% change	% organic change (**)	2009
	Prysmian	Draka	Adjustments	Total				
Sales	2,162	101	(9)	2,254	1,790			1,598
of which to third parties	2,160	101	(9)	2,252	1,790	25.8%	17.8%	1,598
Adjusted EBITDA	257	10	-	267	250			266
% of sales	11.9%	9.9%		11.8%	14.0%			16.7%
Adjusted operating income	234	8	-	242	215			237
% of sales	10.8%	7.9%		10.7%	12.0%			14.7%

* The Draka Group's results have been consolidated for the period 1 March - 31 December 2011.

** The organic change in sales has been calculated with reference to the Draka Group's sales in the period 1 January - 31 December 2011.

The Utilities business area encompasses the Prysmian Group's Energy segment activities involving the engineering, 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 Group engineers, produces and installs high and extra high voltage cables for power transmission both from power stations and within the transmission and primary distribution grids. This business line mainly focuses on providing turnkey solutions tailored to meet customer specifications. Products include cables insulated with oil or fluid-impregnated paper 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 business line 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 Group engineers, produces and installs turnkey submarine power transmission and distribution systems.

The Group has used specific submarine power transmission and distribution technology to develop cables and accessories featuring its exclusive proprietary technology for installation at depths of up to 2,000 metres. These cables offer different types of insulation: cables insulated with oil or fluid-impregnated paper 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, engineering and services are of particular importance in this business. In particular, as far as installation is concerned, Prysmian Group can offer the services of the Giulio Verne, one of the largest and most technologically advanced cable-laying vessels in the world.

The product range has been further enhanced with the arrival of Draka's Offshore division, which is able to offer an array of quality solutions satisfying the strictest international standards (SATS/IEEE, IEC, NEK).

Power distribution cables and systems (Power Distribution)

In the field of power distribution cables and systems, Prysmian Group 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 Group products in this category comply with international standards regarding insulation, fire resistance, smoke emissions and halogen levels.

Grid accessories and components (Accessories)

Prysmian Group 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

During 2011, the markets in which the Prysmian Group's Utilities business area operates showed signs of a trend reversal compared with 2010 although revealing both geographical differences and the presence of strong competition. Demand in the Distribution market generally recovered from the lows of the past two years, and the High Voltage market appeared to have stabilised.

Activities in the High Voltage market - traditionally highly international both in terms of demand and supply - were stable or slightly up on the high levels reached during 2010. The sector's larger utilities confirmed decisions to invest in projects for rationalisation, maintenance and/or existing grid conversion to renewable energy, by starting major new projects in Europe, the Middle East, South America and China; they have nonetheless become more and more demanding in terms of price, not only because of an ever larger number of competitors but also because of the need to limit financial exposure in the face of uncertain outcomes.

As for the Submarine cables business line, the market in 2011 confirmed a growth in investment by utilities in new offshore wind farms and the commencement of major new interconnection projects.

This trend was particularly evident in parts of the world, such as North Europe, the Arab Emirates and China, where demand for energy grew compared with the past two years.

Demand in the Power Distribution business line confirmed the upward trend in volumes - starting in the first-quarter - everywhere in the world after a long period of stagnation.

After two years of generally flat, low demand in the major European countries, the recovery in energy consumption led to more significant increases in maintenance capex by the principal utilities. The second half of the year confirmed the uncertain market scenario with low visibility on future demand evolution not only due to the significant fluctuations in raw material prices, but also because of recent monetary tensions in Europe and North America, meaning that the competitive environment in terms of price and mix has remained 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 business line, demand confirmed the signs of growth reported during 2010, 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. The utilities' increased focus on price and the competitive pressures in the high voltage cables market partly spilled over into the grid accessories and components market.

Following the upturn in the Power Distribution business line, even the market for medium and low voltage accessories showed signs of growth, particularly in central and north European markets, since these products are generally used for ordinary maintenance of secondary distribution grids.

FINANCIAL PERFORMANCE

Sales to third parties by the pre-acquisition Utilities business area amounted to Euro 2,160 million in 2011, compared with Euro 1,790 million at 31 December 2010, posting an increase of Euro 370 million (+20.7%) due to the combined effect of the following main factors:

- increase of Euro 84 million (+4.6%) in sales prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 16 million (-0.9%);
- organic sales growth of Euro 302 million (+17.0%) due to improvement in volumes and mix.

Every business line benefited from organic growth, even if there were differences in timing and between geographical areas. In particular, the Power Distribution business line reported growth in volumes in markets like North and East Europe, Brazil and Australia.

Greater demand did not lessen price pressure, nor did it make it possible to channel the offer towards higher value added products, because of high metal prices and pressures on the cost of other raw materials. Although a fourth-quarter contraction in metal prices helped stabilise sales prices and prevent further downward pressure, there was no further volume growth.

Sales by the High Voltage business line benefited from continuation of the uptrend in demand beginning in the second half of 2010. The growth in the Group's sales in this sector was driven partly by renewable energy projects and/or projects to maximise existing grid energy savings (Italy, UK, France) but mostly by the demand for energy infrastructure in places like Russia, Turkey, the Middle East, Brazil and India.

During the fourth quarter of 2011, growing tensions on financial markets adversely affected the behaviour of the main players and simultaneously increased pressure on sales prices. The value of the High Voltage order book at 31 December 2011 was therefore slightly lower than at the end of 2010, while nonetheless offering sales visibility for about a year.

Sales by the Accessories business line benefited from increased demand not only in the Medium and Low Voltage sectors, thanks to positive trends in the Power Distribution business line and increased production capacity at the French plants, but also in the High Voltage business line thanks to new Submarine and transmission projects.

Thanks to the growth in local kitting capacity and greater competitiveness in supply, Prysmian Group was able to significantly increase its commercial penetration of the Chinese accessories market, where sales price competition nonetheless remains high.

Sales by the Submarine business line increased on the prior year, in line with forecasts for the major projects acquired. The larger projects on which work was performed during the period were Cometa (Majorca - Iberian Mainland), Messina II (Italy), Doha Bay (Qatar) and Hudson River (USA). During the fourth quarter a series of minor repair projects were completed in certain European markets, in line with the Group's strategy of duly taking advantage of different market opportunities.

The value of the Group's order book at the end of 2011 has further increased, providing sales visibility for a period of about two years. This growth primarily reflects new contracts for offshore wind farm connections, for which investments were made to expand production capacity at the plant in Finland, already operational at the end of 2011.

The organic sales growth of the Utilities business area is reflected in its adjusted EBITDA, which increased from Euro 250 million at the end of 2010 to Euro 257 million at 31 December 2011, even if at a less than proportionate rate (+2.5%) due to the rising cost of raw materials and the higher proportion of sales in emerging markets subject to strong competitive pressures.

The Draka Group's Utilities business area comprises sales of power distribution and submarine cables in North European markets. Full-year sales for 2011 amounted to Euro 116 million, of which Euro 101 million consolidated within the Prysmian Group as from 1 March 2011, reporting an increase of Euro 33 million (+39.8%) on the prior year particularly thanks to submarine projects realised by the Norwegian subsidiary.

The Utilities business area's overall organic growth (consolidating Draka for the entire year) was 17.8%.

TRADE & INSTALLERS

(in millions of Euro)

	2011 (*)				2010	% change	% organic change (**)	2009
	Prysmian	Draka	Adjustments	Total				
Sales	1,623	713	(25)	2,311	1,467			1,021
of which to third parties	1,621	685	(25)	2,281	1,465	55.7%	0.1%	1,020
Adjusted EBITDA	40	30	-	70	36			41
% of sales	2.5%	4.2%		3.0%	2.4%			4.0%
Adjusted operating income	21	15	(2)	34	20			26
% of sales	1.3%	2.1%		1.5%	1.4%			2.5%

* The Draka Group's results have been consolidated for the period 1 March - 31 December 2011.

** The organic change in sales has been calculated with reference to the Draka Group's sales in the period 1 January - 31 December 2011.

The Prysmian Group produces a wide range of 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 particularly focuses on 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 Group's customers for these products cover a wide spectrum, from international distributors and buying syndicates to installers and wholesalers.

The acquisition of Draka has extended the range of products and solutions to cables for major infrastructure projects such as airports, ports and railway stations.

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.

After showing timid signs of recovery during the first three months of 2011, construction industry demand returned in the following nine months to its level at the end of 2010, with markets reporting continued pressure on prices and terms of payment due to the squeeze on bank credit and to the volatility of metal prices.

In particular, the third-quarter decline in metal prices caused the industry's largest players not only to deplete stocks, in anticipation of significant cable price reductions, but also to negotiate contract terms more aggressively.

In Europe, the first-quarter recovery seen in nearly every market was neutralised by the downturn in subsequent periods in most European markets (Germany, France, Italy and the United Kingdom).

In contrast, markets in North America confirmed a rising trend in volumes, with the first signs of price improvement during the final quarter.

In South America, both industrial and residential construction markets were generally stable in the final quarter, both in terms of volume and price.

Even the Australian market reported a downturn in demand in the third and fourth quarters of 2011 with growing price competition.

FINANCIAL PERFORMANCE

Sales to third parties by the pre-acquisition Trade & Installers business area amounted to Euro 1,621 million at the end of December 2011, compared with Euro 1,465 million in 2010, posting an increase of Euro 156 million (+10.6%) due to the combined effect of the following main factors:

- increase of Euro 164 million (+11.2%) in sales prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 26 million (-1.8%);
- organic sales growth of Euro 18 million (+1.2%), due to the slight recovery in volumes on more profitable markets and the stabilisation of prices in the fourth quarter, compensating for the general downturn in the second and third quarters of 2011.

During 2011, Prysmian Group retained its market share on the principal European markets by continuing the strategy of focusing on commercial relationships with the principal international wholesalers.

It successfully continued to improve its product mix through increased concentration on products for "safety of people and property" (Fire resistant/LSOH), which allowed it to neutralise growing unit costs for raw materials and to mitigate margin erosion.

During the third and fourth quarters, growing downward price expectations, caused by the decline in metal prices, led the Group's commercial policies in this sector in an even more selective direction, in some cases resulting in increased profitability.

In North America and particularly Canada, Prysmian Group was unable to benefit fully from the market uptrend because its industrial rationalisation was only properly completed during the fourth quarter.

Despite price pressure in the residential and non-residential construction sector, Prysmian Group's wide product range allowed it to retain its market share in South America.

In Australia and New Zealand, the continuous fluctuations in raw material prices and growing downward pressure on sales prices led the Group to adopt a highly selective sales policy in order to prevent margin erosion in this business.

As a result of the factors described above and actions to improve industrial structure, adjusted EBITDA reported a small recovery of Euro 4 million (+10.0%) on the prior year to Euro 40 million.

The Draka Group's Trade & Installers business area is particularly active in North European markets (Netherlands, Scandinavia) and/or product segments that are complementary to those traditionally served by Prysmian Group.

Full-year sales for 2011 amounted to Euro 816 million, of which Euro 685 million consolidated within the Prysmian Group as from 1 March 2011, reporting an increase of Euro 45 million (+5.8%) on the prior year.

Although the former Draka Group stepped up its focus on product segments and price levels in order to optimise market opportunities by avoiding overlaps with those markets traditionally served by Prysmian Group, the final quarter saw a decline in volumes in the domestic markets traditionally served.

The Trade & Installers business area's overall organic growth (consolidating Draka for the entire year) was largely flat at 0.1%.

INDUSTRIAL

(in millions of Euro)

	2011 (*)				2010	% change	% organic change (**)	2009
	Prysmian	Draka	Adjustments	Total				
Sales	919	703	(9)	1,613	742			628
of which to third parties	919	698	(9)	1,608	742	116.7%	8.5%	628
Adjusted EBITDA	72	34	-	106	61			62
% of sales	7.8%	4.8%		6.6%	8.3%			9.8%
Adjusted operating income	48	23	-	71	42			46
% of sales	5.2%	3.3%		4.4%	5.7%			7.3%

* The Draka Group's results have been consolidated for the period 1 March - 31 December 2011.

** The organic change in sales has been calculated with reference to the Draka Group's sales in the period 1 January - 31 December 2011.

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

Prysmian Group 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 chemicals when connecting submarine sources and collectors to FPSO (Floating, Production, Storage and Offloading) platforms.

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

The Prysmian Group's Industrial business area is the one that has benefited most from the Draka acquisition. In fact, the product range has been considerably enlarged thanks to Draka's renewable energy solutions, to cables for the chemicals, transport, aviation and aerospace industries, and to highly specialised elevator cables.

MARKET OVERVIEW

During 2011 and particularly in the second half, markets for industrial cables appeared either stable or in the process of a cautious recovery relative to the second half of 2010.

In fact, having faltered in the first few months of the year with the spread of political instability in the Middle East and North Africa, the anticipated recovery in demand in the sectors of Oil&Gas, mining and dockside crane installations became visibly apparent from the third quarter, primarily in the world's high growth areas (Far East, South America).

Rail infrastructure and the transport sector in general saw, on the one hand, the principal European operators acting cautiously due to low visibility as to when investments would resume and to recent government policies to cut budget deficits in the principal Eurozone economies, and on the other hand, the development of numerous infrastructure projects in places like Turkey, Brazil and the Far East.

The restrictive financial measures adopted by major Western governments and the suspension of special incentives caused demand in the renewable energy sector to diminish in the final quarter.

Automotive industry demand remained stable in Europe, thanks to government policies and eco-incentives in support of the car industry introduced by the principal western economies over the course of the past two years.

After a cautious start to the year, the umbilical cables sector in Brazil saw demand gradually recover from the second quarter on.

During the final quarter industrial customers were particularly active in the Oil&Gas and Infrastructure sectors, while investment in nearly all other sectors continued to be low.

FINANCIAL PERFORMANCE

Sales to third parties by the pre-acquisition Industrial business area amounted to Euro 919 million at 31 December 2011, compared with Euro 742 million in 2010. The increase of Euro 177 million (+23.7%) is due to the following factors:

- increase of Euro 75 million (+10.2%) in sales prices due to higher metal prices;
- negative exchange rate effects of Euro 10 million (-1.3%);
- organic sales growth of Euro 111 million (+14.8%), most of which achieved thanks to an increase in volumes of high-tech umbilical cables produced in Brazil.

In Europe, Prysmian Group concentrated its commercial efforts on the general infrastructure and automotive sectors, in order to counterbalance the reduction in volumes in the rail and dockside crane installations sectors.

During the second half of 2011, Prysmian Group also took advantage of a number of opportunities in Middle Eastern infrastructure markets, traditionally served by its European businesses.

The Asia Pacific region offered the Group the best growth opportunities thanks to recovery in the Prysmian Group market share in Australia and greater commercial penetration of the Chinese market.

Adjusted EBITDA came to Euro 72 million at 31 December 2011, reporting an increase of Euro 11 million on the prior year due to a moderate recovery in demand in various parts of the world, particularly by the Oil&Gas sector.

The Draka Group's Industrial business area is active in geographical markets - such as North America - and product segments - such as infrastructure and elevator cables and renewable energy solutions - that complement those of Prysmian. Full-year sales for 2011 amounted to Euro 826 million, of which Euro 698

million consolidated within the Prysmian Group as from 1 March 2011, reporting an increase of Euro 87 million (+11.7%) on the prior year. All of the increase reflects metal-price related growth in sales prices, while volumes were stable or lower in the final quarter due to slowdown in the renewable energy sector (primarily the solar sector) following reductions in government grants.

The Industrial business area's overall organic growth (consolidating Draka for the entire year) was 8.5%.

OTHER

(in millions of Euro)

				2011 (*)	2010	2009
	Prysmian	Draka	Adjustments	Total		
Sales	156	-	(2)	154	146	97
of which to third parties	129	-	(2)	127	124	82
Adjusted EBITDA	4	-	-	4	4	3
Adjusted operating income	1	-	-	1	3	-

* The Draka Group's results have been consolidated for the period 1 March - 31 December 2011.

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 Prysmian Group operating units.

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

TELECOM

(in millions of Euro)

	2011 (*)				2010	% Consolidated change	% Prysmian change	2009
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Sales	537	813	(14)	1,336	454	194.3%	18.2%	411
of which to third parties	534	795	(14)	1,315	450	192.2%	18.7%	403
Adjusted EBITDA	46	75	-	121	36	236.1%	25.9%	31
% of sales	8.5%	9.2%		9.1%	7.9%			7.6%
EBITDA	44	65	(6)	103	36	186.1%	21.0%	30
% of sales	8.1%	8.0%		7.7%	7.9%			7.4%
Amortisation and depreciation	(8)	(23)	(12)	(43)	(7)	514.3%	14.3%	(6)
Adjusted operating income	38	52	(12)	78	29	169.0%	30.0%	25
% of sales	7.0%	6.4%		5.8%	6.3%			6.1%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	44	65	(6)	103	36	186.1%	21.0%	30
Non-recurring expenses/(income):								
Company reorganisation	2	10	-	12	-			1
Release of Draka inventory step-up ⁽¹⁾	-	-	6	6	-			-
Total non-recurring expenses/(income) (B)	2	10	6	18	-			1
Adjusted EBITDA (A+B)	46	75	-	121	36	236.1%	25.9%	31

(1) Refers to the higher cost of using finished and semi-finished goods and raw materials measured at the Draka Group's acquisition-date fair value.

(*) The Draka Group's results have been consolidated for the period 1 March – 31 December 2011.

As partner to the world's leading telecoms operators, Prysmian Group 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 fibre

Prysmian Group is a leading manufacturer of the fundamental component of all optical cables - namely optical fibre. With its experience in fibre production dating back to 1982, Prysmian Group is able to utilise all three of the major production technologies currently available: OVD (Outside Vapour Deposition), MCVD (Modified Chemical Vapour Deposition) and VAD (Vapour Axial Deposition). The Group produces a complete range of fibres including long distance, metro ring, low water peak, and reduced diameter fibre, and the latest addition to the fibre family - bend insensitive fibres. Fibres are produced to the highest standards of quality control and in strict compliance with ITU international standards. With a centre of excellence for fibre in Battipaglia, Italy, and a total of three manufacturing locations around the world, Prysmian Group 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 Group has developed specific cable designs to satisfy all these requirements, using 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 Group 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 Group is able to supply cables with specific performance characteristics such as zero halogen emissions, low emission of toxic fumes and gases and fire retardant. 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 Group 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 Group is extremely active in this rapidly growing sector of the market where its approach is based on combining existing technology - such as the Sirocco Blown Fibre System - with innovative new solutions such as Quickdraw pre-connectorised cable and the new Verticasa™ system, which provides an efficient way of deploying fibres in high-rise buildings and multi-dwelling units. Many of the cables used in FTTH systems feature Prysmian Group's proprietary bend insensitive CasaLight™ optical fibre which has been specially developed for this application.

Draka Acquisition

The acquisition of Draka's Telecom segment represents a turning point in size terms for the entire Group. In fact, Draka specialises in every communications product sub-segment virtually everywhere in the world: using proprietary technology, it manufactures and sells optical fibre, copper and coaxial data transmission cables and single mode and multimode optical fibre.

In addition, it is able to offer a full range of connectivity components as well as network design, engineering and implementation services.

MARKET OVERVIEW

The market for optical fibre cables is a global one. Forecasts at the start of the year had predicted a slight decline in the size of the global market in 2011 although with large regional differences. The first quarter saw a slowing in growth by the fast-developing markets (especially China) combined with general stability in both North America and Europe, while subsequent quarters witnessed a strong global recovery in demand, particularly in countries with high communication infrastructure needs (Australia, India, Brazil).

The Access/Broadband/FTTx market was relatively active in 2011, with growth driven by the development of optical fibre communication infrastructure, although the low maturity of these products implies different evolution in demand by geographical area.

The copper cables market is experiencing a slowdown not only because of the economic downturn in the past two years, which has driven some major operators to revise their larger investment projects, but also because of product maturity. Demand was stable in 2011 thanks to the use of copper cables in maintenance work and to upgrade 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 1,315 million in 2011, compared with Euro 450 million at the end of 2010.

The overall increase of Euro 865 million (+192.2%) reflects:

- Euro 781 million (+173.5%) for the first-time consolidation of the Draka Group from 1 March 2011, net of Euro 14 million in intragroup transactions;
- Euro 84 million (+18.7%) in sales growth by the pre-acquisition Prysmian Group.

The change relating to the pre-acquisition Prysmian Group was mainly due to the following factors:

- increase of Euro 10 million (+2.2%) in sales prices due to higher metal prices;
- organic sales growth of Euro 78 million (+17.4%), thanks to volume growth for optical fibre cables;
- negative exchange rate effects of Euro 4 million (-0.9%).

The organic sales growth in 2011 primarily reflects an increase in optical fibre cable volumes, linked to the positive evolution in demand, which was driven by large-scale projects such as NBN (Australia), Airtel (India), Telefonica (Brazil) and Etisalat (Middle East). Growing demand for optical cables from a different mix of markets and sales channels with respect to the past, such as Eastern Europe and North and South America, resulted in a significant increase in sales during the year.

Adjusted EBITDA (before non-recurring income and expenses) came to Euro 121 million, up Euro 85 million on the prior year (+236.1%), of which Euro 75 million attributable to the first-time consolidation of Draka.

Sales by the Draka Telecom business went from Euro 826 million in 2010 to Euro 911 million in 2011, reporting an increase of Euro 85 million (+10.2%). All of this growth came from optical fibre cables and data transmission cables.

The Telecom segment's overall organic growth (consolidating Draka for the entire year) was 11.7%.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2011	31 December 2010	Consolidated change	31 December 2009
Net fixed assets	2,255	1,029	1,226	958
Net working capital	552	494	58	479
Provisions	(371)	(120)	(251)	(123)
Net capital employed	2,436	1,403	1,033	1,314
Employee benefit obligations	268	145	123	142
Total equity	1,104	799	305	698
of which attributable to non-controlling interests	62	43	19	21
Net financial position	1,064	459	605	474
Total equity and sources of funds	2,436	1,403	1,033	1,314

Net fixed assets amounted to Euro 2,255 million at 31 December 2011, compared with Euro 1,029 million at the end of December 2010, having increased by Euro 1,226 million mainly due to the combined effect of the following factors:

- acquisition of the Draka Group involving:
 - Euro 700 million for the first-time consolidation of the Draka Group of companies;
 - Euro 81 million to cancel Draka's pre-acquisition goodwill;
 - Euro 284 million in fair value adjustments (IFRS 3) to fixed assets (as of 28 February 2011);
 - Euro 352 million to recognise goodwill arising on acquisition of the Draka Group;
- Euro 159 million in investments (Euro 130 million attributable to the pre-acquisition Prysmian Group and Euro 29 million attributable to the Draka Group);
- Euro 180 million in amortisation, depreciation and impairment charges for the year (Euro 113 million attributable to the pre-acquisition Prysmian Group, Euro 53 million attributable to the Draka Group and Euro 14 million attributable to higher amortisation and depreciation following revaluation of the fixed assets acquired), which includes Euro 38 million in impairment losses, of which Euro 5 million against intangible assets and Euro 33 million against land and buildings and plant and machinery; these impairment losses refer to part of the assets in India, China and Russia and some of the assets of plants affected by the restructuring announced in February 2012.

Net working capital of Euro 552 million at 31 December 2011, exceeded the corresponding figure at 31 December 2010 (Euro 494 million) by Euro 58 million (Euro 122 million excluding the impact of the fair value change in derivatives), reflecting the following main factors:

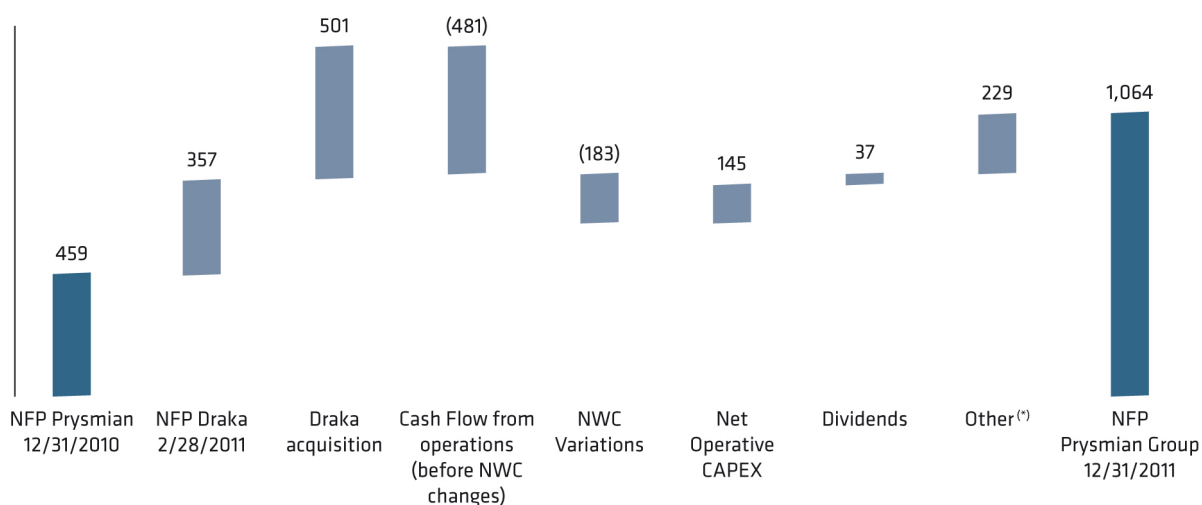
- Euro 278 million for the first-time consolidation of the Draka Group of companies;
- Euro 7 million in positive fair value adjustments (under IFRS 3) to the assets and liabilities included in the Draka Group's working capital (as of 28 February 2011);
- reduction in working capital due to actions taken in the period;
- stability of working capital committed in long-term High Voltage and Submarine projects.

The net financial position of Euro 1,064 million at 31 December 2011 has increased by Euro 605 million on 31 December 2010 (Euro 459 million), reflecting the following factors:

- cash outlay of Euro 501 million for the Draka Group's acquisition, out of the total purchase consideration of Euro 978 million, the remainder of which (Euro 477 million) was settled by issuing some 31.8 million shares in Prysmian S.p.A.;
- Euro 357 million for the first-time consolidation of the Draka Group of companies;
- net cash inflow from operating activities (before changes in net working capital) of Euro 481 million generated in 2011;
- positive impact from changes in working capital of Euro 183 million due to actions taken by Group companies during the period;
- net operating investments of Euro 145 million;
- payment of Euro 130 million in net finance costs, including Euro 15 million in bank fees and other costs related to renegotiation of the covenants under existing credit agreements and to finalise a new credit agreement for Euro 800 million;
- payment of Euro 97 million in taxes;
- payment of Euro 35 million in dividends by Prysmian S.p.A.

The cash outlay for the Draka acquisition was funded using available liquidity and part of the committed credit lines.

The following chart summarises the principal changes in the net financial position (NFP):



^(*) Includes paid taxes (€ 97m), financial charges (€ 130m) and other items (€ 2m).

EQUITY

The following table reconciles the Group's equity at 31 December 2011 and net profit/(loss) for 2011 with the corresponding figures reported by Prysmian S.p.A., the Parent Company:

(in millions of Euro)

	Equity 31 December 2011 786	Net profit/(loss) for 2011 99	Equity 31 December 2010 237	Net profit/(loss) for 2010 83
Parent Company Financial Statements				
Elimination of carrying amount of consolidated companies from Prysmian S.p.A. financial statements and related dividends	(1,570)	(173)	(411)	(107)
Recognition of equity and net profit/(loss) of consolidated companies	1,924	(70)	1,007	167
Elimination of intercompany profits and losses included in inventories and other consolidation adjustments	(36)	(1)	(34)	7
Non-controlling interests	(62)	9	(43)	(2)
Consolidated Financial Statements	1,042	(136)	756	148

NET WORKING CAPITAL

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

(in millions of Euro)

	31 December 2011	31 December 2010	Consolidated change	31 December 2009
Inventories	929	600	329	443
Trade receivables	1,197	764	433	622
Trade payables	(1,421)	(862)	(559)	(561)
Other receivables/(payables)	(126)	(45)	(81)	(39)
Net operating working capital	579	457	122	465
Derivatives	(27)	37	(64)	14
Net working capital	552	494	58	479

Net operating working capital amounted to Euro 579 million (7.3% of sales) at 31 December 2011, compared with Euro 457 million (9.2% of sales) at 31 December 2010 in relation to the pre-acquisition Prysmian Group.

This change was mainly affected by the following factors:

- Euro 278 million for the first-time consolidation of the Draka Group of companies;
- Euro 7 million in positive fair value adjustments (under IFRS 3) to the assets and liabilities included in the Draka Group's working capital (as of 28 February 2011);
- reduction in working capital of Euro 183 million due to efficiencies achieved during the period;
- stability of working capital committed in long-term High Voltage and Submarine projects.

NET FINANCIAL POSITION

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

(in millions of Euro)

	31 December 2011	31 December 2010	Consolidated change	31 December 2009
Long-term financial payables				
Term Loan Facility	400	671	(271)	864
Bank fees	(6)	(2)	(4)	(4)
Bond	397	396	1	-
Derivatives	31	44	(13)	5
Other financial payables	89	46	43	24
Total long-term financial payables	911	1,155	(244)	889
Short-term financial payables				
Term Loan Facility	676	101	575	100
Bank fees	-	-	-	-
Bond	15	15	-	-
Securitization	111	-	111	-
Derivatives	24	9	15	20
Other financial payables	180	85	95	52
Total short-term financial payables	1,006	210	796	172
Total financial liabilities	1,917	1,365	552	1,061
Long-term financial receivables	10	1	9	2
Long-term derivatives	1	3	(2)	5
Long-term bank fees	15	16	(1)	4
Long-term available-for-sale financial assets	-	-	-	-
Short-term financial receivables	9	42	(33)	33
Short-term derivatives	4	3	1	6
Short-term bank fees	7	3	4	3
Short-term available-for-sale financial assets	-	142	(142)	-
Financial assets held for trading	80	66	14	42
Cash and cash equivalents	727	630	97	492
Total financial assets	853	906	(53)	587
Net financial position	1,064	459	605	474

STATEMENT OF CASH FLOWS

(in millions of Euro)

	31 December 2011 (*)	31 December 2010	Consolidated change	31 December 2009
EBITDA	269	365	(96)	366
Changes in provisions (including employee benefit obligations)	200	(17)	217	(12)
Inventory step-up	14	-	14	-
(Gains)/losses on disposal of property, plant and equipment and intangible assets	(2)	-	(2)	-
Other changes	-	-	-	1
Net cash flow provided by operating activities (before change)	481	348	133	355
Changes in net working capital	183	(6)	189	36
Taxes paid	(97)	(59)	(38)	(62)
Net cash flow provided by operating activities	567	283	284	329
Acquisitions ⁽¹⁾	(419)	(21)	(398)	(3)
Net cash flow used in operational investing activities	(145)	(95)	(50)	(106)
Net cash flow provided by financial investing activities ⁽²⁾	4	5	(1)	9
Free cash flow (unlevered)	7	172	(165)	229
Net finance costs	(130)	(52)	(78)	(46)
Free cash flow (levered)	(123)	120	(243)	183
Increases in share capital and other changes in equity	1	13	(12)	5
Dividend distribution	(37)	(75)	38	(75)
Net cash flow provided/(used) in the year	(159)	58	(217)	113
Opening net financial position	(459)	(474)	15	(577)
Net cash flow provided/(used) in the year	(159)	58	(217)	113
Other changes	(7)	(43)	36	(10)
Business combinations	(439)	-	(439)	-
Closing net financial position	(1,064)	(459)	(605)	(474)

(*) The Draka Group cash flows refer to the period 1 March - 31 December 2011.

- ⁽¹⁾ The figure of Euro 419 million represents the cash outlay of Euro 501 million to acquire the Draka Group minus the net cash and cash equivalents present in the Draka Group on the acquisition date.
- ⁽²⁾ This does not include cash flow relating to "Financial assets held for trading" and non-instrumental "Available-for-sale financial assets", classified in the net financial position.

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 481 million in 2011, of which Euro 373 million provided by the pre-acquisition Prysmian Group.

Cash flow also benefited from the reduction of Euro 183 million in working capital described earlier (of which Euro 86 million relating to the pre-acquisition Prysmian Group). Therefore, after deducting Euro 97 million in tax payments, net cash flow from operating activities in the period was a positive Euro 567 million (of which Euro 373 million relating to the pre-acquisition Prysmian Group).

Net cash flow used for acquisitions was Euro 419 million, all of which relates to acquisition of the Draka Group and represents the cash outlay of Euro 501 million to acquire this group minus its net cash and cash equivalents at the acquisition date of Euro 82 million.

Net operating investments in 2011 amounted to Euro 145 million (of which Euro 122 million relating to the pre-acquisition Prysmian Group). Investments in 2011 primarily related to completion of the new plant in Brazil, which will design and supply high-tech flexible pipes for offshore oil drilling under a four-year agreement with the oil company Petrobras, and to production capacity expansion for high voltage cables in Russia, China and France and for submarine cables in Italy and Finland. Around 67% of total investment expenditure on property, plant and equipment related to projects to increase production capacity, some 11% of the total went on projects to improve industrial efficiency, while about 22% related to structural work on buildings or entire production lines to make them compliant with the latest regulations or to relocate production.

The increase in net financial position reported in the "Business combinations" line of the above statement of cash flows relates to the gross financial debt of the Draka Group at the time of acquisition.

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 net profit/(loss):** net profit/(loss) 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 and 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 outside the Group's recurring operations;
- **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 reclassified statement of financial position include:

- **Net fixed assets:** sum of the following items contained in the statement of financial position:
 - Intangible assets
 - Property, plant and equipment
 - Investments in associates
 - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in the net financial position
- **Net working capital:** sum of the following items contained in the statement of financial position:
 - Inventories
 - Trade receivables
 - Trade payables
 - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
 - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
 - Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the net financial position
 - Current tax payables

- **Net operating working capital:** sum of the following items contained in the statement of financial position:
 - Inventories
 - Trade receivables
 - Trade payables
 - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
 - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
 - Current tax payables
- **Provisions:** sum of the following items contained in the statement of financial position:
 - Provisions for risks and charges – current portion
 - Provisions for risks and charges – non-current portion
 - Provisions for deferred tax liabilities
 - Deferred tax assets
- **Net capital employed:** sum of Net 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 2011

(in millions of Euro)

	Note	31 December 2011 Partial amounts from financial statements	Total amounts from financial statements	31 December 2010 Partial amounts from financial statements	Total amounts from financial statements
Net fixed assets					
Property, plant and equipment			1,539		949
Intangible assets			618		59
Investments in associates			87		9
Available-for-sale financial assets			6		3
Assets held for sale			5		9
Total net fixed assets	A		2,255		1,029
Net working capital					
Inventories	B		929		600
Trade receivables	C		1,197		764
Trade payables	D		(1,421)		(862)
Other receivables/payables - net	E		(126)		(45)
of which:					
Other receivables - non-current	5	27		24	
Tax receivables	5	13		11	
Receivables from employees	5	1		1	
Others	5	13		12	
Other receivables - current	5	500		352	
Tax receivables	5	124		88	
Receivables from employees and pension funds	5	4		1	
Advances	5	14		18	
Others	5	139		55	
Construction contracts	5	219		190	
Other payables - non-current	13	(32)		(20)	
Tax and social security payables	13	(16)		(10)	
Others	13	(16)		(10)	
Other payables - current	13	(571)		(355)	
Tax and social security payables	13	(95)		(73)	
Advances	13	(132)		(98)	
Payables to employees	13	(65)		(45)	
Accrued expenses	13	(131)		(83)	
Others	13	(148)		(56)	
Current tax payables		(50)		(46)	
Total operating working capital	F=B+C+D+E		579		457
Derivatives	G	(27)		37	
of which:					
Forward currency contracts on commercial transactions (cash flow hedges) - non-current	8	(5)		2	
Forward currency contracts on commercial transactions (cash flow hedges) - current	8	(2)		(3)	
Forward currency contracts on commercial transactions - current	8	(2)		-	
Forward currency contracts on commercial transactions - non-current	8	1		-	
Metal derivatives - non-current	8	-		5	
Metal derivatives - current	8	(19)		33	
Total net working capital	H=F+G		552		494

(in millions of Euro)

	Note	31 December 2011 Partial amounts from financial statements	Total amounts from financial statements	31 December 2010 Partial amounts from financial statements	Total amounts from financial statements
Provisions for risks and charges - non-current			(67)		(44)
Provisions for risks and charges - current			(295)		(62)
Deferred tax assets			97		30
Deferred tax liabilities			(106)		(44)
Total provisions	I		(371)		(120)
Net capital employed	L=A+H+I		2,436		1,403
Employee benefit obligations	M		268		145
Total equity	N		1,104		799
Equity attributable to non-controlling interests			62		43
Net financial position					
Total long-term financial payables	O		911		1,155
Term Loan Facility	12	400		671	
Bank fees	12	(6)		(2)	
Bond	12	397		396	
Derivatives		31		44	
of which:					
Forward currency contracts on financial transactions	8	4		28	
Interest rate swaps	8	27		16	
Other payables		89		46	
of which:					
Finance lease obligations	12	14		1	
Other financial payables	12	75		45	
Short-term financial payables	P		1,006		210
Term Loan Facility	12	676		101	
Bank fees	12	-		-	
Bond	12	15		15	
Securitization	12	111		-	
Derivatives		24		9	
of which:					
Interest rate swaps	8	2		-	
Forward currency contracts on financial transactions	8	22		9	
Other payables		180		85	
of which:					
Finance lease obligations	12	3		1	
Other financial payables	12	177		84	
Total financial liabilities	Q=O+P		1,917		1,365
Long-term financial receivables	R	5	(10)	(1)	
Long-term derivatives	R		(1)	(3)	
of which:					
Interest rate swaps (non-current)	8	-		(1)	
Forward currency contracts on financial transactions (non-current)	8	(1)		(2)	
Long-term bank fees	R	5	(15)	(16)	
Short-term financial receivables	R	5	(9)	(42)	
Short-term derivatives	R		(4)	(3)	
of which:					
Forward currency contracts on financial transactions (current)	8	(4)		(3)	
Short-term bank fees	R	12	(7)	(3)	
Available-for-sale financial assets (current)	S		-		(142)
Financial assets held for trading	T		(80)		(66)
Cash and cash equivalents	U		(727)		(630)
Total financial assets	V=R+S+T+U		(853)		(906)
Total net financial position	W=Q+V		1,064		459
Total equity and sources of funds	Z=M+N+W		2,436		1,403

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 31 December 2011

(in millions of Euro)

		12 months 2011 Amounts from income statement	12 months 2010 Amounts from income statement
	Note		
Sales	A	7,583	4,571
Change in inventories of work in progress, semi-finished and finished goods		(107)	74
Other income		45	43
Raw materials and consumables used		(4,917)	(2,963)
Personnel costs		(916)	(544)
Other expenses		(1,427)	(803)
Operating costs	B	(7,322)	(4,193)
Remeasurement of minority put option liability	C	1	(13)
Fair value change in stock options	C	7	-
EBITDA	C=A+B	269	365
Non-recurring other income			
<i>of which non-recurring other income</i>	E	1	-
Personnel costs			
<i>of which non-recurring personnel costs</i>	F	(39)	(9)
Other expenses			
<i>of which non-recurring other expenses</i>	G	(247)	(13)
Change in inventories of work in progress, semi-finished and finished goods			
<i>of which non-recurring change in inventories of work in progress, semi-finished and finished goods</i>	I	(14)	-
Adjusted EBITDA	H=C-E-F-G-I	568	387

(in millions of Euro)

		12 months 2011 Amounts from income statement	12 months 2010 Amounts from income statement
	Note		
Operating income	A	19	307
Non-recurring other income		1	-
Non-recurring personnel costs		(39)	(9)
Non-recurring other expenses		(247)	(13)
Non-recurring change in inventories of work in progress, semi-finished and finished goods		(14)	-
Total non-recurring expenses	B	(299)	(22)
Remeasurement of minority put option liability		(1)	13
Total other non-recurring income/(expenses)	C	(1)	13
Fair value change in metal derivatives	D	(62)	28
Fair value change in stock options	E	(7)	-
Non-recurring amortisation, depreciation and impairment	F	(38)	(21)
Adjusted operating income	G=A-B-C-D-E-F	426	309

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 other companies due to the absence of the following circumstances, which would otherwise indicate the likely 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.

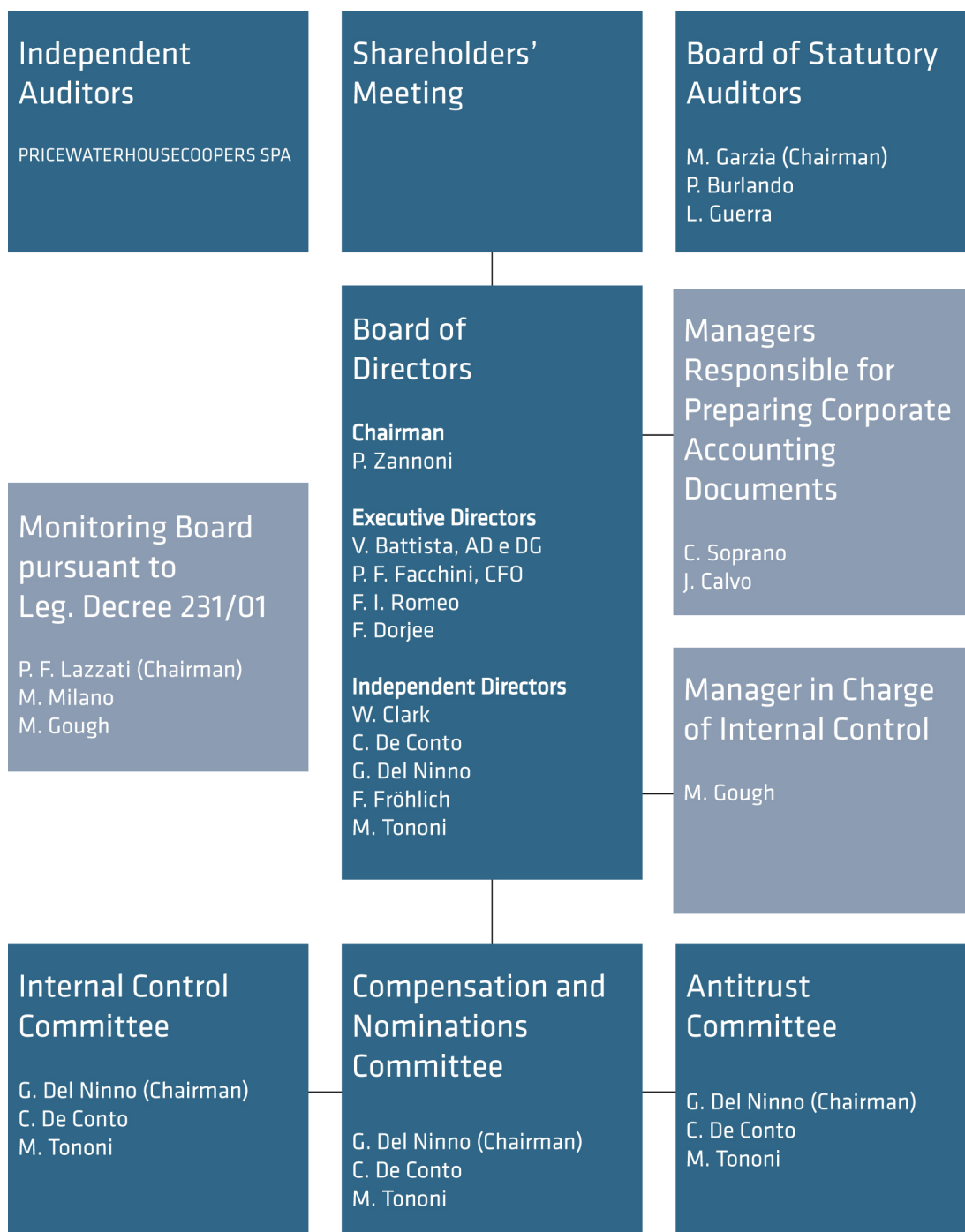
The main aims of the corporate governance structure are:

- 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 strict adherence by management to governance procedures and to determine appropriate 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.prysmiangroup.com, and which has been prepared in accordance with art. 89-bis of the Consob Issuer Regulations (Regulation no.11971/99).

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, with the presence of a general Shareholders' Meeting, 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 Group has implemented this system by drawing up 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 corporate activities and controls 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 specialist Consob-registered firm 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 the outgoing Board of Directors and/or by those shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital eligible to vote at the Ordinary Shareholders' Meeting, or such lower percentage established by legal or regulatory provisions. Consob Resolution 18.083 of 25 January 2012 has set the minimum shareholding requirement for presenting candidate slates at 1.5% for 2012.

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	Executive director
Claudio De Conto	Director	Independent non-executive director
Frank Dorjee	Director	Executive director
F. Fröhlich	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 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 Carlo Soprano (Head of Financial Statements &

Compliance) and Jordi Calvo (Head of Planning & Controlling) 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 order to allow the latter to fulfil its duties concerning management of the internal control system;
- Compensation and Nominations Committee, with powers to advise and make proposals to the Board of Directors, including with reference to 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 raising awareness among those who work for and on behalf of the Group so that they comply with competitive practices in the conduct of their duties.

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. Legislative Decree 39/2010 has identified the Board of Statutory Auditors as the "Internal Control and Financial Audit Committee", meaning that it now has supervisory duties over the financial reporting process, the effectiveness of internal control systems, internal audit and risk management, over the statutory audit of the annual accounts and consolidated accounts and over the independence of the external auditing firm.

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:

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

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 slates 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 18.083 of 25 January 2012 has set the minimum shareholding requirement for presenting candidate slates at 1.5% for 2012. These slates must be filed at the registered offices at least twenty-five days before the date set for the Shareholders' Meeting in first call. Each slate 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 positions held 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 last 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 sets out the goals and values behind the Company's business.
- 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 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 Group, 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 also contains a list and description of the offences, an organisation chart, contractual clauses and a list of procedures. It also describes how the Model is distributed 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, disqualification 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 relevant 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 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.

The Internal Audit Department draws up an annual audit plan using a risk assessment approach. Risk factors are analysed and revised every year to ensure that the audit plan properly covers the risks to which the Group is exposed. This activity includes interviews with senior management in order to identify risks, uncertainties or specific audit requests. The results of internal audit activities are also analysed to identify potential trends, any widespread weaknesses in internal control and similar recommendations. The implementation status of previous internal audit recommendations is also reviewed. Once these activities are completed, the annual internal audit plan is submitted for approval first by the Internal Control Committee and then by the Board of Directors.

In conducting internal audit activities, the Director of Internal Audit and the Internal Audit department are given complete access to all relevant data, documentation, information and personnel to enable them to perform 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 Group maintains a system of administrative and accounting procedures to ensure a reliable system of internal control over financial reporting. The Company uses policies, procedures and operating instructions to guarantee an effective flow of information from its operating companies.

These include the Group Accounting Manual (rules for the use and application of accounting policies), the Administrative Processes Manual, the procedures 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). Prysmian Group head office functions are responsible for distributing this documentation to operating companies, all of whom can access these accounting policies, procedures and rules through the Group's intranet site. The operating companies also issue local policies, procedures and rules that comply with the Company's guidelines.

The Company uses the COSO framework to identify key risks and thus the required key controls that need to be established to mitigate the risks identified and to ensure the internal control system is operating effectively. A scoping exercise has been carried out to identify the Prysmian Group's critical processes and sub-processes. This is revised as and when the needs of the business so require.

The Internal Audit Department has independently tested the key controls at each of the Group's operating companies to ensure they operate as described. Areas for improvement have been reported to the Company's Senior Management and also to the Internal Control Committee. An action plan has been agreed with each operating company to strengthen existing controls or rectify any weaknesses. The Internal Audit Department monitors the implementation status of these action plans and updates senior management and the Internal Control Committee accordingly.

The Company has adopted a centrally coordinated evaluation system and attestation process for the purposes of assessing the adequacy and effectiveness of the internal control system, which includes controls over the financial reporting process, and for complying with Law 262/05 (Investor Protection Act).

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 as critical during mapping 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 properly. This signed attestation is sent to Prysmian Group's Chief Financial Officer and to the Director of Internal Audit. To support this attestation the officers must also confirm that they have specifically tested the operation of key controls and that evidence supporting their conclusions has been retained for future independent review. To achieve this Prysmian requires each operating company to submit a detailed "Internal Control Questionnaire" (ICQ). These ICQs document the key controls for each critical business process and describe how the control works in that operating unit and what type of tests have been performed in 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.

INCENTIVE PLANS

Stock option plan 2007-2012

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 free of charge 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 2011, there were 19 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 2011, a total of 2,568,911 options had been exercised, involving the issue of a corresponding number of new ordinary shares of the Company, while 198,237 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.prysmiangroup.com under Investor relations/Corporate governance.

Long-term incentive plan 2011-2013

On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary authority to establish and execute the plan. The plan's purpose is to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and is conditional upon the achievement of performance targets, as detailed in the specific information memorandum.

The plan involves the participation of 290 employees of group companies in Italy and abroad viewed as key resources, and divides them into three categories, to whom the shares will be granted in the following proportions:

- *CEO*: to whom approximately 7.70% of the rights to receive Prysmian S.p.A. shares have been allotted.
- *Senior Management*: this category has 44 participants who hold key positions within the Group (including the Directors of Prysmian S.p.A. who hold the positions of Chief Financial Officer, Energy Business Senior Vice President and Chief Strategic Officer), to whom 41.64% of the total rights to receive Prysmian shares have been allotted.
- *Executives*: this category has 245 participants who belong to the various operating units and businesses around the world, to whom 50.66% of the total rights to receive Prysmian shares have been allotted.

The plan establishes that the number of options granted will depend on the achievement of common business and financial performance objectives for all the participants.

The plan establishes that the participants' right to exercise the allotted options depends on achievement of the Target (being a minimum performance objective of at least Euro 1.75 billion in cumulative Adj. EBITDA for the Group in the period 2011-2013, assuming the same group perimeter) as well as continuation of a professional relationship with the Group up until 31 December 2013. The plan also establishes an upper limit for Adj. EBITDA as the Target plus 20% (ie. Euro 2.1 billion), assuming the same group perimeter, that will determine the exercisability of the maximum number of options granted to and exercisable by each participant.

Access to the plan has been made conditional upon each participant's acceptance that part of their annual bonus will be co-invested, if achieved and payable in relation to financial years 2011 and 2012.

The allotted options carry the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares may partly comprise treasury shares and partly new issue shares, obtained through a capital increase that excludes pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase, involving the issue of up to 2,131,500 new ordinary shares of nominal value Euro 0.10 each, for a maximum amount of Euro 213,150, was approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares will be allotted for zero consideration, while the shares obtained from the above capital increase will be allotted to participants upon payment of an exercise price corresponding to the nominal value of the

Company's shares.

The information memorandum, prepared under art. 114-bis of Legislative Decree 58/98 and describing the characteristics of the above incentive plan, is publicly available on the Company's website at <http://www.prysmiangroup.com/>, from its registered offices and from Borsa Italiana S.p.A.

Further details about the incentive plans can be found in Note 21 to the Consolidated Financial Statements.

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 Group'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 2011. 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 2011 amounted to Euro 1,840 million, comprising cash and cash equivalents, financial assets held for trading and unused committed credit lines.

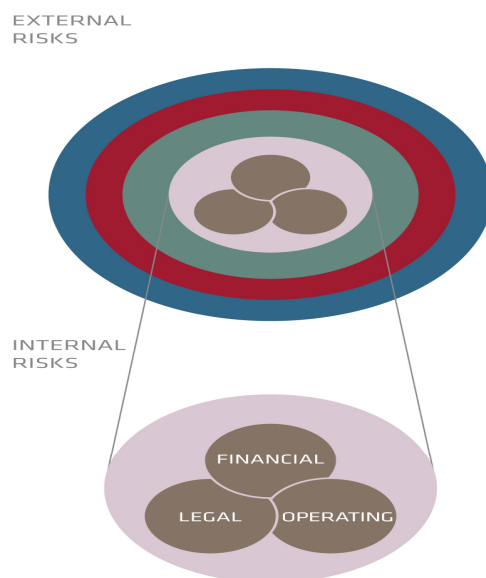
The Group's estimates and projections take account of possible changes that could reasonably occur in its business performance, including occurrence of the events described as risk factors, and demonstrate Prysmian Group's ability to operate in compliance with its financial covenants, as redefined with the banks in February 2011.

RISK FACTORS

The Prysmian Group is exposed in the normal conduct of its operations to a number of financial and non-financial risk factors which, if they should arise, could also have a material impact on its results of operations and statement of financial position. 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. For this purpose, the Board of Directors voted on 24 January 2006 to adopt a model of organisation, management and control ("Organisational Model"), designed to prevent 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 responds to the need for constant updating of the Company's system of corporate governance.

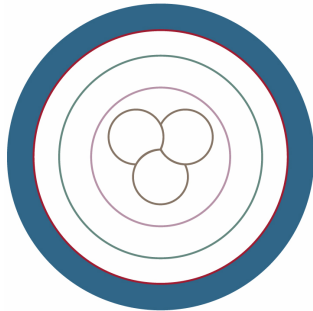
The Company's corporate governance structure is based on the recommendations and rules contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies", which the Company has adopted. The "Corporate governance" section of this report provides information on the structure adopted and 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 2011, the Company believes that, barring any extraordinary events, there are no significant uncertainties, such as to cast significant doubt upon the business's ability to continue as a going concern. Risk factors can be divided into external and internal risks as described below.



- **Market**
Market developments
Competitive pressure
- **Context**
Exchange rate fluctuation
Interest rate fluctuation
Raw material price fluctuation
Changes in legal and regulatory framework
- **Strategy**
Difficoltà nell'attuazione della strategia
Rischi nei paesi emergenti

EXTERNAL RISKS

Market risks



Risks associated with trends on the Group's markets

Some of the markets for the Prysmian Group's products, mainly relating to the Trade & Installers business area, the Power Distribution business line and certain applications in the Industrial business area, are subject to 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 the spending plans of telecom operators.

Financial year 2011 reported a global increase in volumes on the prior year, although partly due to growing fears about debt sustainability in several Eurozone countries, the second half saw recovery slow in several business segments more exposed to cyclical market trends. Despite the upturn in volumes, the rate of plant utilisation has therefore still not reached pre-crisis levels, with a consequent maintenance of competitive pressure on sales prices and, as a result, on margins.

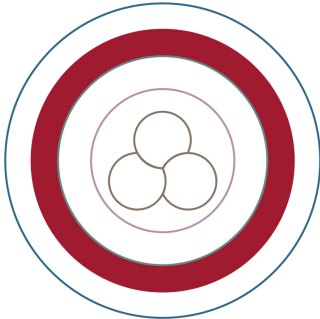
Despite these conditions, the Prysmian Group achieved satisfying results both in terms of profits and cash flow; however, if another significant downturn in demand should recur in coming quarters in the Trade & Installers, Power Distribution (partly linked with trends in the construction market), Industrial and Telecom businesses, combined with a slowdown in order intake in the High Voltage underground cables business, the Group cannot exclude that the consequent sharp downturn in business could have a material 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 Prysmian 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.

Even though the Prysmian 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 the possible contraction in sales prices, with a consequently adverse impact on its activities, results of operations and statement of financial position.

Context risks



Exchange rate risk

The Prysmian Group operates internationally 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 occurs when future transactions or assets and liabilities recognised in the statement of financial position are denominated in a currency other than the functional currency of the company which undertakes the transaction.

To manage exchange rate risk arising from future trade transactions and from the recognition of foreign currency assets and liabilities, most Prysmian Group companies use forward contracts arranged by Group Treasury, which manages the various positions in each currency.

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 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

Changes in interest rates affect the market value of the Prysmian Group's financial assets and liabilities as well as its net finance costs. 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 recent years, is a risk factor in coming quarters.

In order to limit this risk, also bearing in mind the Credit Agreement 2011 entered in March 2011 for a new long-term loan of Euro 800 million, during 2011 the Prysmian Group entered into additional IRS contracts to mitigate the risk of a rise in interest rates until the end of 2016. 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.

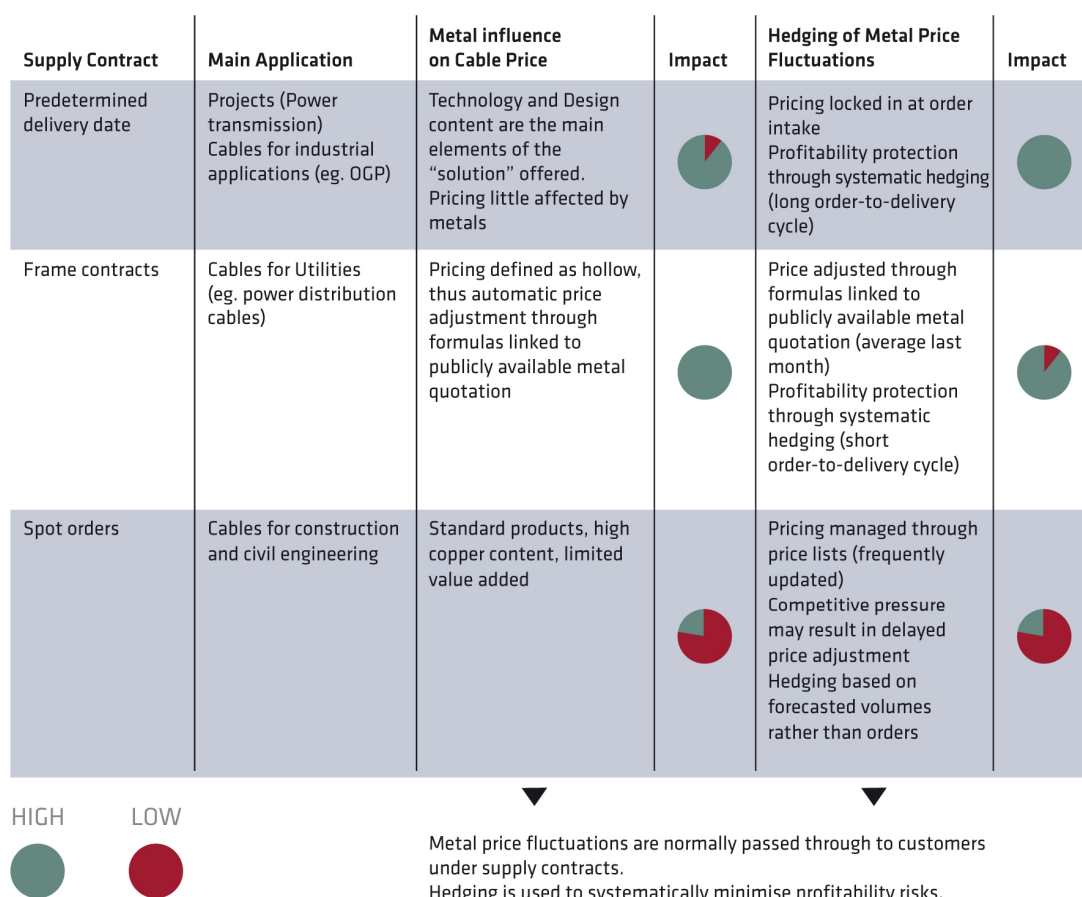
Risks associated with fluctuations in raw material prices

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 various petroleum derivatives, such as PVC and polyethylene.

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 sales price adjustment mechanisms or through hedging activities; the exception is petroleum derivatives (polyethylene, plastifying PVC, rubber and other chemical products), where the risk cannot be offset through hedging. Established commercial practice and/or the structural characteristics of the markets concerned mean that hedging of certain products (mainly in the Trade & Installers business area) involves the periodic updating of price lists (since it is not possible to use automatic sales price adjustment mechanisms). In such cases, it is possible that, in the current market context, the Prysmian Group would be unable to quickly pass on the impact of fluctuations in raw material prices to sales prices. In particular, in the case of petroleum derivatives, it is standard practice for changes in purchase price to systematically take place later than changes in the petroleum price.

More generally, depending on the size and speed of copper price fluctuations, 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 the Group's net debt).

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



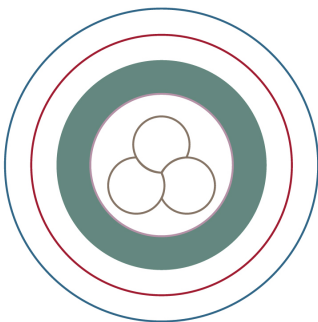
A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

Risks relating to changes in the legal and regulatory framework

The Prysmian 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 legislation is 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 coverage is fully 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 Prysmian Group's ability to improve its profitability depends, among other things, on its success in implementing its business strategy. The Prysmian Group's 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.

Risks relating to the Draka Group's integration process

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. After the integration process's initial preparatory phase, the new organisational structure was officially launched with effect from July 2011 and will guide the new Group with the goal of promoting both the Prysmian and Draka commercial brands and of realising the expected synergies.

Over the course of the integration process Prysmian expects to incur a total of some Euro 200 million in restructuring costs (net of any divestments) and to generate growing cost synergies starting from year one of the integration with the goal of achieving total annual synergies of Euro 150 million by 2015, mainly by reducing fixed costs, by optimising the industrial footprint and procurement, by making organisational savings and improving operating efficiency and optical fibre sourcing, and by exploiting complementarities in the product portfolios.

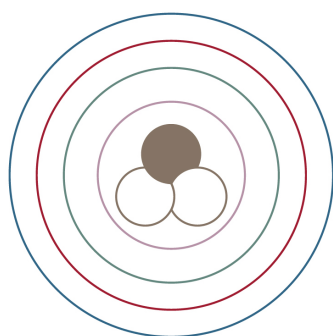
Additional information about the acquisition of Draka Holding N.V. can be found in the Explanatory Notes to the Consolidated Financial Statements.

Risks associated with activities in developing countries

The Prysmian 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 an adverse impact on the Group's activities, results of operations and statement of financial position.

INTERNAL RISKS



Financial risks

The Prysmian 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).

Financial 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 Group believes that it has significantly mitigated such a risk after taking advantage of favourable market conditions to enter a long-term loan agreement on 7 March 2011 for Euro 800 million (Credit Agreement 2011) with a pool of major banks. The banking sector's receptiveness and support have allowed Prysmian Group to increase the original amount of credit and to obtain better terms than in the previous Forward Start Credit Agreement made in January 2010. The new five-year agreement comprises a loan for Euro 400 million (Term Loan Facility 2011) and a revolving facility for Euro 400 million (Revolving Credit Facility 2011) and helps extend average debt maturity and restore the financial flexibility absorbed by the Draka acquisition.

It will be recalled that in January 2010 Prysmian Group entered a loan agreement for Euro 1,070 million (Forward Start Credit Agreement) of which Euro 670 million relating to a Term Loan Facility and Euro 400 million to a Revolving Credit Facility, maturing on 31 December 2014, which can be used to replace the existing Credit Agreement at its natural expiry on 3 May 2012.

In addition, the placement of an unrated bond with institutional investors on the Eurobond market was completed in March 2010 for a nominal total of Euro 400 million with a 5.25% coupon and maturity in April 2015.

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

- LIBOR or EURIBOR, depending on the currency;

- an annual spread determined on the basis of the ratio between consolidated net financial position and consolidated EBITDA.

As at 31 December 2011, the Group had financial resources, comprising cash and cash equivalents and undrawn committed credit lines, in excess of Euro 1 billion.

A detailed analysis of "Borrowings from banks and other lenders" can be found in the Explanatory Notes to the Consolidated Financial Statements.

Risks associated with sources of finance: financial covenants

The credit agreements cited in the preceding paragraph all contain a series of financial and non-financial covenants with which the Group must comply. These covenants could restrict Prysmian's ability to increase its net debt; should it fail to satisfy one of the covenants, this would lead to a default event which, unless resolved under the terms of the respective agreements, could lead to their termination and/or an early repayment of any amounts drawn down. 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.

The financial covenants are measured at the half-year close on 30 June and at the full-year close on 31 December.

All covenants, financial or otherwise, were fully observed at 31 December 2011. In particular:

- (i) the ratio between EBITDA and Net finance costs, as defined in the three credit agreements, was 6.40 (against a required covenant of not less than 4.00x);
- (ii) the ratio between net financial position and EBITDA, as defined in the three credit agreements, was 1.74 (against a required covenant of below 3.50x).

Furthermore, during February 2011, concurrently with the Draka acquisition, the Group obtained from the syndicate of financing banks a significant extension to its financial covenants, as reported above, with respect to the previous ones.

As things stand and in view of the above widening of the financial covenants, Prysmian Group believes that it will not have to face this risk in the near future.

Credit risk

Credit risk is the Prysmian Group's exposure to potential losses arising from the failure of trade 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 trade counterparties are of recognised reliability and that its financial counterparties have high credit ratings.

Liquidity risk

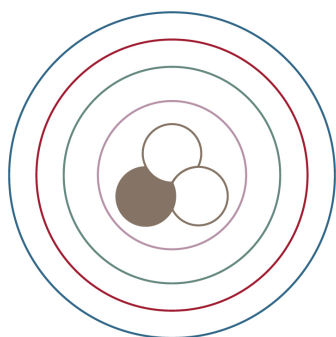
Liquidity risk is the risk that an entity does not have sufficient financial resources to meet its obligations to trade or financial counterparties on the agreed due dates.

With regard to the Prysmian Group's working capital cash requirements, these 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 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 Prysmian Group operates, the Group Finance Department favours flexible arrangements for sourcing funds in the form of committed credit lines.

As at 31 December 2011, the Group had financial resources, comprising cash and cash equivalents and undrawn committed credit lines, in excess of Euro 1 billion. 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 Prysmian 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 industry operators, 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, with potentially additional adverse consequences for its results of operations and statement of financial position.

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 an adverse 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 Prysmian 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 and, if the proceedings have an adverse outcome, this could have even a material 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 high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006.

The investigations in Japan and New Zealand have ended without any sanctions for Prysmian. The other investigations are still in progress and the Group is fully collaborating with the relevant authorities.

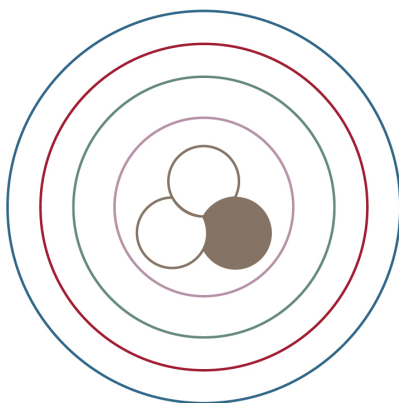
In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. (formerly Prysmian Cavi e Sistemi Energia S.r.l.) and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e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

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, in the high voltage underground and submarine cables market.

At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudice its final decision. Prysmian has therefore had access to the Commission's dossier and, while fully co-operating, has presented its defence against the related allegations.

Also considering the recent developments in the European Commission investigation, Prysmian has felt able to estimate the risk relating to the antitrust investigations underway in the various jurisdictions, with the exception of Brazil. As at 31 December 2011 the Prysmian Group has recognised around Euro 209 million in provisions for risks and charges in connection with these investigations. This amount has been determined on the basis of partly subjective considerations and solely represents an estimate since the outcome of the investigations in progress is still uncertain. It is therefore not possible to exclude that the Group could be required to meet liabilities not covered by the provisions for risks should such litigation have an adverse outcome, with a consequently adverse, even material, impact on its activities, results of operations and statement of financial position.

Operating risks



Risks associated with delivery dates and product quality

Some supply and/or installation contracts entered into by the Prysmian Group include penalties 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 supply chain, could adversely affect the Group's activities, results of operations and statement of financial position.

Although in recent 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, the Prysmian Group is potentially 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 (also due to changes in legislation), strikes or shortage of labour, natural disasters, major disruptions in the supply of raw materials or energy, sabotage or terrorist attacks.

There has not been any significant disruption in business over recent years, except for a prolonged stoppage in 2009 at the St. Jean plant in Canada due to strikes, a prolonged stoppage in late 2011 at the Aubevoye plant in France due to the precautionary need for asbestos decontamination within the production site in agreement with the local authorities, and now in connection with the announced intention to close three plants in Europe during 2012 (Livorno Ferraris in Italy, Derby in Great Britain and Fercable in Spain) and to restructure another (Wuppertal in Germany). Precisely because of these recent events it is not possible to exclude further disruption in the future and, if this occurs for significantly longer periods and the cost exceeds the Group's current insurance coverage, its activities, results of operations and statement of financial position could be adversely 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 Prysmian Group believes that a prolonged stoppage in the operation of these assets could have an adverse impact on its activities, results of operations and statement of financial position.

In order to avert such operating risks, the Risk Management function 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 Prysmian Group plant and currently being implemented at those of the newly acquired Draka, 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.

As at 31 December 2011, all of the Prysmian Group plants were classified as "Excellent HPR", "Good HPR" or "Good non HPR"; the only plant classified as "Fair" in the prior year benefited from investments during the year allowing its safety standards to improve.

Risks associated with the supply and availability of raw materials

Copper is the principal raw material used by the Prysmian Group for its manufacturing processes. The other raw materials used are aluminium, lead and steel, as well as various petroleum derivatives, such as PVC and polyethylene.

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 at 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 information systems

To support integration of the Draka business, the Prysmian Group has initiated an important programme of upgrading and consolidating its various information systems into standard platforms using a common model of the latest technological processes.

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

A detailed analysis of activities in the information systems area can be found in the "Information systems" section of the Directors' Report.

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 2011.

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 took place during 2011.

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

In February 2012, the Group informed the European employee representative bodies (EWC or CAE) and the local trade unions, of its intention in 2012 to close three plants in Europe (Livorno Ferraris in Italy, Derby in Great Britain and Fercable in Spain) and to partially restructure another (Wuppertal in Germany). This operation, involving about 400 employees, is part of a rationalisation of the Group's production structure, following the acquisition of Draka, and accordingly aims to realign industrial presence with business/market potential and to improve production capacity utilisation by enhancing overall economic performance through economies of scale.

The plants being restructured have therefore been tested for impairment, resulting in the recognition of Euro 14 million in costs in 2011, mostly in connection with the impairment of property, plant and equipment. Other restructuring costs, however, will depend on the outcome of negotiations in progress with the trade unions, and so to date, it has not been possible to make a sufficiently accurate estimate.

On 16 February 2012, the Group was awarded a contract worth approximately Euro 800 million for the Western HVDC Link project to develop a new submarine power link between Scotland and England. The entire turnkey project will be carried out by a consortium between Prysmian Group and Siemens, which will be responsible for the converter stations. The total value of the contract awarded to the consortium by NGET/SPT Upgrades Ltd, a joint venture between National Grid Electricity Transmission, the British grid operator, and Scottish Power Transmission, the Scottish grid operator, is about Euro 1.1 billion. The project is scheduled to be completed by the second half of 2015.

On 27 February 2012, the squeeze-out, permitted under art. 2:359c of the Dutch Civil Code, was completed for the purchase of the 478,878 ordinary shares in Draka Holding N.V. that did not accept the public mixed exchange and cash offer for all the ordinary shares in Draka Holding N.V.. The successful conclusion of the squeeze-out means that Prysmian S.p.A. now holds all the share capital of Draka Holding N.V..

The squeeze-out procedure has required Prysmian S.p.A. to place the sum of Euro 8,886,251.19, inclusive of legal interest required under Dutch law, on a deposit account held at the Dutch Ministry of Finance for the benefit of these share owners; this amount has been calculated on the basis of a value of Euro 18.53 per share, as determined by the corporate division of the Amsterdam Appeal Court.

BUSINESS OUTLOOK

The macroeconomic environment in the first half of 2011 confirmed the initial signs of recovery already seen in 2010, albeit with very low growth rates and still at levels well below those before the 2008 financial crisis. However, the second half of the year began to be affected by growing concerns about Eurozone and US debt sustainability, leading to a sharp deterioration in consumer confidence and a gradual slowing of industrial output and demand.

In such an economic context, the Group expects that 2012 will see generally stable demand for medium voltage cables for Utilities, for building wires and for those products in the Industrial sector most exposed to cyclical trends. Instead, positive developments in demand are confirmed for the high value-added businesses of power transmission, renewable energy, offshore Oil&Gas and fibre optic cables for major telecom operators. Lastly, the Prysmian Group will carry on during 2012 to integrate the activities of Draka in order to optimise and rationalise the new Group's organisational and production structure with the goal of further strengthening its presence in all areas of business and of achieving the projected cost synergies.

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 which control companies established and regulated under the law of non-EU countries" specified in articles 36 and 39 of the Market Regulations.

Milan, 7 March 2012

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Paolo Zannoni

CONSOLIDATED FINANCIAL STATEMENTS
AND EXPLANATORY NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2011	of which related parties (Note 33)	31 December 2010	of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	1	1,539		949	
Intangible assets	2	618		59	
Investments in associates	3	87	87	9	9
Available-for-sale financial assets	4	6		3	
Derivatives	8	2		14	
Deferred tax assets	16	97		30	
Other receivables	5	52		41	
Total non-current assets		2,401		1,105	
Current assets					
Inventories	6	929		600	
Trade receivables	5	1,197	8	764	5
Other receivables	5	516		397	
Financial assets held for trading	7	80		66	
Derivatives	8	28		52	
Available-for-sale financial assets	4	-		142	
Cash and cash equivalents	9	727		630	
Total current assets		3,477		2,651	
Assets held for sale	10	5		9	
Total assets		5,883		3,765	
Equity attributable to the Group:					
		1,042		756	
Share capital	11	21		18	
Reserves	11	1,157		590	
Net profit/(loss) for the year		(136)		148	
Equity attributable to non-controlling interests:		62		43	
Share capital and reserves		71		41	
Net profit/(loss) for the year		(9)		2	
Total equity		1,104		799	
Non-current liabilities					
Borrowings from banks and other lenders	12	880		1,111	
Other payables	13	32		20	
Provisions for risks and charges	14	67		44	
Derivatives	8	36		48	
Deferred tax liabilities	16	106		44	
Employee benefit obligations	15	268		145	
Total non-current liabilities		1,389		1,412	
Current liabilities					
Borrowings from banks and other lenders	12	982		201	
Trade payables	13	1,421	6	862	1
Other payables	13	571	28	355	19
Derivatives	8	71		28	
Provisions for risks and charges	14	295		62	
Current tax payables		50		46	
Total current liabilities		3,390		1,554	
Total liabilities		4,779		2,966	
Total equity and liabilities		5,883		3,765	

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	2011	of which related parties (Note 33)	2010	of which related parties (Note 33)
Sales of goods and services	17	7,583	64	4,571	22
Change in inventories of work in progress, semi-finished and finished goods	18	(107)		74	
<i>of which non-recurring change in inventories of work in progress, semi-finished and finished goods</i>	36	(14)		-	
Other income	19	45		43	13
<i>of which non-recurring other income</i>	36	1		13	
Raw materials and consumables used	20	(4,917)		(2,963)	
Fair value change in metal derivatives		(62)		28	
Personnel costs	21	(916)	(12)	(544)	(8)
<i>of which non-recurring personnel costs</i>	36	(39)		(9)	
<i>of which personnel costs for stock option fair value</i>	36	(7)	(2)	-	
Amortisation, depreciation and impairment	22	(180)		(99)	
<i>of which non-recurring amortisation, depreciation and impairment</i>	36	(38)		(21)	
Other expenses	23	(1,427)	(48)	(803)	(5)
<i>of which non-recurring other expenses</i>	36	(248)		(13)	
Operating income		19		307	
Finance costs	24	(360)		(324)	
Finance income	25	231		228	
<i>of which non-recurring finance income</i>	36	-		2	
Share of income from investments in associates and dividends from other companies	26	9	8	2	2
Profit/(loss) before taxes		(101)		213	
Taxes	27	(44)		(63)	
Net profit/(loss) for the year		(145)		150	
Attributable to:					
Owners of the parent		(136)		148	
Non-controlling interests		(9)		2	
Basic earnings/(loss) per share (in Euro)	28	(0.65)		0.82	
Diluted earnings/(loss) per share (in Euro)	28	(0.65)		0.82	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	Note	2011	2010
Net profit/(loss) for the year		(145)	150
Fair value gains/(losses) on available-for-sale financial assets - gross of tax	4	-	(4)
Fair value gains/(losses) on available-for-sale financial assets - tax effect	16	-	1
Fair value gains/(losses) on cash flow hedges - gross of tax	8	(6)	7
Fair value gains/(losses) on cash flow hedges - tax effect	16	2	(2)
Actuarial gains/(losses) on employee benefits - gross of tax	15	(22)	1
Actuarial gains/(losses) on employee benefits - tax effect	16	3	-
Currency translation differences		(6)	29
Total post-tax other comprehensive income/(loss) for the year		(29)	32
Total comprehensive income/(loss) for the year		(174)	182
Attributable to:			
Owners of the parent		(164)	178
Non-controlling interests		(10)	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	Net profit/(loss) for the year	Non-controlling interests	Total
	Note 11	Note 4	Note 8	Note 11	Note 11	Note 11	Note 11	
Balance at 31 December 2009	18	3	(32)	(58)	498	248	21	698
Allocation of prior year net profit	-	-	-	-	248	(248)	-	-
Capital contributions	-	-	-	-	4	-	9	13
Future capital increase costs	-	-	-	-	(2)	-	-	(2)
Dividend distribution	-	-	-	-	(75)	-	-	(75)
Put options held by non-controlling interests	-	-	-	-	(26)	-	-	(26)
Reclassification of cash flow hedges (net of tax effect)	-	-	14	-	(14)	-	-	-
Fair value of stock options	-	-	-	-	-	-	-	-
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
Allocation of prior year net profit	-	-	-	-	148	(148)	-	-
Capital contributions	3	-	-	-	476	-	-	479
Future capital increase costs	-	-	-	-	(1)	-	-	(1)
Dividend distribution	-	-	-	-	(35)	-	(2)	(37)
Fair value of stock options	-	-	-	-	7	-	-	7
Change in scope of consolidation	-	-	-	-	-	-	31	31
Total comprehensive income/(loss) for the year	-	-	(4)	(5)	(19)	(136)	(10)	(174)
Balance at 31 December 2011	21	-	(17)	(36)	1,210	(136)	62	1,104

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	2011	of which related parties (Note 33)	2010	of which related parties (Note 33)
Profit/(loss) before taxes	(101)		213	
Depreciation and impairment of property, plant and equipment	150		71	
Amortisation and impairment of intangible assets	30		20	
Impairment of assets held for sale	-		8	
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(2)		-	
Share of income from investments in associates	(9)		(2)	
Share-based compensation	7		-	
Fair value change in metal derivatives and other fair value items	63		(41)	
Net finance costs	129		96	
Changes in inventories	115		(131)	
Changes in trade receivables/payables	50	2	164	(3)
Changes in other receivables/ payables	35	9	(38)	1
Changes in receivables/payables for derivatives	(3)		(1)	
Taxes paid	(97)		(59)	
Utilisation of provisions (including employee benefit obligations)	(67)		(50)	
Increases in provisions (including employee benefit obligations)	267		33	
A. Net cash flow provided by/(used in) operating activities	567		283	
Acquisitions ⁽¹⁾	(419)		(21)	
Investments in property, plant and equipment	(135)		(83)	
Disposals of property, plant and equipment ⁽²⁾	14		7	
Investments in intangible assets	(24)		(19)	
Disposals of intangible assets	-		-	
Investments in financial assets held for trading	(42)		(18)	
Disposals of financial assets held for trading	22		-	
Investments in available-for-sale financial assets ⁽³⁾	-		(152)	
Disposals of available-for-sale financial assets ⁽³⁾	143		12	
Investments in associates	(1)		-	
Disinvestments in associates	-		-	
Dividends received	5	4	2	2
B. Net cash flow provided by/(used in) investing activities	(437)		(272)	
Capital contributions and other changes in equity	1		13	
Dividend distribution	(37)		(75)	
Finance costs paid ⁽⁴⁾	(361)		(279)	
Finance income received ⁽⁵⁾	231		227	
Changes in net financial payables	128		233	
C. Net cash flow provided by/(used in) financing activities	(38)		119	
D. Currency translation gains/(losses) on cash and cash equivalents	5		8	
E. Total cash flow provided/(used) in the year (A+B+C+D)	97		138	
F. Net cash and cash equivalents at the beginning of the year	630		492	
G. Net cash and cash equivalents at the end of the year (E+F)	727		630	

(1) Details can be found in Section E. Business combinations.

(2) Mostly refer to the disposal of the plant in Eastleigh (United Kingdom), classified as "Assets held for sale".

(3) Mainly refer to purchases/disposals of government and blue chip corporate bonds held for temporary investment of the Group's liquidity.

(4) Interest expense paid in 2011 amounts to Euro 63 million (Euro 23 million in 2010).

(5) Interest income collected in 2011 amounts to Euro 19 million (Euro 7 million in 2010).

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

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.

Draka Acquisition

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).

On 8 March 2011, Prysmian settled the shares tendered during the Post-Closing acceptance period, by acquiring 4,192,921 additional Draka shares and issuing 2,764,893 ordinary shares of Prysmian S.p.A. and paying Euro 36,064,406.41 in cash. The unit price of the ordinary shares acquired in the Post-Closing acceptance period, determined in accordance with IFRS 3, was also equal to Euro 18.47379.

Together with the 44,064,798 shares tendered during the offer period ending on 3 February 2011, Prysmian holds a total of 48,257,719 shares.

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 now holds 99.121% of the issued shares of Draka Holding N.V. (corresponding to 99.047% of the voting rights).

Further details can be found in Section E. Business combinations.

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

Prysmian has also initiated 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. Further information can be found in Note 39. Subsequent events.

Antitrust investigations

In July 2011, the European Commission sent the Company a statement of objection in relation to the investigation started in January 2009 into the high voltage underground and submarine cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudice its final decision. Prysmian has therefore had access to the Commission's dossier and, while fully co-operating, has presented its defence against the related allegations.

Considering the developments in the European Commission investigation, Prysmian has felt able to estimate the risk relating to the antitrust investigations underway in the various jurisdictions, with the exception of Brazil. The amount provided at 31 December 2011 amounts to some Euro 209 million. This provision is the best estimate of the liability based on the information now available even though the outcome of the investigations underway in the various jurisdictions is still uncertain.

Further information can be found in Note 14. Provisions for risks and charges and Note 29. Contingent liabilities.

Incentive plan

On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the Prysmian Group, including some members of the Prysmian S.p.A. Board of Directors, and granted the Board of Directors the necessary authority to establish and execute the plan. More information can be found in Note 21. Personnel costs.

The consolidated financial statements contained herein were approved by the Board of Directors on 7 March 2012.

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.

In particular, the Group's estimates and projections have taken into account the increase in net debt resulting from the Draka acquisition, possible developments in the investigations by the European Commission and other jurisdictions into alleged anti-competitive practices in the high voltage underground and submarine cables market, as well as the risk factors described in the Directors' Report, and confirm Prysmian Group's ability to operate as a going concern and to comply with its financial covenants.

Section C. Financial risk management and Section C.1 Capital risk management of these Explanatory 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 in subsequent years, in the manner provided from time to time by 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 dated 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 2011 and the year ended 31 December 2010. They have been adjusted, where necessary, to bring them into line with Group accounting policies 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 the Limited Liability Company "Investitsionno – Promyshlennaya Kompaniya Rybinskelektrokabel", which end their financial year on 31 March;
- 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;
- Associated Cables Pvt. Ltd. which ends its financial year on 31 March and has been consolidated since 1 March 2011.

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 ownership 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 income 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 the income statement, 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 Group 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 2011 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 2011, none of the consolidated companies operated in hyperinflationary economies.

The exchange rates applied are as follows:

	Closing rates at		Average rates	
	31 December 2011	31 December 2010	2011	2010
Europe				
British Pound	0.835	0.861	0.868	0.858
Swiss Franc	1.216	1.250	1.233	1.380
Hungarian Forint	314.580	277.950	279.309	275.472
Norwegian Krone	7.754	7.800	7.794	8.003
Swedish Krona	8.912	8.966	9.030	9.537
Czech Koruna	25.787	25.061	24.589	25.283
Danish Krone	7.434	7.454	7.451	7.447
Romanian Leu	4.323	4.262	4.238	4.212
Turkish Lira	2.456	2.059	2.336	1.998
Polish Zloty	4.458	3.975	4.119	3.994
Russian Rouble	41.765	40.820	40.883	40.252
North America				
US Dollar	1.294	1.336	1.392	1.325
Canadian Dollar	1.322	1.332	1.376	1.365
South America				
Brazilian Real	2.427	2.226	2.332	2.332
Argentine Peso	5.569	5.313	5.751	5.187
Chilean Peso	670.887	624.941	673.061	675.706
Mexican Peso	18.062	16.535	17.308	12.627
Oceania				
Australian Dollar	1.272	1.314	1.349	1.442
New Zealand Dollar	1.674	1.720	1.761	1.838
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	1.939	1.907	1.956	1.897
Asia				
Chinese Renminbi (Yuan)	8.159	8.822	8.999	8.970
United Arab Emirates Dirham	4.752	4.908	5.113	4.868
Hong Kong Dollar	10.051	10.386	10.838	10.298
Singapore Dollar	1.682	1.714	1.749	1.805
Indian Rupee	68.590	59.728	64.905	60.546
Indonesian Rupiah	11,731.470	12,002.140	12,209.236	12,038.816
Japanese Yen	100.200	108.650	111.005	116.235
Thai Baht	40.991	40.170	42.437	42.009
Philippine Peso	56.754	58.300	60.275	59.725
Omani Rial	0.498	0.515	0.536	0.511
Malaysian Ringgit	4.106	4.095	4.257	4.266
Saudi Riyal	4.852	5.011	5.221	4.971

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 2011:

Acquisitions

- As described in Section A. General information, on 22 February 2011 Prysmian S.p.A. acquired approximately 90.4% of the share capital of Draka Holding N.V.. On 8 March 2011, Prysmian S.p.A. acquired a further interest of about 8.6% in share capital, which together with the preference shares also held by Prysmian S.p.A., has allowed it to secure 99.121% of the issued shares (corresponding to 99.047% of the voting rights of Draka Holding N.V.). This has significantly enlarged the scope of consolidation which, as from 1 March 2011, includes the assets, liabilities and components of profit and loss of the subsidiaries and associates of Draka Holding N.V.. Further information can be found in Section E. Business combinations.

Liquidations

- On 17 February 2011, the process of winding up Prysmian Kabelwerke und Systeme GmbH was completed with the company's removal from the local company registry in Austria;
- On 9 May 2011, the process of winding up Prysmian Telecomunicaciones Cables y Sistemas De Argentina S.A. was completed with the company's removal from the local company registry in Argentina;
- On 21 May 2011, the process of winding up Power Cable Engineering Services (M) SDN BHD was completed in Malaysia;
- On 10 June 2011, the process of winding up Draka India Investments B.V. was completed in the Netherlands;
- On 23 June 2011, the process of winding up NK Cables (Shanghai) Co. Ltd was completed in China;
- On 12 July 2011, the process of winding up Draka France Services SARL was completed in France;
- On 2 September 2011, the process of winding up Draka Comteq Service BV was completed in the Netherlands;
- On 12 September 2011, the process of winding up Draka Italy s.r.l. was completed in Italy;
- On 4 October 2011, the process of winding up Draka Sarphati II B.V. was completed in the Netherlands;
- On 31 October 2011, the process of winding up Suomen Voimajohtovaruste OY in Draka NK Cables OY was completed in Finland;
- On 12 December 2011, the process of winding up Bouwcombinatie Bam/Van den Berg – Draka vof was completed in the Netherlands.

Mergers by absorption

- On 27 July 2011, Draka Automotive GmbH, Draka Deutschland Kabel Produktions GmbH and Draka Industrial Cable GmbH were absorbed by Draka Cable Wuppertal GmbH in Germany;
- On 31 October 2011, Exmoor OY was absorbed by Draka Comteq Finland OY in Finland;
- On 16 November 2011, Draka Comteq Spain S.L. was absorbed by Draka Cables Industrial S.L. in Spain;
- On 1 December 2011, Prysmian Cavi e Sistemi Telecom S.r.l. was absorbed by Prysmian Cavi e Sistemi Energia S.r.l. in Italy. On the same date the latter company changed its name to Prysmian Cavi e Sistemi S.r.l..

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2011.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2011

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 2010, except for the accounting standards and amendments discussed below and obligatorily applied with effect from 1 January 2011 after being endorsed by the competent authorities.

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. The amendment is effective from 1 January 2011 and its application has had no effect on the Group's financial statements.

On 4 November 2009, the IASB issued a revised version of *IAS 24 - Related Party Disclosures*. The revised version of this standard, along with the amendments to IFRS 8 published in the European Union's Official Journal on 20 July 2010, are applicable from 1 January 2011. Adoption of revised *IAS 24* has no impact on the measurement of individual items within the financial statements nor any significant effect on the Group's related party disclosures.

On 26 November 2009, the IFRIC issued an amendment to the interpretation *IFRIC 14 – Prepayment of a Minimum Funding Requirement*, 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. The interpretation addresses a situation currently not relevant to the Group.

On the same date, 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. The revised version of this interpretation, published in the European Union's Official Journal on 24 July 2010, applies to financial years beginning on or after 1 July 2010. The interpretation addresses a situation currently not relevant to the Group.

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. These Improvements were published in the European Union's Official Journal on 19 February 2011 and apply to financial years beginning on or after 1 January 2011. These Improvements are not considered to have had a material impact on the Group's financial statements.

B.4 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP

On 12 November 2009, the IASB issued the first part of a new accounting standard *IFRS 9 – Financial Instruments*, which will supersede *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*.

On 16 December 2011, the IASB published *Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)*, which defers the mandatory effective date of *IFRS 9* from 1 January 2013 to 1 January 2015, while nonetheless leaving the possibility of earlier application unchanged.

As at the present document date, the European Union had not yet completed the endorsement process needed for this document to apply.

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. These amendments were published in the European Union's Official Journal on 23 November 2011 and apply to financial years beginning on or after 1 July 2011. These amendments are not considered to have a material impact on the Group's financial statements.

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 come into effect from 1 January 2012. Earlier application is permitted.

On 12 May 2011, the IASB issued *IFRS 10, IFRS 11 and IFRS 12* and amendments to *IAS 27 and IAS 28*. These documents are due to become effective from 1 January 2013. Earlier adoption of one of these standards necessarily involves compulsory adoption of the other four. As at the present document date, the European Union had not yet completed the endorsement process.

The principal changes are as follows:

IFRS 10 - Consolidated Financial Statements

This standard supersedes *SIC 12 - Consolidation: Special Purpose Entities* and parts of *IAS 27 - Consolidated and Separate Financial Statements*. The objective of the new standard is to define the concept of control and to combine the guidance on consolidation in a single document.

The new definition of control is more detailed and complex than before, and is associated with the ongoing existence of all three of the following precise circumstances: power over the investee, exposure or rights to variable returns from involvement with the investee and ability of the investor to use its power over the investee to affect the amount of its return.

IAS 27 - Separate Financial Statements

IAS 27 - Consolidated and Separate Financial Statements has been revised following publication of *IFRS 10 - Consolidated Financial Statements*. All references to consolidation have been removed from the revised standard. Consequently, *IAS 27* addresses only separate financial statements.

IFRS 11 - Joint Arrangements

This document supersedes *IAS 31 - Interests in Joint Ventures* and *SIC 13 - Jointly Controlled Entities: Non-Monetary Contributions by Venturers* and establishes principles for identifying a joint arrangement on the basis of the rights and obligations arising from the arrangement, rather than its legal form. The accounting treatment differs according to whether the arrangement is classified as a joint operation or a joint venture. In addition, the existing policy choice of proportionate consolidation for joint ventures has been eliminated.

IFRS 12 - Disclosure of Interests in Other Entities

This document refers to the disclosures concerning interests in other entities, including subsidiaries, associates and joint ventures.

The objective is to disclose information that enables users of financial statements to evaluate the nature of risks associated with interests in strategic investments (consolidated and otherwise) intended to be held over the medium to long term.

On the same date the IASB issued *IFRS 13 - Fair Value Measurement*, which sets out in a single document the rules defining the fair value concept and its use for measurement purposes in the various circumstances permitted by IFRSs. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of this standard, which is due to come into effect from 1 January 2013.

On 16 June 2011, the IASB issued an amendment to *IAS 1 - Presentation of Financial Statements*. The amendment requires entities to group together items within "Other comprehensive income" based on whether they can or cannot subsequently be reclassified to profit or loss. 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 come into effect for financial years beginning on or after 1 July 2012.

On the same date, the IASB also published a revised version of *IAS 19 - Employee Benefits*. The amendments make important improvements by: eliminating the option to defer the recognition of gains and losses, known as the "corridor method", streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, and enhancing the disclosure requirements for defined benefit plans. The revised version will come into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted.

On 16 December 2011, the IASB published amendments to *IAS 32: Offsetting Financial Assets and Financial Liabilities* to clarify the criteria for offsetting financial instruments.

The amendments clarify that:

- the right of set-off between financial assets and liabilities must be available at the financial reporting date and not contingent on a future event,
- this right must be enforceable by all counterparties both in the normal course of business and in the event of insolvency/bankruptcy.

The amendments are effective for financial years beginning on or after 1 January 2014 and are required to be applied retrospectively.

On the same date, the IASB published amendments to *IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities* to introduce new disclosures that will allow users of financial statements to assess the impact on the financial statements of offsetting financial assets and liabilities. The disclosures relate to master netting arrangements and similar agreements. The amendments are effective for financial years beginning on or after 1 January 2013 and are required to be applied retrospectively.

As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

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 their 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 (Great Britain), Prysmian Cables and Systems S.A. (Switzerland), P.T. Prysmian Cables Indonesia (Indonesia), and Draka Philippines Inc. (Philippines) 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 or legal 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") or group of CGUs 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 or group of CGUs, less costs to sell, and the related 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 or group of CGUs, the residual difference is allocated to the assets included in the CGU or group of CGUs 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. 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 FINITE-LIFE INTANGIBLE ASSETS

Property, plant and equipment and finite-life 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 depreciated/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 the operating 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;
- (c) 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 *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 fair value changes 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 twelve months from the reporting date, which are classified as non-current (Note 5).

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

These assets are valued at amortised cost, using the effective interest rate. The process of assessment for 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 the 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 signing 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 has a maturity of 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 2011, the Group had designated derivatives to hedge the following risks:

- **exchange rate risk on construction 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;

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

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:

- significant financial difficulty of the issuer or debtor;
- ongoing legal disputes with the debtor relating to receivables;
- likelihood that the debtor enters bankruptcy or starts other financial reorganisation procedures;
- 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 recorded directly in 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.

(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.

The provisions for risks and charge include the estimated legal costs to be incurred if such costs are incidental to the extinguishment of the provision to which they refer.

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 "Other expenses".

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 weighted 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 using derivatives.

Monitoring of key financial risks is centrally coordinated by the Group Finance Department, and by the Purchasing Department where 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 (derivative and non-derivative) financial instruments.

The impact on profit and equity described in the following sensitivity analyses 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 currency of individual Group companies.

The principal exchange rates affecting the Group are:

- United Arab Emirates Dirham/Euro: in relation to trade and financial transactions by Eurozone companies on the United Arab Emirates market;
- Euro/US Dollar: in relation to trade and financial transactions in US dollars by Eurozone companies on the North American and Middle Eastern markets, and similar transactions in Euro by North American companies on the European market;
- Euro/British Pound: in relation to trade and financial transactions by Eurozone companies on the British market and vice versa;
- Australian Dollar/Euro: in relation to trade and financial transactions by Australian companies with Eurozone companies and vice versa;
- Euro/Qatari Riyal: in relation to trade and financial transactions by Eurozone companies on the Qatari market;
- Canadian Dollar/Euro: in relation to trade and financial transactions by Canadian companies with Eurozone companies and vice versa;
- Brazilian Real/US Dollar: in relation to trade and financial transactions in US dollars by Brazilian companies on foreign markets and vice versa.
- Turkish Lira/US Dollar: in relation to trade and financial transactions in US dollars by Turkish companies on foreign markets and vice versa.
- Euro/Swedish Krona: in relation to trade and financial transactions by Eurozone companies on the Swedish market and vice versa;
- Euro/Danish Krone: in relation to trade and financial transactions by Eurozone companies on the Danish market and vice versa;
- Euro/Hungarian Forint: in relation to trade and financial transactions by Hungarian companies on the Eurozone market and vice versa.

In 2011, trade and financial flows exposed to these exchange rates accounted for around 86.4% of the total exposure to exchange rate risk arising from trade and financial transactions (82.2% in 2010).

The Group is also exposed to significant exchange rate risks on the following exchange rates: Euro/Romanian Leu, British Pound/Norwegian Krone, Czech Koruna/Euro, Euro/New Zealand Dollar; none of these exposures, taken individually, accounted for more than 1.4% of the overall exposure to transactional exchange rate risk in 2011 (6.4% in 2010).

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:

- Certain cash flows: invoiced trade flows and exposures arising from loans and borrowings;
- Expected cash 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 2011 and 31 December 2010.

(in millions of Euro)

	2011		2010	
	-5%	+5%	-5%	+5%
Euro	(1.08)	0.98	(0.70)	0.63
US Dollar	(0.64)	0.58	(0.81)	0.73
Other currencies	(1.12)	1.01	(0.86)	0.77
Total	(2.84)	2.57	(2.37)	2.13

(in millions of Euro)

	2011		2010	
	-10%	10%	-10%	10%
Euro	(2.29)	1.87	(1.48)	1.21
US Dollar	(1.34)	1.10	(1.71)	1.40
Other currencies	(2.36)	1.93	(1.81)	1.48
Total	(5.99)	4.90	(5.00)	4.09

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 2011 and 31 December 2010.

(in millions of Euro)

	2011		2010	
	-5%	+5%	-5%	+5%
US Dollar	2.14	(2.37)	(0.01)	0.01
United Arab Emirates Dirham	0.76	(0.84)	4.20	(3.80)
Qatari Riyal	2.34	(2.59)	5.39	(4.87)
Saudi Riyal	0.04	(0.05)	-	-
Other currencies	-	-	-	-
Total	5.28	(5.85)	9.58	(8.66)

(in millions of Euro)

	2011		2010	
	-10%	10%	-10%	10%
US Dollar	4.09	(4.99)	(0.02)	0.02
United Arab Emirates Dirham	1.45	(1.77)	8.86	(7.25)
Qatari Riyal	4.47	(5.46)	11.37	(9.30)
Saudi Riyal	0.08	(0.10)	-	-
Other currencies	-	-	-	-
Total	10.09	(12.32)	20.21	(16.53)

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 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.

Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). In order to hedge this risk, the Group can use derivative contracts that 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 2011 and 31 December 2010, 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 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)

	2011		2010	
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	0.26	(0.26)	(0.73)	0.73
US Dollar	0.03	(0.03)	0.04	(0.04)
British Pound	(0.01)	0.01	(0.06)	0.06
Other currencies	(0.39)	0.39	(0.25)	0.25
Total	(0.11)	0.11	(1.00)	1.00

Net liabilities expressed in Euro report a significant variance relative to the analysis performed in 2010 due to the decrease in variable rate creditor exposure. The liabilities expressed in other currencies report just marginal variances.

At 31 December 2011, 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 2.91 million and a decrease of Euro 2.69 million for hedges in Euro;
- no impact for hedges in US dollars.

At 31 December 2011, the overall effect on equity of the above changes would have been to increase it by Euro 2.91 million, or to decrease it by Euro 2.69 million.

At 31 December 2010, 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 2.27 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.

[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 64% of the Group's total production costs in 2011 (66% in 2010).

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 2011 and 31 December 2010, assuming that all other variables remain equal.

(in millions of Euro)

	2011		2010	
	-10%	10%	-10%	10%
LME	(15.04)	15.06	(11.82)	11.83
COMEX	0.41	(0.40)	0.22	(0.22)
SFE	(2.70)	2.69	(2.35)	2.35
Total	(17.33)	17.35	(13.95)	13.96

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 is connected with 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 entered into two insurance policies against part of its trade receivables to cover any losses, net of deductibles going from 10% to 15%, 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 2011 (like at 31 December 2010) 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's liquidity.

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

(in millions of Euro)

	31 December 2011	31 December 2010
Cash and cash equivalents	727	630
Financial assets held for trading	80	66
Available-for-sale financial assets	-	142
Financial receivables (Cash deposits)	-	30
Unused committed lines of credit	1,033	743
Total	1,840	1,611

Unused committed lines of credit at 31 December 2011 comprise Euro 239 million for the securitization programme (Euro 350 million in 2010) and Euro 794 million for the Revolving Credit Facilities (Euro 393 million in 2010).

It should be noted that the line serving the securitization programme can be drawn down, if needed, only to the extent of the trade receivables eligible for securitization (amounting to around Euro 134 million at 31 December 2011 and Euro 150 million at 31 December 2010).

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 2011

	Due within 1 year	Due between 1- 2 years	Due between 2- 5 years	Due after 5 years
Borrowings from banks and other lenders	913	79	935	14
Finance lease obligations	4	5	6	9
Debts guaranteed by securitized receivables	111	-	-	-
Derivatives	71	9	27	-
Trade and other payables	1,992	12	13	7
Total	3,091	105	981	30

(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	1,161	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	93	1,191	15

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

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(in millions of Euro)

					31 December 2011	
	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	-	-	-	-	1,197	-
Other receivables	-	-	-	-	568	-
Financial assets held for trading	80	-	-	-	-	-
Derivatives (assets)	12	-	-	-	-	18
Cash and cash equivalents	-	727	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,862	-
Trade payables	-	-	-	-	1,421	-
Other payables	-	-	-	-	603	-
Derivatives (liabilities)	-	-	-	50	-	57

(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

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 aims to maintain an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants required by the various Credit Agreements (Note 32).

The Group also 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 2011 and 31 December 2010 are shown below:

(in millions of Euro)

	2011	2010
Net financial position	1,064	459
Equity	1,104	799
Total capital	2,168	1,258
Gearing ratio	49.05%	36.50%

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.

Financial assets classified in fair value level 3 reported no significant movements in either 2011 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.

(in millions of Euro)

31 December 2011

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
Derivatives	-	12	-	12
Financial assets held for trading	61	19	-	80
Hedging derivatives	-	18	-	18
Available-for-sale financial assets	-	-	6	6
Total assets	61	49	6	116

Liabilities

Financial liabilities at fair value through profit or loss:

Derivatives	-	50	-	50
Hedging derivatives	-	57	-	57
Total liabilities	-	107	-	107

(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

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

Goodwill

In accordance with its adopted accounting standards and impairment testing procedures, the Group tests annually whether its goodwill has suffered an impairment loss. Goodwill has been allocated to the two operating segments: Energy and Telecom. It is therefore tested at this level. The recoverable amount has been determined by calculating value in use. This calculation requires the use of estimates. There are also some minor amounts of goodwill relating to acquisitions in specific countries which have been tested at a country level together with the other relevant assets.

During 2011 the Prysmian Group capitalised Euro 352 million in Goodwill in connection with the acquisition of Draka Holding N.V..

Property, plant and equipment and finite-life intangible assets

In accordance with the Group's adopted accounting standards and impairment testing procedures, 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 indicators of potential impairment as well as the estimates for determining its amount depend on factors which can vary over time, thus influencing judgements and estimates made by management.

- 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 resulted in a total write-down of the Goodwill allocated to the following second-tier Energy segment CGUs as well as part of the intangible assets and property, plant and equipment attributed to them:

- India;
- Russia;
- China.

Furthermore, the Group has tested for impairment and written down certain individual assets at the plants whose restructuring was announced in February 2012, despite belonging to larger CGUs for which there was no specific evidence of impairment.

The outcome of impairment tests at 31 December 2011 does not mean that the results will not be different in the future, especially if there are currently unforeseeable developments in the business environment.

Further information can be found in Note 2. Intangible assets.

(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.

(g) Employee benefit obligations

The present value of the pension funds reported in the financial statements depends on an independent actuarial calculation and on a number of different assumptions. Any changes in assumptions and in the discount rate used are duly reflected in the present value calculation and may have a significant impact on the consolidated figures. The assumptions used for the actuarial calculation are examined by the Group annually.

Present value is calculated by discounted future cash flows at an interest rate equal to that on high-quality corporate bonds issued in the currency in which the liability will be settled and which takes account of the duration of the related pension plan.

Further information can be found in Note 15. Employee benefit obligations and Note 21. Personnel costs.

(h) Incentive plan

The plan for 2011-2013, launched during the year, involves granting options to some of the Group's employees and co-investing part of their annual bonuses. These benefits are granted subject to the achievement of operating and financial performance objectives and the continuation of a professional relationship for the three-year period 2011-2013. The estimate of the plan's financial and economic impact has therefore been made on the basis of the best possible estimates and information currently available.

Further information can be found in Note 21. Personnel costs.

E. BUSINESS COMBINATIONS

As described in Section A. General information, on 22 February 2011 Prysmian S.p.A. obtained control of Draka Holding N.V. (the parent company of the Draka Group). For practicality and in the absence of material impacts, the acquisition date has been taken as 28 February 2011 for accounting purposes, with revenues and expenses consolidated as from 1 March 2011.

At 31 December 2011, Prysmian S.p.A. held 99.121% of the shares issued by Draka Holding N.V., corresponding to 99.047% of the voting rights.

The total consideration paid for the acquisition was Euro 978 million, of which Euro 501 million in cash (including Euro 86 million to acquire the preference shares) and Euro 477 million through the issue of around 31.8 million shares in Prysmian S.p.A, with a unit value of Euro 14.97163 (the official Prysmian share price on 22 February 2011, the share exchange date).

Acquisition-related costs amount to around Euro 26 million, before tax effects of some Euro 8 million. Those costs directly associated with the acquisition-related capital increase by Prysmian S.p.A. have been accounted for, net of tax effects, as a deduction from Prysmian's equity, while the remaining costs have been recognised in the income statement.

Details of part of the acquisition-related costs, before the related tax effects, are as follows:

(in millions of Euro)

	2011	2010	Total
Income statement - "Non-recurring other expenses"	6	6	12
Equity	1	4	5
Total	7	10	17

In addition, there are another Euro 9 million in costs for renegotiating financial covenants, which will be amortised in "Finance costs" over the period 2011-2014 (of which Euro 4 million already amortised in the income statement at 31 December 2011).

In compliance with *IFRS 3*, the fair value of the assets, liabilities and contingent liabilities has now been finalised.

The excess of the purchase consideration over the fair value of net assets and liabilities acquired has been recognised as goodwill, quantified at Euro 352 million.

Such goodwill is justified by the synergies expected from integrating the two groups.

Details of the assets and goodwill are as follows:

(in millions of Euro)

Cash outlay	501
Increase in share capital	3
Increase in share premium reserve	474
Total acquisition cost (A)	978
Fair value of net assets acquired (B)	626
Goodwill (A)-(B)	352
Financial outlay for acquisition	501
Cash and cash equivalents held by acquired companies	(82)
Acquisition cash flow	419

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

(in millions of Euro)

	Fair value
Property, plant and equipment	614
Intangible assets	214
Investments in associates	69
Available-for-sale financial assets	3
Assets held for sale	3
Derivatives	5
Inventories	442
Trade and other receivables	497
Cash and cash equivalents	82
Borrowings from banks and other lenders	(443)
Trade and other payables	(649)
Current taxes	(5)
Employee benefit obligations	(92)
Provisions for risks	(52)
Contingent liabilities	(11)
Deferred taxes	(22)
Non-controlling interests	(23)
Net identifiable assets	632
Net assets acquired - 99.047% (B)	626

Property, plant and equipment

The fair value measurement has increased book value by Euro 72 million for "Land and buildings" and by Euro 17 million for "Plant and machinery" and "Other assets".

Intangible assets

The fair value measurement has identified the following higher values of intangible assets:

- Trademarks: Euro 61 million, relating to the Draka and YOFC trademarks (amortised over a useful life of 20 years);
- Customer relationships: Euro 40 million (amortised over a useful life of between 10 and 20 years);
- Patents and licences (including technology): Euro 75 million (amortised over a useful life of 12 years);
- Existing contracts: Euro 9 million (amortised over a useful life of 12 years).

The above higher values have been cancelled against "Goodwill" of Euro 81 million reported in the Draka financial statements.

Investments in associates

The fair value measurement has resulted in an increase of Euro 10 million in book value for the valuation of Oman Cables Industry SAOG, an associated company.

Inventories

The fair value measurement has resulted in an increase of Euro 14 million in book value due to the recognition of an inventory step-up for production profit margins.

Trade and other receivables

Gross trade receivables amount to Euro 450 million, with an estimated fair value of Euro 421 million.

Trade and other payables

Other payables have increased by Euro 7 million due to the lower market value of lease agreements.

Contingent liabilities

The fair value measurement has increased book value by Euro 11 million, following the identification of contingent liabilities involving:

- trade risks, of Euro 6 million;
- environmental risks, of Euro 5 million.

Deferred taxes

The negative fair value of Euro 22 million has been determined by two factors:

- the fair value of deferred tax assets (net of deferred tax liabilities) of Euro 41 million reported in Draka's consolidated financial statements;
- the recognition of Euro 63 million as the tax effect of the above differences in value, provided the conditions for such recognition were satisfied.

The equity of Euro 6 million pertaining to the non-controlling interests in Draka Holding N.V. has been determined as a proportion of the net assets acquired and does not include components of acquisition-related goodwill.

In 2011, the Draka Group accounted for Euro 2,279 million of the Prysmian Group's total sales of goods and services, while making a negative contribution of Euro 3 million to the overall result for the period. If the Draka Group had been consolidated from 1 January 2011, its contribution to sales of goods and services would have been Euro 2,669 million, while its contribution to the twelve-month result would have been zero, excluding costs for settling interest rate derivatives closed out as a result of the change of control (about Euro 3 million net of tax) and acquisition-related costs (about Euro 2 million net of tax).

More details about the Draka Group's activities and the rationale for the acquisition can be found in the section on "Significant events during the period" in the Directors' Report.

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 Chief Executive Officer for the purposes of managing the business. In fact, the Chief Executive Officer reviews operating performance by macro type of business (Energy and Telecom), 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, and reviews the statement of financial position for the Group as a whole, and not by operating segment.

Following the acquisition of the Draka Group, the Energy and Telecom operating segments, previously identified for the pre-acquisition Prysmian Group, are still considered valid for the purposes of analysing the consolidated data at 31 December 2011.

In order to provide users of the financial statements with clearer information, certain economic data is also reported for the following sales channels and areas of business within the individual operating segments:

A) Energy operating 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 (Specialties&OEM; Oil&Gas; Automotive; Renewables; Surf; Elevator);
4. Other: occasional sales of residual products.

B) Telecom operating segment: organised in the following lines of business: Telecom Solutions (Telecom Optical and Telecom Copper); Optical Fibre; Multimedia Solutions; OPGW.

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.

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. 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.

	Energy					Telecom	Corporate/ Eliminations	2011 Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
Sales of goods and services								
- third parties	2,252	2,281	1,608	127	6,268	1,315	-	7,583
- Group companies	2	30	5	27	64	21	(85)	-
Total sales of goods and services	2,254	2,311	1,613	154	6,332	1,336	(85)	7,583
Adjusted EBITDA (A)	267	70	106	4	447	121	-	568
% of sales	11.8%	3.0%	6.6%		7.1%	9.1%		7.5%
EBITDA (B)	55	53	80	(2)	186	103	(20)	269
% of sales	2.4%	2.3%	5.0%	-	2.9%	7.7%		3.4%
Amortisation and depreciation (C)	(25)	(36)	(35)	(3)	(99)	(43)		(142)
Adjusted operating income (A+C)	242	34	71	1	348	78		426
% of sales	10.7%	1.5%	4.4%		5.5%	5.8%		5.6%
Fair value change in metal derivatives (D)								(62)
Fair value change in stock options (E)								(7)
Impairment of assets (F)	(17)	(6)	(8)			(7)		(38)
Remeasurement of minority put option liability						(1)		(1)
Operating income (B+C+D+E+F)								19
% of sales								0.3%
Share of income from investments in associates and dividends from other companies					7	2		9
Finance costs								(360)
Finance income								231
Taxes								(44)
Net profit/(loss) for the year								(145)
Attributable to:								
Owners of the parent								(136)
Non-controlling interests								(9)

Reconciliation of EBITDA to Adjusted EBITDA

(in millions of Euro)								
EBITDA (A)	55	53	80	(2)	186	103	(20)	269
Non-recurring expenses/(income):								
Company reorganisation	5	8	22	7	42	12	2	56
Draka acquisition costs	-	-	-	-	-	-	6	6
Draka integration costs	-	2	-	-	2	-	10	12
Effects of Draka change of control	-	-	-	-	-	-	2	2
Gains on disposal of assets held for sale	-	-	-	(1)	(1)	-	-	(1)
Environmental remediation and other costs	2	2	1	-	5	-	-	5
Antitrust	205	-	-	-	205	-	-	205
Release of Draka inventory step-up ⁽¹⁾	-	5	3	-	8	6	-	14
Total non-recurring expenses/(income) (B)	212	17	26	6	261	18	20	299
Adjusted EBITDA (A+B)	267	70	106	4	447	121	-	568

⁽¹⁾ Refers to the higher cost of using finished and semi-finished goods and raw materials measured at the Draka Group's acquisition-date fair value.

(in millions of Euro)				2011
	Energy	Telecom	Unallocated	Group total
Assets	3,329	1,009	1,458	5,796
Investments in associates	87	-	-	87
Equity	-	-	-	1,104
Liabilities	1,628	284	2,867	4,779
Investment in property, plant and equipment	117	18	-	135
Investment in intangible assets	22	2	-	24
Total investments	139	20	-	159

(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
Fair value change in stock options (E)								-
Remeasurement of minority put option liability (F)	13	-	-	-	13			13
Impairment of assets (G)	(21)	-	-	-	(21)			(21)
Operating income (B+C+D+E+F+G)								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)
Net 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
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 millions of 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
Total investments	94	8	-	102

F.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

	2011	2010
Sales of goods and services	7,583	4,571
EMEA*	4,851	3,163
(of which Italy)	915	801
North America	920	407
Latin America	682	522
Asia Pacific	1,130	479

* EMEA: Europe, Middle East and Africa

No individual customer accounted for more than 10% of the Group's total sales in either 2011 or 2010.

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 2009	173	336	260	11	8	84	872
Movements in 2010:							
- Business combinations	6	4	9	-	-	1	20
- Investments	-	2	10	1	2	68	83
- Disposals	-	-	-	-	-	-	-
- Depreciation	-	(13)	(50)	(4)	(4)	-	(71)
- Impairment	-	-	-	-	-	-	-
- 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
	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2010	192	345	267	12	8	125	949
Movements in 2011:							
- Business combinations	57	215	311	17	2	12	614
- Investments	-	5	27	5	2	96	135
- Disposals	-	(3)	(1)	-	-	2	(2)
- Depreciation	-	(23)	(83)	(8)	(3)	-	(117)
- Impairment	(2)	(7)	(23)	-	(1)	-	(33)
- Currency translation differences	-	1	-	-	-	(5)	(4)
- Other	2	38	58	6	1	(108)	(3)
Total movements	57	226	289	20	1	(3)	590
Balance at 31 December 2011	249	571	556	32	9	122	1,539
Of which:							
- Historical cost	253	668	906	57	34	122	2,040
- Accumulated depreciation and impairment	(4)	(97)	(350)	(25)	(25)	-	(501)
Net book value	249	571	556	32	9	122	1,539

Property, plant and equipment include an increase of Euro 614 million for the first-time consolidation of the Draka Group.

Gross investments in property, plant and equipment amount to Euro 135 million in 2011, of which Euro 3 million in borrowing costs capitalised by the Brazilian subsidiary at rates of between 6.3% and 9.8%.

Around 67% of total investment expenditure related to projects to increase production capacity, while some 11% of the total went on projects to improve industrial efficiency. About 22% of the total related to structural work on buildings or entire production lines to make them compliant with the latest regulations.

The most important investment projects in 2011 were:

- the start of projects to produce high voltage cables in Rybinsk (Russia), and high voltage direct current underground cables in Gron (France);
- production capacity increases for medium voltage submarine inter-array connection cables at the Drammen plant (Norway) and for direct current submarine cables at the Pikkala plant (Finland);
- completion of the development and certification of flexible pipes for offshore oil drilling;

- the start of projects to increase production capacity at the plants in Sorocaba (Brazil) for both optical fibre and cables. In view of the massive broadband investment programme throughout the country, a project was started in Australia to produce cables locally using ribbon technology. Major projects were also started at the European optical fibre plants in Battipaglia (Italy) and Douvrin (France) to reduce fibre manufacturing costs.

The value of liens on machinery in connection with long-term loans is Euro 23 million.

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 "Plant and Machinery" allocated to the Energy segment CGUs in India (Euro 4 million), Russia (Euro 2 million) and China (Euro 14 million). Further details can be found in Note 2. Intangible assets.

Impairment tests have also been conducted for the four plants (Livorno Ferraris in Italy, Derby in Great Britain, Fercable in Spain and Wuppertal in Germany) whose restructuring was announced in February 2012. This has led to the recognition of Euro 13 million in impairment losses in 2011.

"Buildings" include assets under finance lease with a net value of Euro 20 million at 31 December 2011 (Euro 8 million at 31 December 2010).

The maturity dates of finance leases are reported in Note 12. Borrowings from banks and other lenders; such leases generally 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 2009	10	3	-	16	3	11	43
Movements in 2010:							
- Business combinations	-	1	15	-	-	-	16
- Investments	-	-	-	-	1	8	9
- Internally generated intangible assets	-	-	-	6	-	4	10
- Disposals	-	-	-	-	-	-	-
- 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

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2010	8	4	3	26	3	15	59
Movements in 2011:							
- Business combinations	29	-	352	8	177	-	566
- Investments	2	-	-	2	1	12	17
- Internally generated intangible assets	-	-	-	3	-	4	7
- Disposals	-	-	-	-	-	-	-
- Amortisation	(4)	(1)	-	(9)	(11)	-	(25)
- Impairment	-	(1)	(2)	-	(2)	-	(5)
- Currency translation differences	-	1	-	-	(2)	(1)	(2)
- Other	(1)	1	(1)	5	13	(16)	1
Total movements	26	-	349	9	176	(1)	559
Balance at 31 December 2011	34	4	352	35	179	14	618
Of which:							
- Historical cost	44	51	372	59	214	14	754
- Accumulated amortisation and impairment	(10)	(47)	(20)	(24)	(35)	-	(136)
Net book value	34	4	352	35	179	14	618

Gross investments in intangible assets amount to Euro 24 million in 2011, and primarily refer to:

- Euro 7 million for development of the SAP Consolidation project, aimed at standardising the information system throughout the Group. At 31 December 2011 the new system had been implemented and was fully operational in Germany, Holland, Italy, Finland, Hungary, Romania, Austria, the Czech Republic, France and Turkey.
- Euro 10 million for the Brazilian subsidiary's development of a prototype destined for flexible pipe production.

During 2011 the Prysmian Group recognised Euro 352 million in "Goodwill" in connection with the acquisition of the Draka Group. Further details can be found in Section E. Business combinations.

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 in those cases where such evidence was apparent. This test has led to the partial impairment of assets allocated to the Energy segment CGUs in India (Euro 1 million), Russia (Euro 2 million) and China (Euro 2 million).

Such impairment has been necessary because of a deterioration in business during 2011, and because impairment testing cannot take into account all the strategic rationale behind the investments (eg. future benefits of investments in plant technological development and in high voltage cable production).

In this specific case, the post-tax cash flow projections for 2012-2014 derive directly from a projection of the Management Plan for 2012.

The WACC used to discount cash flows for determining value in use of the CGUs tested for impairment varies between 13.47% and 19.4%.

The perpetuity growth rate (G) projected after 2014 is 2%.

Recoverable amount has been determined on the basis of value in use.

Goodwill impairment test

As reported earlier, the Chief Executive Officer reviews operating performance by macro type of business (Energy and Telecom). Goodwill is monitored internally at the Energy and Telecom operating segment level, with the exception of some minor acquisitions made in the past for which goodwill is monitored directly at the level of the acquired company. The amount of goodwill allocated to each operating segment is reported in the following table:

(in millions of Euro)

	31 December 2010	Business combinations	Impairment	Other	31 December 2011
- Energy goodwill	-	253	-	-	253
- Telecom goodwill	-	99	-	-	99
- Minor goodwill	3	-	(2)	(1)	-
Total goodwill	3	352	(2)	(1)	352

As described earlier, during 2011 the Draka Group acquisition has led to the recognition of Euro 352 million in goodwill. This goodwill is justified by the synergies expected from integrating the two groups. Based on the predicted realisation of these synergies, the directors have allocated the goodwill to the two operating segments.

The amount of goodwill thus allocated (summed with the remaining portion of the operating segment's net invested capital) has been compared with the recoverable amount of each CGU, determined on the basis of their value in use.

Forecast cash flows have been calculated using post-tax cash flows shown in the Management Plan for 2012, prepared on the basis of results achieved in previous years and the outlook for the markets concerned. The cash flow forecasts for both operating segments have been extended to the period 2013-2014 based on 2% projected growth. A terminal value has been estimated to reflect CGU value after this period; this value has been determined using the same growth rate as above. The rate used to discount cash flows has been determined on the basis of market information about the cost of money and asset-specific risks (Weight Average Cost of Capital, WACC). The test has shown that the recoverable amount of the individual CGUs is higher than their net invested capital (including the share of allocated goodwill). In particular, in percentage terms, recoverable amount exceeds carrying amount by 87% for the Energy operating segment and by 43% for the Telecom operating segment. It should be noted that the discount rate at which recoverable amount is equal to carrying amount is 15% for the Energy operating segment and 12% for the Telecom operating segment (compared with a WACC of 9.13% used for both operating segments),

while, in order to determine the same match for growth rates, the growth rate would have to be negative for both segments.

3. INVESTMENTS IN ASSOCIATES

These are detailed as follows:

(in millions of Euro)

	2011	2010
Opening balances	9	9
Movements:		
- Business combinations	69	-
- Currency translation differences	4	-
- Investments	1	-
- Share of net profit/ (loss)	8	2
- Dividends and other movements	(4)	(2)
Total movements	78	-
Closing balance	87	9

Investments in associates have had the following movements during 2011:

- an increase of Euro 69 million due to the first-time consolidation of the Draka Group;
- an increase of Euro 8 million for the share of profit/loss;
- a decrease of Euro 4 million for dividends.

Details of investments in associates are as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Oman Cables Industry SAOG	45	-
Kabeltrommel GmbH & Co.K.G.	7	6
Elkat Ltd.	9	-
Tianjin YOFC XMKJ Optical Communications Co.,Ltd.	6	-
Shantou Hi-Tech Zone Aoxing Optical Communication EquipmentsCo.,Ltd.	4	-
Jiangsu Yangtze Zhongli Optical Fibre & Cable Co., Ltd	4	-
Shenzhen SDGI Optical Fibre Co., Ltd.	4	-
Rodco Ltd	2	2
Yangtze Wuhan Optical System Co., Ltd.	2	-
Yangtze Optical Fibre & Cable (Sichuan) Co., Ltd.	2	-
Ekxa Sp.Zo.o	1	1
Tianjin YOFC XMKJ Optical Cable Co., Ltd.	1	-
Total investments in associates	87	9

Tianjin YOFC XMKJ Optical Communications Co., Ltd., Yangtze Optical Fibre and Cable (Sichuan) Co., Ltd., Tianjin YOFC XMKJ Optical Cable Co., Ltd., Shantou Hi-Tech Zone Aoxing Optical Communication Equipment Co., Ltd., Jiangsu Yangtze Zhongli Optical Fibre & Cable Co., Ltd., Shenzhen SDGI Optical Fibre Co., Ltd. and Yangtze Wuhan Optical System Co., Ltd. are all companies held by Yangtze Optical Fibre and Cable Company Ltd., a company which has been consolidated on a proportionate basis. The latter's interest in these companies would qualify them as joint ventures but because of the difficulty in obtaining periodic information and their limited materiality, they have been consolidated using the equity method.

(in millions of Euro)

	Oman Cables Industry SAOG	Kabeltrommel GmbH & Co.K.G.	Elkat Ltd.	Tianjin YOFC XMKJ Optical Communications Co.,Ltd.	Shantou Hi-Tech Zone Aoxing Optical Communication EquipmentsCo.,Ltd.
Country	Sultanate of Oman	Germany	Russia	China	China
% owned	34.78%	28.68%	1.00%	13.50%	40.00%
Direct owner	Draka Holding N.V.	Prysmian Kabel und Systeme GmbH	Bergmann Kabel und Leitungen GmbH	Draka Cable Draka NK Wuppertal GmbH	Yangtze Optical Fibre and Cable Company Ltd.

Financial information at 31 December 2011

(in millions of Euro)¹

Assets	280	n.a.	28	49	35
Liabilities	175	n.a.	1	16	8
Equity	105	n.a.	27	33	27
Sales	508	n.a.	320	51	46
Net profit (loss)	13	n.a.	1	3	2

Financial information at 31 December 2010

(in millions of Euro)

Assets	257	27	27	40	30
Liabilities	165	13	1	12	6
Equity	92	14	26	28	24
Sales	395	34	247	33	48
Net profit (loss)	16	4	1	2	4

¹ Financial information at 31 December 2011 is based on provisional figures because such associates publish their annual financial statements after publication of the Group consolidated financial statements.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are detailed as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Non-current	6	3
Current	-	142
Total	6	145

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 treated as instrumental to the Group's business.

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

(in millions of Euro)

	31 December 2011	31 December 2010
Opening balance	145	6
- Business combinations	3	-
- Currency translation differences	1	1
- Fair value gains	1	-
- Fair value losses	-	(1)
- Acquisitions	-	152
- Disposals	(143)	(10)
- Release of equity reserve upon disposal	(1)	(3)
Total movements	(139)	139
Closing balance	6	145

The disposals of Euro 143 million during 2011 mostly relate to government and blue chip corporate bonds, not instrumental to the Group's business but held solely for temporarily investing the Group's liquidity; the disposals were made to finance part of the cash consideration to acquire the Draka Group.

The first-time consolidation of the Draka Group has entailed an increase of Euro 3 million.

Available-for-sale financial assets comprise:

(in millions of Euro)

	Type of financial asset	% owned by Group	31 December 2011	31 December 2010
Government bonds	non-convertible bonds	n.a.	-	88.42
Blue chip corporate bonds	non-convertible bonds	n.a.	-	53.64
Total current bonds			-	142.06
Sichuan Huiyuan Optical Communication Stock Company	listed shares	1.05%	1.43	-
Zhongtian Technologies Fibre Optics Co.,Ltd.	unlisted shares	2.71%	0.76	-
Zhejiang Futong Optical Fibre Technologies Co., Ltd.	unlisted shares	1.30%	0.36	-
Wuhan Steel & Electricity Co.,Ltd.	unlisted shares	0.09%	0.10	-
Other			0.56	-
Total non-current from business combination			3.21	-
Tunisie Cables S.A.	unlisted shares	7.55%	0.91	0.91
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	0.10
Voltimum S.A.	unlisted shares	13.71%	0.27	0.27
Other			0.52	0.66
Total non-current			2.39	2.53
Total			5.60	144.59

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

(in millions of Euro)

	31 December 2011	31 December 2010
Euro	2	144
Tunisian Dinar	1	1
Chinese Renminbi [Yuan]	3	-
Total	6	145

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)

	31 December 2011		
	Non-current	Current	Total
Trade receivables	-	1,264	1,264
Allowance for doubtful accounts	-	(67)	(67)
Total trade receivables	-	1,197	1,197
Other receivables:			
Tax receivables	13	124	137
Financial receivables	10	9	19
Prepaid finance costs	15	7	22
Receivables from employees	1	1	2
Pension fund receivables	-	3	3
Construction contracts	-	219	219
Advances	-	14	14
Others	13	139	152
Total other receivables	52	516	568
Total	52	1,713	1,765

(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

Trade receivables

The Prysmian Group securitizes a significant part of its trade receivables under a programme started in 2007, as described in Section B.2. Securitized receivables amount to Euro 215 million gross at 31 December 2011 (Euro 240 million at 31 December 2010), and have resulted in the drawdown of Euro 111 million in credit lines by Prysmian Financial Services Ireland Ltd; no credit lines were drawn down in 2010.

These receivables are under a lien in favour of third-party lenders.

The gross amount of past due impaired receivables is Euro 319 million at 31 December 2011 (Euro 302 million at 31 December 2010).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
past due between 1 and 30 days	164	235
past due between 31 and 90 days	51	20
past due between 91 and 180 days	36	10
past due between 181 and 365 days	23	8
past due more than 365 days	45	29
Total	319	302

The value of trade receivables past due but not impaired is Euro 37 million at 31 December 2011 (Euro 27 million at 31 December 2010). 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 customer insolvency.

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

(in millions of Euro)

	31 December 2011	31 December 2010
past due between 1 and 30 days	23	19
past due between 31 and 90 days	9	1
past due between 91 and 180 days	2	1
past due between 181 and 365 days	1	4
past due more than 365 days	2	2
Total	37	27

The value of trade receivables not past due is Euro 908 million at 31 December 2011 (Euro 478 million at 31 December 2010). 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 2011	31 December 2010
Euro	672	502
US Dollar	234	154
Chinese Renminbi (Yuan)	217	92
Brazilian Real	134	96
British Pound	98	62
Qatari Riyal	77	117
Turkish Lira	42	37
Australian Dollar	41	19
Indian Rupee	32	11
Norwegian Krone	30	-
Singapore Dollar	23	5
United Arab Emirates Dirham	23	11
Canadian Dollar	21	18
Argentine Peso	19	24
Swedish Krona	18	3
Romanian Leu	14	15
Other currencies	70	36
Total	1,765	1,202

The allowance for doubtful accounts amounts to Euro 67 million at 31 December 2011 (Euro 43 million at the end of 2010); movements in this allowance are shown in the following table:

(in millions of Euro)

	31 December 2011	31 December 2010
Opening balance	43	39
- Business combinations	29	2
- Increases in allowance	10	5
- Releases	(5)	(2)
- Write offs	(9)	(2)
- Currency translation differences	(1)	1
Total movements	24	4
Closing balance	67	43

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

Other receivables

"Prepaid finance costs" relate to:

- the Revolving Credit Facilities: the non-current portion of the prepayment is Euro 3 million at 31 December 2011 (Euro 1 million at 31 December 2010), while the current portion is Euro 2 million at 31 December 2011 (Euro 2 million at 31 December 2010);
- the new Forward Start Credit Agreement: the non-current portion of the prepayment is Euro 12 million (Euro 14 million at 31 December 2010), while the current portion is Euro 4 million (not present at 31 December 2010);
- the securitization: the current portion of the prepayment is Euro 1 million, the same as at the end of 2010.

"Construction contracts" represent the value of contracts in progress, 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 2011	31 December 2010
Construction contract revenue to date	2,116	1,564
Amounts invoiced	(1,972)	(1,421)
Net amount receivable from customers for construction contracts	144	143
of which:		
Other receivables - construction contracts	219	190
Other payables - construction contracts	(75)	(47)

The following table shows the revenue and costs incurred in 2011 and 2010:

(in millions of Euro)

	2011	2010
Revenue	598	412
Costs	(458)	(282)
Gross margin	140	130

6. INVENTORIES

These are detailed as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Raw materials	291	188
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(22)</i>	<i>(12)</i>
Work in progress and semi-finished goods	222	164
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(4)</i>	<i>(5)</i>
Finished goods	416	248
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(44)</i>	<i>(19)</i>
Total	929	600

7. FINANCIAL ASSETS HELD FOR TRADING

These are detailed as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Listed securities (Brazilian Real area)	61	59
Unlisted securities	19	7
Total	80	66

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 2011	31 December 2010
Opening balance	66	42
- Business combinations	-	-
- Currency translation differences	(6)	6
- Acquisition of securities	42	18
- Disposal of securities	(22)	-
Total movements	14	24
Closing balance	80	66

8. DERIVATIVES

These are detailed as follows:

(in millions of Euro)		31 December 2011	
		Asset	Liability
Non-current			
Interest rate swaps (cash flow hedges)	-		27
Forward currency contracts on commercial transactions (cash flow hedges)	-		5
Forward currency contracts on financial transactions (cash flow hedges)	-		3
Total hedging derivatives	-		35
Forward currency contracts on commercial transactions	1		-
Forward currency contracts on financial transactions	1		1
Metal derivatives	-		-
Total other derivatives	2		1
Total non-current	2		36
Current			
Interest rate swaps (cash flow hedges)	-		2
Forward currency contracts on financial transactions (cash flow hedges)	-		-
Forward currency contracts on commercial transactions (cash flow hedges)	18		20
Total hedging derivatives	18		22
Forward currency contracts on commercial transactions	5		7
Forward currency contracts on financial transactions	4		22
Metal derivatives	1		20
Total other derivatives	10		49
Total current	28		71
Total	30		107

(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 commercial transactions	-		-
Forward currency contracts on financial transactions	2		21
Metal derivatives	7		2
Total other derivatives	9		23
Total non-current	14		48
Current			
Interest rate swaps (cash flow hedges)	-		-
Forward currency contracts on financial transactions (cash flow hedges)	-		-
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

Following repayment of the Draka Group's debt and early closing out of its interest rate hedges, the Group has entered new forward start interest rate swaps with a total notional value of Euro 130 million to hedge future variable interest rate payments in the period 2012-2014.

Considering the market level of interest rates, the Group entered new interest rates swaps in September 2011 for a notional value of Euro 100 million as a partial hedge against future variable interest rate payments in the period 2011-2016.

Interest rate swaps have a notional value of Euro 655 million at 31 December 2011 and are hedging derivatives that qualify as cash flow hedges (Euro 555 million at 31 December 2010). Such financial instruments convert the variable component of interest rates on loans received into a fixed rate between 1.6% and 2.4% for the portion in Euro and 2.4% for the portion in US Dollars.

Forward start contracts for the period 2012-2014 have a notional value of Euro 480 million, at a fixed rate between 2.0% and 3.7%.

Forward currency contracts have a notional value of Euro 1,758 million at 31 December 2011 (Euro 1,629 million at 31 December 2010); total notional value at 31 December 2011 includes Euro 779 million in derivatives designated as cash flow hedges (Euro 728 million at 31 December 2010).

At 31 December 2011, like at 31 December 2010, almost all the derivative contracts had been entered with major financial institutions.

Metal derivatives have a notional value of Euro 548 million at 31 December 2011 (Euro 322 million at 31 December 2010).

The following table shows movements in both reporting periods in the cash flow hedge reserve for designated hedging derivatives:

(in millions of Euro)

	2011		2010	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	(19)	6	(46)	14
Changes in fair value	(14)	4	(41)	11
Release to other finance income/(costs)	5	(1)	16	(4)
Release to exchange gains/(losses)	(4)	1	8	(2)
Reclassification to other reserves	-	-	20	(6)
Release to finance costs/(income)	2	(1)	10	(3)
Release to construction contract costs/(revenues)	5	(1)	14	(4)
Closing balance	(25)	8	(19)	6

The ineffective portion of cash flow hedges had a negative post-tax impact of Euro 1 million, reported in the income statement under "Finance costs". In 2010 hedge ineffectiveness had a negative impact of Euro 2 million.

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Cash and cheques	10	10
Bank and postal deposits	717	620
Total	727	630

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

Cash and cash equivalents managed by Group treasury companies amount to Euro 353 million at 31 December 2011 compared with Euro 352 million at 31 December 2010.

For additional details on the change in cash and cash equivalents, please refer to Note 37. Statement of cash flows.

10. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Land	2	9
Buildings	2	-
Plant and machinery	1	-
Total	5	9

This balance mainly includes about Euro 3 million in buildings and machinery relating to Prysmian Angel Tianjin Cable Co. Ltd in China.

Movements in assets held for sale are detailed as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Opening balance	9	28
- Business combinations	3	-
- Disposals	(10)	(6)
- Impairment	-	(8)
- Reclassification	3	(4)
- Currency translation differences	-	(1)
Total movements	(4)	(19)
Closing balance	5	9

As a result of the Draka Group acquisition, a piece of land in Germany, worth Euro 3 million, has been classified in this line item, of which a plot worth Euro 1 million was disposed of during the year.

During the course of 2011, the Group has also:

- sold the land and buildings of the Eastleigh plant in the United Kingdom, realising a gain of Euro 1 million.
- reclassified to this line item the value of land and buildings relating to Prysmian Angel Tianjin Cable Co. Ltd. (China), expected to be sold shortly.

Management expects the assets classified in this line item to be sold within the next 12 months.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has increased by Euro 305 million since 31 December 2010, mainly reflecting the net effect of:

- capital contributions of Euro 479 million;
- the first-time consolidation of Draka's non-controlling interests of Euro 31 million;
- the net loss for the year of Euro 145 million;
- the dividend distribution of Euro 37 million;
- the negative post-tax change of Euro 19 million in actuarial gains on employee benefits;
- the change of Euro 7 million in the share-based compensation reserve linked to the stock option plan;
- the negative post-tax change of Euro 4 million in the fair value of derivatives designated as cash flow hedges;
- negative currency translation differences of Euro 6 million.

At 31 December 2011 the share capital of Prysmian S.p.A. comprises 214,393,481 shares with a total value of Euro 21,439,348.10.

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 2009	181,235,039	(3,028,500)	178,206,539
Capital increase ⁽¹⁾	794,263	-	794,263
Treasury shares	-	-	-
Balance at 31 December 2010	182,029,302	(3,028,500)	179,000,802

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2010	182,029,302	(3,028,500)	179,000,802
Capital increase ⁽²⁾	32,364,179	-	32,364,179
Treasury shares	-	(10,669)	(10,669)
Balance at 31 December 2011	214,393,481	(3,039,169)	211,354,312

(1) Capital increases relating to the exercise of part of the options under the Stock Option Plan 2007-2012.

(2) Capital increases relating to the Draka Group acquisition (31,824,570 shares) and to the exercise of part of the options under the Stock Option Plan 2007-2012 (539,609 shares).

Treasury shares

The treasury shares held at the beginning of the year were acquired under the shareholders' resolution dated 15 April 2008, which gave the Board of Directors the authority for an 18-month maximum period to buy up to 18,000,000 ordinary shares. This period was subsequently extended to October 2010 under a resolution adopted on 9 April 2009.

Movements in treasury shares are shown in the following table:

	Number of ordinary shares	Total nominal value (in Euro)	% of total share capital	Treasury shares	
				Average unit value (in Euro)	Total carrying value (in Euro)
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
- Business combinations	10,669	1,067	-	9.380	100,075
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2011	3,039,169	303,917	1.66%	9.963	30,279,078

The increase in treasury shares during 2011 is due to the acquisition of Draka Holding N.V., which holds 10,669 Prysmian S.p.A. shares.

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)	31 December 2011		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	469	964	1,433
Bond	397	15	412
Finance lease obligations	14	3	17
Total	880	982	1,862

(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

Borrowings from banks and other financial institutions and the bond are analysed as follows:

(in millions of Euro)	31 December 2011		31 December 2010
Credit Agreements		1,070	770
Other borrowings		363	129
Total borrowings from banks and other financial institutions		1,433	899
Bond		412	411
Total		1,845	1,310

Credit Agreements

These refer to:

- the credit agreement signed on 18 April 2007 ("Credit Agreement"), under which Prysmian S.p.A. and some of its subsidiaries were granted an initial total of Euro 1,700 million in loans and credit facilities. The facilities carry a variable interest rate, linked to Euribor for the portion of the facilities in Euro and to Libor USD for the portion in US dollars;
- the "Credit Agreement 2011", entered by Prysmian Group on 7 March 2011 with a pool of major banks for Euro 800 million facilities with a five-year maturity. This agreement comprises a loan for Euro 400 million ("Term Loan Facility 2011") and a revolving facility for Euro 400 million ("Revolving Credit Facility 2011").

The fair value of the Credit Agreement at 31 December 2011 approximates its carrying amount.

The following tables summarise the committed lines available to the Group at 31 December 2011 and 31 December 2010:

(in millions of Euro)		31 December 2011	
	Total lines	Used	Unused
Term Loan Facility	670	(670)	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility	400	(6)	394
Revolving Credit Facility 2011	400	-	400
Total Credit Agreements	1,870	(1,076)	794
Securitization	350	(111)	239
Total	2,220	(1,187)	1,033

(in millions of Euro)		31 December 2010	
	Total lines	Used	Unused
Term Loan Facility	770	(770)	-
Revolving Credit Facility	400	(7)	393
Bonding Facility	300	(146)	154
Total Credit Agreements	1,470	(923)	547
Securitization	350	-	350
Total	1,820	(923)	897

The facility relating to the securitization programme can be drawn down, if needed, only up to the amount of trade receivables eligible for securitization under the agreed contractual terms (approximately Euro 134 million at 31 December 2011 and approximately Euro 150 million at 31 December 2010).

The repayment schedules of the Term Loans are structured as follows:

(in thousands of Euro)	
3 May 2012 (Term Loan)	670,000
7 March 2016 (Term Loan 2011)	400,000

The Revolving Credit Facility and the Revolving Credit Facility 2011 are used to finance ordinary working capital requirements, while the Revolving Credit Facility can also be used to finance the issue of guarantees.

The Bonding Facility, used to issue guarantees such as bid bonds, performance bonds and warranty bonds, was cancelled on 10 May 2011 in advance of its natural maturity.

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 maturity 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 repayment schedule of the Forward Start Credit Agreement is 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 part of the new agreement.

With reference to the Draka acquisition, during the month of February 2011, Prysmian Group obtained, from its banking syndicates, a significant extension of the financial covenants contained in the Credit Agreement and Forward Start Credit Agreement. Further details can be found in Note 32. Financial Covenants.

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 2010 for a total nominal amount of Euro 400 million. 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. The fair value of the bond at 31 December 2011 was Euro 395 million (Euro 407 million at 31 December 2010).

Other borrowings from banks and financial institutions and Finance lease obligations

These have reported the following changes during 2011:

- an increase of Euro 443 million due to the first-time consolidation of the Draka Group;
- the draw down of Euro 210 million, primarily relating to the securitization facility (Euro 173 million) and other debt raised by subsidiaries in Brazil, China and Indonesia;
- the repayment of Euro 419 million, primarily against the financial liabilities of Draka Holding N.V. (Euro 340 million), the securitization facility (Euro 62 million) and other debt raised mainly by subsidiaries in Brazil.

The following tables report movements in borrowings from banks and other lenders:

(in millions of Euro)

	Credit Agreements	Bond	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2010	770	411	131	1,312
Business combinations	-	-	443	443
Currency translation differences	2	-	3	5
New funds	394	-	210	604
Repayments	(100)	-	(419)	(519)
Amortisation of bank and financial fees and other expenses	2	1	-	3
Interest and other movements	2	-	12	14
Total movements	300	1	249	550
Balance at 31 December 2011	1,070	412	380	1,862

(in millions of Euro)

	Credit Agreements	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

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 2011	31 December 2010
Due within 1 year	4	1
Due between 1 and 5 years	11	1
Due after more than 5 years	9	-
Minimum finance lease payments	24	2
Future interest costs	(7)	-
Finance lease obligations	17	2

Finance lease obligations are analysed by maturity as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Due within 1 year	3	1
Due between 1 and 5 years	7	1
Due after more than 5 years	7	-
Total	17	2

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2011 and 2010:

(in millions of Euro)

31 December 2011

	Variable interest rate		GBP	Other currencies	Fixed interest rate	Total
	Euro	USD			Euro and other currencies	
Due within 1 year	703	145	16	86	33	983
Due between 1 and 2 years	-	10	-	12	8	30
Due between 2 and 3 years	-	4	-	9	5	18
Due between 3 and 4 years	-	1	-	5	403	409
Due between 4 and 5 years	394	-	-	1	5	400
Due after more than 5 years	-	6	-	-	16	22
Total	1,097	166	16	113	470	1,862
Average interest rate in period, as per contract	3.2%	3.1%	0.0%	8.2%	5.3%	4.0%
Average interest rate in period, including IRS effect (a)	3.8%	3.5%	0.0%	8.2%	5.3%	4.4%

- (a) There are interest rate swaps to hedge interest rate risk on variable rate loans in Euro and USD. The total hedged amount at 31 December 2011 equates to 54.7% of the debt in Euro and 32.8% of the debt in USD at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (3 and 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 4.2% for Euro and 4.5% for USD. The percentages representing the average fixed rate refer to 31 December 2011.

(in millions of Euro)

31 December 2010

	Variable interest rate		GBP	Other currencies	Fixed interest rate	Total
	Euro	USD			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%	0.0%	5.9%	5.0%	3.1%
Average interest rate in period, including IRS effect (b)	3.5%	3.6%	0.0%	5.9%	5.0%	4.1%

- (b) There are interest rate swaps to hedge interest rate risk on variable rate loans in Euro and USD. The total hedged amount at 31 December 2010 equates 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 refer to 31 December 2010.

The Credit Agreement and the Forward Start Credit Agreement do not require any collateral security. Further 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.

NET FINANCIAL POSITION

(in millions of Euro)

		31 December 2011	31 December 2010
	Note		
Long-term financial payables			
Term Loan Facility		400	671
Bank fees		(6)	(2)
Credit Agreements	12	394	669
Bond	12	397	396
Finance leases	12	14	1
Forward currency contracts on financial transactions	8	4	28
Interest rate swaps	8	27	16
Other financial payables	12	75	45
Total long-term financial payables		911	1,155
Short-term financial payables			
Term Loan Facility	12	676	101
Bank fees	12	-	-
Bond	12	15	15
Finance leases	12	3	1
Securitization	12	111	-
Interest rate swaps	8	2	-
Forward currency contracts on financial transactions	8	22	9
Other financial payables	12	177	84
Total short-term financial payables		1,006	210
Total financial liabilities		1,917	1,365
Long-term financial receivables	5	10	1
Long-term bank fees	5	15	16
Interest rate swaps	8	-	1
Forward currency contracts on financial transactions (non-current)	8	1	2
Forward currency contracts on financial transactions (current)	8	4	3
Short-term financial receivables	5	9	42
Available-for-sale financial assets (current) ¹	4	-	142
Short-term bank fees	5	7	3
Financial assets held for trading	7	80	66
Cash and cash equivalents	9	727	630
Net financial position		1,064	459

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)

		31 December 2011	31 December 2010
	Note		
Net financial position - as reported above		1,064	459
Long-term financial receivables	5	10	1
Long-term bank fees	5	15	16
Net forward currency contracts on commercial transactions	8	8	1
Net metal derivatives	8	19	(38)
Recalculated net financial position		1,116	439

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

		31 December 2011	
	Non-current	Current	Total
Trade payables	-	1,421	1,421
Total trade payables	-	1,421	1,421
Other payables:			
Tax and social security payables	16	95	111
Advances	-	132	132
Payables to employees	-	65	65
Accrued expenses	-	131	131
Others	16	148	164
Total other payables	32	571	603
Total	32	1,992	2,024

(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

Trade payables include around Euro 215 million (Euro 121 million at 31 December 2010) 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.

Others include current payables of Euro 16 million at 31 December 2011 for put options given to minority shareholders in companies not wholly-owned by the Group (Euro 13 million at 31 December 2010).

Advances include Euro 76 million due to customers for construction contracts at 31 December 2011 compared with Euro 47 million at 31 December 2010. 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 2011	31 December 2010
Euro	1,093	674
US Dollar	314	174
Chinese Renminbi (Yuan)	179	91
Brazilian Real	121	116
British Pound	84	68
Australian Dollar	34	21
Canadian Dollar	23	18
Norwegian Krone	22	-
Romanian Leu	21	11
United Arab Emirates Dirham	20	4
Indian Rupee	17	5
Turkish Lira	15	14
Malaysian Ringgit	13	2
Swedish Krona	12	-
Other currencies	56	39
Total	2,024	1,237

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)		31 December 2011	
	Non-current	Current	Total
Restructuring costs	6	24	30
Contractual and legal risks	38	238	276
Environmental risks	8	4	12
Tax inspections	6	9	15
Other risks and charges	9	20	29
Total	67	295	362

(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

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 2010	6	58	7	17	18	106
Business combinations	13	28	5	-	17	63
Increases	29	222	3	-	12	266
Utilisations	(13)	(23)	(1)	(1)	(12)	(50)
Releases	(3)	(10)	(1)	(1)	(6)	(21)
Currency translation differences	-	(1)	-	-	(1)	(2)
Other	(2)	2	(1)	-	1	-
Total movements	24	218	5	(2)	11	256
Balance at 31 December 2011	30	276	12	15	29	362

The provision for restructuring costs reports a net increase of Euro 24 million. In particular:

- the first-time consolidation of the Draka Group has led to an increase of Euro 13 million;
- a provision of Euro 29 million has been recognised for restructuring projects;
- the utilisation of Euro 13 million mostly refers to restructuring projects and projects to rationalise production in France;
- the release of Euro 3 million relates to the restructuring project in Canada, specifically at the St. Jean plant.

The provision for contractual and legal risks reports a net increase of Euro 218 million.

In particular:

- the first-time consolidation of the Draka Group has led to an increase of Euro 28 million, of which Euro 6 million relating to contingent liabilities recognised in accordance with *IFRS 3*;

- total increases of Euro 222 million relate to:

a) Euro 205 million for the risk regarding antitrust investigations underway in various jurisdictions; this increase has taken the total provision to some Euro 209 million at 31 December 2011. More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority started an investigation in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan and New Zealand have ended without any sanctions 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 S.r.l. (formerly Prysmian Cavi e Sistemi Energia S.r.l.) and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. was officially served with this claim in April 2010 and has since filed its defence.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, in the high voltage underground and submarine cables market.

At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudge its final decision. Prysmian has therefore had access to the Commission's dossier and, while fully co-operating, has presented its defence against the related allegations.

Also considering the developments in the European Commission investigation, Prysmian has felt able to estimate the risk relating to the antitrust investigations underway in the various jurisdictions, with the exception of Brazil. As at 31 December 2011 the amount of the provision recognised in connection with these investigations is around Euro 209 million. This provision is the best estimate of the liability based on the information now available even though the outcome of the investigations underway in the various jurisdictions is still uncertain.

b) Euro 2 million for employment disputes and the remainder for contractual risks.

- utilisations of Euro 23 million mostly refer to employment disputes (Euro 4 million), legal costs relating to antitrust investigations (Euro 4 million) and risks relating to contractual penalties and guarantees for the remainder;

- releases of Euro 10 million mostly relate to risks connected with the Submarine business.

The net increase of Euro 5 million in the provision for environmental risks basically refers to the recognition of contingent liabilities in accordance with *IFRS 3*.

The provisions for tax inspections and other risks and charges do not report any significant changes during 2011.

15. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Pension funds	188	91
Employee indemnity liability (Italian TFR)	22	22
Medical benefit plans	26	18
Termination and other benefits	26	14
Incentive plans	6	-
Total	268	145

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

(in millions of Euro)

	2011	2010
Pension funds	12	6
Employee indemnity liability (Italian TFR)	1	2
Medical benefit plans	2	-
Termination and other benefits	5	1
Incentive plans	6	-
Total	26	9

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

(in millions of Euro)						2011
	Pension funds	Employee indemnity liability	Medical benefit plans	Termination and other benefits	Incentive plans	
Current service costs	4	-	1	4	6	
Interest costs	17	1	1	1	-	
Expected return on plan assets	(11)	-	-	-	-	
Losses/(gains) on curtailments and settlements	2	-	-	-	-	
Total	12	1	2	5	6	

(in millions of Euro)						2010
	Pension funds	Employee indemnity liability	Medical benefit plans	Termination and other benefits	Incentive plans	
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	-	

Pension funds

These are detailed as follows:

(in millions of Euro)												31 December 2011
	Brazil	Germany	France	Turkey	UK	USA	Canada	Holland	Norway	Other countries	Total	
Funded pension obligations:												
Present value of obligation	-	-	5	-	121	25	12	72	15	3	253	
Fair value of plan assets	-	-	(4)	-	(91)	(17)	(11)	(72)	(12)	(2)	(209)	
Unrecognised assets	-	-	-	-	-	-	-	-	-	-	-	
Unfunded pension obligations:												
Present value of obligations	1	114	14	3	-	-	-	-	4	8	144	
Total	1	114	15	3	30	8	1	-	7	9	188	

(in millions of Euro)												31 December 2010
	Brazil	Germany	France	Turkey	UK	USA	Canada	Total				
Funded pension obligations:												
Present value of obligation	-	-	-	-	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				

Other countries include:

- Spain and Finland (funded pension obligations with a present value of Euro 3 million compared with a negative fair value of Euro 2 million);
- Sweden (unfunded pension obligations with a present value of Euro 7 million);
- Indonesia (unfunded pension obligations with a present value of Euro 1 million).

The changes in pension fund obligations are as follows:

(in millions of Euro)

	2011	2010
Opening obligations	136	134
Business combinations	241	-
Current service costs	4	3
Interest costs	17	7
Actuarial (gains)/losses recognised in equity	13	(2)
(Gains)/losses recognised in equity for unrecognised assets	2	-
Currency translation differences	2	5
Contributions paid in by plan participants	1	-
Utilisations for restructuring (curtailment)	(1)	-
Plan settlements	(3)	(8)
Reclassifications	-	4
Utilisations	(16)	(7)
Total movements	260	2
Closing obligations	396	136

The changes in pension fund assets are as follows:

(in millions of Euro)

	2011	2010
Opening assets	45	46
Business combinations	172	-
Interest income	11	3
Actuarial gains/(losses) recognised in equity	(4)	1
Currency translation differences	3	4
Employer contributions	(17)	(7)
Contributions paid in by plan participants	14	5
Plan settlements	(3)	(7)
Asset ceilings	(13)	-
Total movements	163	(1)
Closing assets	208	45

At 31 December 2011, pension fund assets were made up of equity funds (42.13%), bonds (44.71%) and other assets (13.16%). The expected yield was 7.53% for equity funds, 3.78% for bonds and 11.98% for other assets.

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.

Employee indemnity liability

This is detailed as follows:

(in millions of Euro)

	2011	2010
Opening balance	22	22
Current service costs	-	-
Interest costs	1	2
Actuarial (gains)/losses recognised in equity	1	-
Utilisations	(2)	(2)
Total movements	-	-
Closing balance	22	22

Medical benefit plans

These are detailed as follows:

(in millions of Euro)

	2011	2010
Opening balance	18	18
Business combinations	1	-
Current service costs	1	1
Interest costs	1	1
Plan settlements	-	(2)
Currency translation differences	2	1
Actuarial (gains)/losses recognised in equity	4	2
Reclassifications	-	(2)
Utilisations	(1)	(1)
Total movements	8	-
Closing balance	26	18

Other information

The main actuarial assumptions used to determine pension obligations are as follows:

	31 December 2011		
	Pension funds	Medical benefit plans	Employee indemnity liability
Discount rate	4.95%	5.48%	4.75%
Future expected salary increase	2.64%	3.03%	2.00%
Inflation rate/growth in medical benefit costs	2.49%	2.40%	2.00%

	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%

Contributions and payments for employee benefit obligations are estimated at Euro 17 million for 2012.

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

	2011			
	Average	%	Closing	%
Blue collar	16,079	73%	15,704	73%
White collar and management	5,991	27%	5,843	27%
Total	22,070	100%	21,547	100%

	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%

In 2011 companies consolidated on a proportionate basis had an average number of 792 employees (99 in 2010).

16. DEFERRED TAXES

These are detailed as follows:

(in millions of Euro)

	31 December 2011	31 December 2010
Deferred tax assets:		
- Deferred tax assets recoverable after more than 12 months	33	13
- Deferred tax assets recoverable within 12 months	64	17
Total deferred tax assets	97	30
Deferred tax liabilities:		
- Deferred tax liabilities reversing after more than 12 months	(95)	(36)
- Deferred tax liabilities reversing within 12 months	(11)	(8)
Total deferred tax liabilities	(106)	(44)
Total net deferred tax assets (liabilities)	(9)	(14)

Movements in deferred taxes are detailed as follows:

(in millions of Euro)

	Accumulated depreciation	Provisions	Tax losses	Other	Total
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)
Business combinations	(100)	5	47	26	(22)
Currency translation differences	-	-	-	(2)	(2)
Impact on income statement	2	2	(7)	27	24
Impact on equity	-	3	-	2	5
Balance at 31 December 2011	(163)	51	49	54	(9)

The Group has not recognised any deferred tax assets for carryforward tax losses of Euro 793 million at 31 December 2011 (Euro 61 million at 31 December 2010), or for future deductible temporary differences of Euro 232 million at 31 December 2011 (Euro 33 million at 31 December 2010). Unrecognised deferred tax assets relating to these carryforward tax losses and deductible temporary differences amount to Euro 235 million at 31 December 2011 (Euro 24 million at 31 December 2010).

The following table presents details of carryforward tax losses:

(in millions of Euro)

	31 December 2011	31 December 2010
Carryforward tax losses	969	90
of which recognised as assets	176	29
Carryforward expires within 1 year	20	2
Carryforward expires between 2-5 years	116	17
Unlimited carryforward	833	71

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)

	2011	2010
Finished goods	6,656	3,838
Construction contracts	598	412
Services	186	203
Other	143	118
Total	7,583	4,571

18. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED GOODS

This is detailed as follows:

(in millions of Euro)

	2011	2010
Finished goods	(50)	31
Work in progress	(43)	43
Non-recurring change in inventories of work in progress, semi-finished and finished goods:		
Release of Draka inventory step-up	(14)	-
Total non-recurring change in inventories of work in progress, semi-finished and finished goods	(14)	-
Total	(107)	74

19. OTHER INCOME

This is detailed as follows:

(in millions of Euro)

	2011	2010
Rental income	5	5
Insurance reimbursements and indemnities	1	1
Gains on disposal of property	2	1
Other income	36	23
Non-recurring other income:		
Remeasurement of minority put option liability	-	13
Gains on disposal of assets held for sale	1	-
Total non-recurring other income	1	13
Total	45	43

20. RAW MATERIALS AND CONSUMABLES USED

These are detailed as follows:

(in millions of Euro)

	2011	2010
Raw materials	4,578	2,881
Other materials	333	136
Change in inventories	6	(54)
Total	4,917	2,963

21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)

	2011	2010
Wages and salaries	675	415
Social security	145	94
Fair value of stock options	7	-
Pension funds	4	2
Employee indemnity costs	-	-
Medical benefit costs	1	(1)
Termination and other benefits	4	1
Other personnel costs	35	24
Medium/long-term incentive plans	6	-
Non-recurring personnel costs:		
Company reorganisation	39	9
Total non-recurring personnel costs	39	9
Total	916	544

The amount of Euro 39 million for "Company reorganisation" mostly refers to the costs of reorganising production in North America and certain European countries.

Share-based payments

At 31 December 2011 and 31 December 2010, 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.

Stock option plan 2007-2012

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.

The following table provides further details about the stock option plan:

(in Euro)	31 December 2011		31 December 2010	
	Number of options	Exercise price	Number of options	Exercise price
Options at start of year	737,846	4.65	1,560,436	4.65
Granted	-	4.65	-	4.65
Cancelled	-	-	(28,327)	-
Exercised	(539,609)	4.65	(794,263)	4.65
Options at end of year	198,237	4.65	737,846	4.65
of which vested at end of year	198,237	4.65	737,846	4.65
of which exercisable ⁽¹⁾	-	-	-	-
of which not vested at end of year	-	4.65	-	4.65

⁽¹⁾ Options can be exercised in specified periods only.

As at 31 December 2011 the options are all fully vested.

Following an amendment of the original plan, approved by the Shareholders' Meeting on 15 April 2010, the options can be exercised only in three 30-day periods, running from the date of approving the proposed annual financial statements for 2011, the half-year results for 2012 and the proposed annual financial statements for 2012.

The new terms of exercise have not resulted in substantial changes in the fair value of unexercised options and so have not had any 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 art. 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 2011, the options have an average remaining life of 1.3 years.

No costs for the above stock option plan were recognised in the income statement in 2011, compared with Euro 0.16 million in 2010.

Long-term incentive plan 2011-2013

On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the

Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary authority to establish and execute the plan. The plan's purpose is to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and is conditional upon the achievement of performance targets, as detailed in the specific Information Memorandum.

The plan involves the participation of 290 employees of group companies in Italy and abroad viewed as key resources, and divides them into three categories, to whom the shares will be granted in the following proportions:

- *CEO*: to whom approximately 7.70% of the rights to receive Prysmian S.p.A. shares have been allotted.
- *Senior Management*: this category has 44 participants who hold key positions within the Group (including the Directors of Prysmian S.p.A. who hold the positions of Chief Financial Officer, Energy Business Senior Vice President and Chief Strategic Officer), to whom 41.64% of the total rights to receive Prysmian shares have been allotted.
- *Executives*: this category has 245 participants who belong to the various operating units and businesses around the world, to whom 50.66% of the total rights to receive Prysmian shares have been allotted.

The plan establishes that the number of options granted will depend on the achievement of common business and financial performance objectives for all the participants.

The plan establishes that the participants' right to exercise the allotted options depends on achievement of the Target (being a minimum performance objective of at least Euro 1.75 billion in cumulative Adj. EBITDA for the Group in the period 2011-2013, assuming the same group perimeter) as well as continuation of a professional relationship with the Group up until 31 December 2013. The plan also establishes an upper limit for Adj. EBITDA as the Target plus 20% (ie. Euro 2.1 billion), assuming the same group perimeter, that will determine the exercisability of the maximum number of options granted to and exercisable by each participant.

Access to the plan has been made conditional upon each participant's acceptance that part of their annual bonus will be co-invested, if achieved and payable in relation to financial years 2011 and 2012.

The allotted options carry the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares may partly comprise treasury shares and partly new issue shares, obtained through a capital increase that excludes pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase, involving the issue of up to 2,131,500 new ordinary shares of nominal value Euro 0.10 each, for a maximum amount of Euro 213,150, was approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares will be allotted for zero consideration, while the shares obtained from the above capital increase will be allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

The following table provides further details about the plan:

(in Euro)

	For consideration		For no consideration	
	Number of options ^(*)	Exercise price	Number of options ^(*)	Exercise price
Options at start of year	-	-	-	-
Granted	2,131,500	0.10	2,023,923	-
Cancelled	-	-	(6,700)	-
Exercised	-	0.10	-	-
Options at end of year	2,131,500	0.10	2,017,223	-
of which vested at end of year	-	-	-	-
of which exercisable	-	-	-	-
of which not vested at end of year	2,131,500	0.10	2,017,223	-

(*) The number of options shown has been determined assuming that the objective achieved is a mean between the Target and the Adjusted EBITDA upper limit.

The fair value of the options has been determined using the Cox-Ross-Rubinstein binomial pricing model, based on the following assumptions:

	Options for consideration	Options for no consideration
Grant date	2 September 2011	2 September 2011
Residual life at grant date (in years)	2.33	2.33
Exercise price (Euro)	0.10	-
Expected volatility	45.17%	45.17%
Risk-free interest rate	1.56%	1.56%
Expected interest rate	3.96%	3.96%
Option fair value at grant date (Euro)	10.53	10.63

As at 31 December 2011, the options have an average remaining life of 2 years.

At 31 December 2011, the overall cost recognised in the income statement under "Personnel costs" in relation to the fair value of the options granted has been estimated at Euro 7 million.

The information memorandum, prepared under art. 114-bis of Legislative Decree 58/98 and describing the characteristics of the above incentive plan, is publicly available on the Company's website at <http://www.prysmiangroup.com/>, from its registered offices and from Borsa Italiana S.p.A.

As at 31 December 2011, 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)

	2011	2010
Depreciation of buildings, plant, machinery and equipment	114	68
Depreciation of other property, plant and equipment	3	3
Amortisation of intangible assets	25	7
Non-recurring impairment:		
Impairment of property, plant and equipment	33	8
Impairment of intangible assets	5	13
Total non-recurring impairment	38	21
Total	180	99

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)

	2011	2010
Professional services	36	20
Insurance	35	33
Maintenance costs	72	40
Sales costs	245	175
Utilities	148	89
Services for installations	78	65
Travel costs	37	23
Rental costs	52	24
Vessel charter	21	4
Increases in provisions for risks	16	11
Operating and other costs	158	108
Other expenses	281	198
Non-recurring other expenses:		
Draka acquisition costs	6	-
Effects of Draka change of control	2	-
Draka integration costs	12	-
Special project costs	-	7
Release of provision for tax inspections	-	(2)
Antitrust	205	5
Company reorganisation	17	2
Environmental remediation and other costs	5	1
Remeasurement of minority put option liability	1	-
Total non-recurring other expenses	248	13
Total	1,427	803

The Group incurred Euro 68 million in research and development costs in 2011 (Euro 46 million in 2010).

24. FINANCE COSTS

These are detailed as follows:

(in millions of Euro)		
	2011	2010
Interest on syndicated loans	34	17
Interest on bond	21	15
Amortisation of bank and financial fees and other expenses	11	6
Interest costs on employee benefits	9	7
Other bank interest	22	6
Costs for undrawn credit lines	3	1
Other bank fees	9	6
Other	18	18
Finance costs	127	76
Net losses on interest rate swaps	-	7
Net losses on forward currency contracts	-	31
Losses on derivatives	-	38
Foreign currency exchange losses	233	210
Total finance costs	360	324

25. FINANCE INCOME

This is detailed as follows:

(in millions of Euro)		
	2011	2010
Interest income from banks and other financial institutions	11	7
Other finance income	2	2
Non-recurring other finance income:		
Gain on disposal of available-for-sale financial assets	-	2
Total non-recurring finance income	-	2
Finance income	13	11
Net gains on forward currency contracts	7	-
Gains on derivatives	7	-
Foreign currency exchange gains	211	217
Total finance income	231	228

26. SHARE OF INCOME FROM INVESTMENTS IN ASSOCIATES AND DIVIDENDS FROM OTHER COMPANIES

This is detailed as follows:

(in millions of Euro)

	2011	2010
Kabeltrommel Gmbh & Co.K.G.	2	2
Oman Cables Industry SAOG	4	-
Other companies	3	-
Total	9	2

"Other companies" refer to the results of minor equity investments totalling Euro 3 million, of which Euro 0.7 million relates to the interest in ELKAT Ltd. and Euro 0.5 million to the interest in Tianjing YOFC XMKJ Optical Communications Co., Ltd.

27. TAXES

These are detailed as follows:

(in millions of Euro)

	2011	2010
Current income taxes	68	68
Deferred income taxes	(24)	(5)
Total	44	63

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(in millions of Euro)

	2011	Tax rate	2010	Tax rate
Profit/(loss) before taxes	(101)		213	
Theoretical tax expense at Parent Company's nominal tax rate	(28)	(27.5%)	58	27.5%
Differences in tax rates of foreign subsidiaries	(4)	(4.3%)	7	3.2%
Different tax rate of companies in profit/loss	8	8.0%	-	-
Utilisation of unrecognised carryforward tax losses	(7)	(7.0%)	(6)	(2.9%)
Unrecognised deferred tax assets	21	20.9%	2	1.0%
Net increase (release) of provision for tax disputes	(1)	(1.0%)	(1)	(0.4%)
IRAP (Italian regional business tax)	10	9.9%	10	4.7%
Taxes on distributable reserves	-	-	(1)	(0.4%)
Italian group tax filing	(25)	(24.9%)	-	-
Antitrust	56	55.7%	-	-
Asset impairment	6	6.0%	-	-
Deferred tax assets from prior years recognised and utilised in current year	(2)	(2.0%)	(6)	(2.9%)
Non-deductible costs/ (non-taxable income) and other	10	9.8%	-	-
Effective income taxes	44	43.6%	63	29.8%

28. EARNINGS/(LOSS) AND DIVIDENDS PER SHARE

Basic earnings/(loss) per share have been determined by dividing the net result 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:

- a. the shares issued following exercise of options under the Stock Option Plan 2007-2012, involving the issue of 546,227 shares in 2008, 688,812 shares in 2009, 794,263 shares in 2010 and 539,609 shares in 2011. The options are all vested but can be exercised only in three 30-day periods, running from the date of approving the half-year results for 2012 and from the date of approving the proposed annual financial statements for 2011 and 2012;
- b. the issue of 31,824,570 shares under the capital increase for the Draka Group acquisition.

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

(in millions of Euro)

	2011	2010
Net profit/(loss) attributable to owners of the parent	(136)	148
Weighted average number of ordinary shares (thousands)	208,596	178,860
Basic earnings/(loss) per share (in Euro)	(0.65)	0.82
Net profit/(loss) attributable to owners of the parent	(136)	148
Weighted average number of ordinary shares (thousands)	208,596	178,860
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	1,070	579
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	209,666	179,439
Diluted earnings/(loss) per share (in Euro)	(0.65)	0.82

The dividend paid in 2011 amounted to Euro 35.082 million (Euro 0.166 per share). A dividend of Euro 0.21 per share for the year ended 31 December 2011 will be proposed at the annual general meeting to be held on 18 April 2012 in a single call; based on the number of outstanding shares, the above dividend per share equates to a total dividend pay-out of Euro 44 million. The current financial statements do not reflect any liability for the proposed dividend.

29. CONTINGENT LIABILITIES

As a global operator, the Group is exposed to legal risks primarily, by way of example, in the areas of product liability, environmental rules and regulations, antitrust investigations and tax matters. Outlays relating to current or future proceedings cannot be predicted with certainty. It is possible that the outcomes of these proceedings may give rise to costs that are not covered or not fully covered by insurance, which would therefore have a direct effect on the Group's results.

It is also reported, with reference to the antitrust investigations in the various jurisdictions involved, that the only jurisdiction for which Prysmian Group has decided not to estimate the related risk is Brazil.

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 2011 and not yet reflected in the financial statements, amount to Euro 24 million (Euro 49 million at the end of 2010).

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)		31 December 2011	31 December 2010
Due within 1 year		25	12
Due between 1 and 5 years		57	30
Due after more than 5 years		30	20
Total		112	62

(c) Other commitments

Prysmian Cavi e Sistemi 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" over 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. Prysmian Group has recognised the put option's estimated cost among its liabilities.

31. RECEIVABLES FACTORING

As part of its factoring programmes, the Group has factored trade receivables without recourse. The amount of receivables factored but not yet paid by customers was Euro 178 million at 31 December 2011 (Euro 61 million at 31 December 2010).

32. FINANCIAL COVENANTS

The Credit Agreement, Credit Agreement 2011 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 main 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)

The evolution of the covenants for the above agreements is shown in the following table:

	30 June 2011	31 December 2011	30 June 2012	31 December 2012	30 June 2013	31 December 2013	30 June 2014 and thereafter
Net financial position /EBITDA ⁽¹⁾	3.50x	3.50x	3.50x	3.00x	3.00x	2.75x	2.50x
EBITDA/Net finance costs ⁽²⁾	4.00x	4.00x	4.00x	4.25x	4.25x	5.50x	5.50x

b) Non-financial covenants

A series of non-financial covenants 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 Agreements, together with interest and any other amount due under the terms and conditions of these Agreements. No collateral security is required.

The financial ratios as at the end of 2011 are as follows:

	31 December 2011	31 December 2010
EBITDA/Net finance costs ^(*)	6.40	7.33
Net financial position /EBITDA ^(*)	1.74	1.14

^(*) The ratios have been calculated on the basis of the definitions contained in the Credit Agreement, in the Credit Agreement 2011 and in the Forward Start Credit Agreement, as well as the figures relating to the Draka Group for the period 1 January – 31 December 2011.

The above financial ratios comply with the covenants contained in the Credit Agreement, the Credit Agreement 2011 and the Forward Start Credit Agreement.

33. RELATED PARTY TRANSACTIONS

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

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

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

The following tables summarise related party transactions in the years ended 31 December 2011 and 31 December 2010:

(in millions of Euro)					31 December 2011
	Investments in associates	Trade and other receivables	Derivatives classified as assets	Trade and other payables	Financial payables and derivatives classified as liabilities
Associates	87	8	-	12	-
Other related parties:					
Compensation of directors, statutory auditors and key management personnel	-	-	-	6	-
Non-controlling interests	-	-	-	16	-
Total	87	8	-	34	-

(in millions of Euro)					31 December 2010
	Investments in associates	Trade and other receivables	Derivatives classified as assets	Trade and other payables	Financial payables and derivatives classified as liabilities
Associates	9	5	-	4	-
Other related parties:					
Compensation of directors, statutory auditors and key management personnel	-	-	-	3	-
Non-controlling interests	-	-	-	13	-
Total	9	5	-	20	-

(in millions of Euro)					2011
	Share of income from investments in associates and dividends from other companies	Sales of goods and services and other income	Personnel costs	Cost of goods and services	Finance income/(costs)
Associates	8	64	-	47	-
Other related parties:					
Compensation of directors, statutory auditors and key management personnel	-	-	12	-	-
Non-controlling interests	-	-	-	1	-
Total	8	64	12	48	-

(in millions of Euro)					2010
	Share of income from investments in associates and dividends from other companies	Sales of goods and services and other income	Personnel costs	Cost of goods and services	Finance income/(costs)
Associates	2	22	-	5	-
Other related parties:					
Compensation of directors, statutory auditors and key management personnel	-	-	8	-	-
Non-controlling interests	-	13	-	-	-
Total	2	35	8	5	-

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

These refer 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)

	2011	2010
Salaries and other short-term benefits - fixed part	4,990	3,477
Salaries and other short-term benefits - variable part	5,187	4,157
Other benefits	4	35
Share-based payments	2,038	111
Total	12,219	7,780
of which Directors	9,851	7,008

Payables for key management compensation amount to Euro 6.4 million at 31 December 2011 (Euro 3.1 million at 31 December 2010).

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

The compensation of the Directors of Prysmian S.p.A. amounts to Euro 10.2 million in 2011 (Euro 7.3 million in 2010). The compensation of the Statutory Auditors of Prysmian S.p.A. amounts to Euro 0.12 million in 2011 (Euro 0.2 million in 2010). 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.

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 took place during 2011.

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, comprising total net non-recurring expenses of Euro 338 million in 2011 and Euro 28 million in 2010.

(in millions of Euro)

	2011	2010
Non-recurring other income:		
Gains on disposal of assets held for sale	1	-
Remeasurement of minority put option liability	-	13
Total non-recurring other income	1	13
Non-recurring change in inventories of work in progress, semi-finished and finished goods:		
Release of Draka inventory step-up	(14)	-
Total non-recurring change in inventories of work in progress, semi-finished and finished goods	(14)	-
Non-recurring personnel costs:		
Company reorganisation	(39)	(9)
Total non-recurring personnel costs	(39)	(9)
Non-recurring impairment:		
Impairment of property, plant and equipment	(33)	(8)
Impairment of intangible assets	(5)	(13)
Total non-recurring impairment	(38)	(21)
Non-recurring other expenses:		
Draka acquisition costs	(6)	-
Effects of Draka change of control	(2)	-
Draka integration costs	(12)	-
Special project costs	-	(7)
Release of provision for tax inspections	-	2
Antitrust	(205)	(5)
Company reorganisation	(17)	(2)
Environmental remediation and other costs	(5)	(1)
Remeasurement of minority put option liability	(1)	-
Total non-recurring other expenses	(248)	(13)
Non-recurring other finance income:		
Gains on disposal of assets held for sale	-	2
Total non-recurring other finance income	-	2
Total	(338)	(28)

37. STATEMENT OF CASH FLOWS

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 481 million in 2011, of which Euro 373 million provided by the pre-acquisition Prysmian Group.

Cash flow also benefited from the reduction of Euro 183 million in net working capital (of which Euro 86 million relating to the pre-acquisition Prysmian Group). Therefore, after deducting Euro 97 million in tax payments, net cash flow from operating activities in the period was a positive Euro 567 million (of which Euro 373 million relating to the pre-acquisition Prysmian Group).

Net cash flow used for acquisitions was Euro 419 million, all of which relates to acquisition of the Draka Group and represents the cash outlay of Euro 501 million to acquire this group minus its net cash and cash equivalents at the acquisition date.

Net operating investments in 2011 amounted to Euro 145 million (of which Euro 122 million relating to the pre-acquisition Prysmian Group). Investments in 2011 primarily related to completion of the new plant in Brazil, which will design and supply high-tech flexible pipes for offshore oil drilling under a four-year agreement with the oil company Petrobras, and to production capacity expansion for high voltage cables in

Russia, China and France and for submarine cables in Italy and Finland. Around 67% of total investment expenditure on property, plant and equipment related to projects to increase production capacity, some 11% of the total went on projects to improve industrial efficiency, while about 22% related to structural work on buildings or entire production lines to make them compliant with the latest regulations.

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 2011 and 2010 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 2011	Fees relating to 2010
Audit services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	1,600	918
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	567	573
	PricewaterhouseCoopers Network	Foreign subsidiaries	3,940	2,334
Certification services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	140	1,714
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	114	34
	PricewaterhouseCoopers Network	Foreign subsidiaries	-	-
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. ⁽¹⁾	314	462
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	104	77
	PricewaterhouseCoopers Network	Foreign subsidiaries ⁽²⁾	436	278
Total			7,215	6,390

(1) Due diligence, audit support and other services.

(2) Tax and other services.

39. SUBSEQUENT EVENTS

In February 2012, the Group informed the European employee representative bodies (EWC or CAE) and the local trade unions, of its intention in 2012 to close three plants in Europe (Livorno Ferraris in Italy, Derby in Great Britain and Fercable in Spain) and to partially restructure another (Wuppertal in Germany).

This operation, involving about 400 employees, is part of a rationalisation of the Group's production structure, following the acquisition of Draka, and accordingly aims to realign industrial presence with business/market potential and to improve production capacity utilisation by enhancing overall economic performance through economies of scale.

The plants being restructured have therefore been tested for impairment, resulting in the recognition of Euro 14 million in costs in 2011, mostly in connection with the impairment of property, plant and equipment. Other restructuring costs, however, will depend on the outcome of negotiations in progress with the trade unions, and so to date, it has not been possible to make a sufficiently accurate estimate.

On 16 February 2012, the Group was awarded a contract worth approximately Euro 800 million for the Western HVDC Link project to develop a new submarine power link between Scotland and England. The entire turnkey project will be carried out by a consortium between Prysmian Group and Siemens, which will be responsible for the converter stations. The total value of the contract awarded to the consortium by NGET/SPT Upgrades Ltd, a joint venture between National Grid Electricity Transmission, the British grid operator, and Scottish Power Transmission, the Scottish grid operator, is about Euro 1.1 billion. The project is scheduled to be completed by the second half of 2015.

On 27 February 2012, the squeeze-out, permitted under art. 2:359c of the Dutch Civil Code, was completed for the purchase of the 478,878 ordinary shares in Draka Holding N.V. that did not accept the public mixed exchange and cash offer for all the ordinary shares in Draka Holding N.V.. The successful conclusion of the squeeze-out means that Prysmian S.p.A. now holds all the share capital of Draka Holding N.V..

The squeeze-out procedure has required Prysmian S.p.A. to place the sum of Euro 8,886,251.19, inclusive of legal interest required under Dutch law, on a deposit account held at the Dutch Ministry of Finance for the benefit of these share owners; this amount has been calculated on the basis of a value of Euro 18.53 per share, as determined by the corporate division of the Amsterdam Appeal Court.

Milan, 7 March 2012

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Paolo Zannoni

SCOPE OF CONSOLIDATION – APPENDIX A

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,053,008	100.00%	Prysmian Cavi e Sistemi S.r.l.
Draka Comteq Austria GmbH	Vienna	Euro	54,505	100.00%	Draka Comteq Germany GmbH & Co. KG
Belgium					
Draka Belgium N.V.	Leuven	Euro	61,973	98.52%	Draka Holding N.V.
				1.48%	Draka Kabel B.V.
Denmark					
Draka Denmark Copper Cable A/S	Brøndby	Danish Krone	5,000,000	100.00%	Draka Denmark Holding A/S
Draka Comteq Denmark A/S	Brøndby	Danish Krone	40,000,000	100.00%	Draka Denmark Holding A/S
Draka Denmark Holding A/S	Brøndby	Danish Krone	88,734,000	100.00%	Draka Holding N.V.
Estonia					
AS Draka Keila Cables	Keila	Euro	1,661,703	66.00%	Draka NK Cables OY
				34.00%	Third parties
Finland					
Prysmian Cables and Systems OY	Kirkkonummi	Euro	2,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Draka NK Cables OY	Helsinki	Euro	16,008,000	100.00%	Draka Holding N.V.
Epictetus OY	Helsinki	Euro	2,523	100.00%	Draka NK Cables OY
Draka Comteq Finland OY	Helsinki	Euro	100,000	100.00%	Draka Comteq B.V.
France					
Prysmian (French) Holdings S.A.S.	Paron de Sens	Euro	173,487,250	100.00%	Prysmian Cavi e Sistemi 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.
Draka Comteq France	Argenteuil	Euro	246,554,316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5,439,700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Sainte Geneviève	Euro	5,177,985	100.00%	Draka France S.A.S.
Draka France S.A.S.	Sainte Geneviève	Euro	120,041,700	100.00%	Draka Holding N.V.
Germany					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Prysmian Cavi e Sistemi 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
Draka Cable Wuppertal GmbH	Wuppertal	Euro	25,000	100.00%	Draka Deutschland GmbH
Draka Comteq Berlin GmbH & Co.KG	Berlin	Euro	23,500,001	50.10%	NKF Participatie B.V.
				49.90%	Draka Deutschland Vierte Beteiligungs- GmbH
Draka Comteq Germany Verwaltungs GmbH	Köln	Euro	25,000	100.00%	Draka Comteq BV
Draka Comteq Germany GmbH & Co.KG	Köln	Euro	5,000,000	100.00%	Draka Comteq Germany Verwaltungs GmbH
Draka Comteq Germany Holding GmbH	Köln	Euro	25,000	100.00%	Draka Comteq BV
Draka Deutschland Erste Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Beheer- en Beleggingsmaatschappij De Vaartweg B.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs- GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs- GmbH

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Deutschland Verwaltungs- GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Vierte Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Draka Deutschland GmbH
Draka Deutschland Zweite Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Kabelbedrijven Draka Nederland
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nürnmberg	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel Vertriebs GmbH	Wuppertal	Euro	25,100	100.00%	Kaiser Kabel GmbH
NKF Holding (Deutschland) GmbH	Wuppertal	Euro	25,000	100.00%	Draka Communications B.V.
USB -elektro Kabelkonfektions - GmbH	Bendorf	Deutsche Mark	2,750,000	100.00%	White Holding B.V.
Wagner Management- und Projektgesellschaft mit beschränkter Haftung	Berlin	Deutsche Mark	50,000	60.00%	Draka Cable Wuppertal GmbH
				40.00%	Third parties
U.K.					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	45,292,120	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Industrial) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Supertension) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Kingston upon Thames	British Pound	33	63.53%	Prysmian Cables & Systems Ltd.
				12.52%	Draka UK Limited
				23.95%	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 S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Draka Distribution Aberdeen Limited	Eastleigh	British Pound	1	100.00%	Draka UK Group Limited
Draka Comteq UK Limited	Eastleigh	British Pound	2	100.00%	Draka Comteq B.V.
Draka UK Limited	Eastleigh	British Pound	202,000	100.00%	Draka UK Group Limited
Draka UK Group Limited	Eastleigh	British Pound	10,000,103	99.99999%	Draka Holding N.V.
				0.00001%	Third parties
Draka Cardinal Limited	Eastleigh	British Pound	6	99.9998%	Draka UK Group Limited
				0.0002%	Draka Holding N.V.
RMCA Holding Limited	Eastleigh	British Pound	30	99.99996%	Draka UK Group Limited
				0.00004%	Third parties
Draka UK Services Limited	Eastleigh	British Pound	2	100.00%	Draka UK Group Limited
Draka UK (EXDCC) Pension Plan Trust Company Ltd.	Derby	British Pound	1	100.00%	Draka UK Limited
Draka UK Pension Plan Trust Company Ltd.	Derby	British Pound	1	100.00%	Draka UK Limited
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) Holding B.V.
Italy					
Prysmian Cavi e Sistemi 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	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Treasury S.r.l.	Milan	Euro	4,242,476	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian PowerLink S.r.l.	Milan	Euro	50,000,000	84.80%	Prysmian Cavi e Sistemi 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 S.r.l.
DB Lift Draka Elevator Product S.r.l	Milan	Euro	250,000	100.00%	Draka Elevator Products B.V.
Luxembourg					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	3,050,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Balin S.A.	Luxembourg	Euro	30,987	100.00%	Third parties
Norway					
Prysmian Kabler og Systemer A.S.	Ski	Norwegian Krone	100,000	100.00%	Prysmian Cables and Systems OY
Draka Comteq Norway A.S.	Drammen	Norwegian Krone	100,300	100.00%	Draka Comteq B.V.
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Norway A.S.
Draka Norway A.S.	Drammen	Norwegian Krone	112,000	100.00%	Draka Holding N.V.

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The Netherlands					
Prysmian Cable Holding B.V.	Delft	Euro	54,503,013	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Cables and Systems B.V.	Delft	Euro	5,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Beheer- en Beleggingsmaatschappij De Vaartweg B.V.	Amsterdam	Euro	16,563	100.00%	Draka Holding N.V.
Cableries Holding B.V.	Oudenbosch	Euro	453,780	100.00%	White Holding B.V.
Draka Beheer B.V.	Amsterdam	Euro	18,004	100.00%	Draka Holding N.V.
Draka Beheer IV B.V.	Amsterdam	Euro	18,000	100.00%	Draka Holding N.V.
Draka Communications B.V.	Amsterdam	Euro	2,053,355	100.00%	Kabelbedrijven Draka Nederland B.V.
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Beheer B.V.
Draka Comteq Cable Solutions B.V.	Gouda	Euro	18,000	100.00%	Draka Beheer B.V.
Draka Comteq Data B.V.	Amsterdam	Euro	18,200	100.00%	Draka Beheer B.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Draka Beheer B.V.
Draka Comteq Telecom B.V.	Gouda	Euro	18,002	100.00%	Draka Beheer B.V.
Draka Elevator Products B.V.	Oudenbosch	Euro	18,000	100.00%	Draka Nederland B.V.
Draka Holding N.V.	Amsterdam	Euro	27,245,627	99.12%	Prysmian S.p.A.
				0.88%	Third parties
Draka Kabel B.V.	Amsterdam	Euro	2,277,977	100.00%	Kabelbedrijven Draka Nederland B.V.
Draka Nederland B.V.	Amsterdam	Euro	18,605	100.00%	Draka Holding N.V.
Draka Treasury B.V.	Amsterdam	Euro	2,268,901	100.00%	Draka Holding N.V.
Fabriek voor Auto-en Electrotechnische Produkten "White Products" B.V.	Oudenbosch	Euro	6,806,703	100.00%	White Holding B.V.
I.C. Kabel B.V.	Roosendaal	Euro	1,150,333	100.00%	Balin S.A.
Kabelbedrijven Draka Nederland B.V.	Amsterdam	Euro	18,151	100.00%	Draka Nederland B.V.
NKF Participatie B.V.	Delft	Euro	18,151	100.00%	Draka Communications B.V.
NK China Investments B.V.	Delft	Euro	19,000	100.00%	Draka Communications B.V.
NKF Vastgoed B.V.	Delft	Euro	13,613,406	100.00%	Draka Communications B.V.
NKF Vastgoed Holding B.V.	Den Haag	Euro	18,151	100.00%	Draka Communications B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151	99.00%	Draka Holding N.V.
				1.00%	Draka Communications B.V.
NKF Vastgoed II B.V.	Delft	Euro	18,151	100.00%	Draka Communications B.V.
NKF Vastgoed III B.V.	Amsterdam	Euro	18,151	99.00%	Draka Deutschland GmbH
				1.00%	Draka Communications B.V.
NKF Vastgoed IV B.V.	's-Gravenhage	Euro	18,151	100.00%	NKF Vastgoed Holding B.V.
Plasma Optical Fibre B.V.	Eindhoven	Euro	90,756	100.00%	Draka Comteq Fibre B.V.
White Holding B.V.	Oudenbosch	Euro	4,605,869	100.00%	Draka Nederland B.V.
Draka Sarphati B.V.	Amsterdam	Euro	18,151	100.00%	Draka Holding N.V.
Draka Sarphati II B.V.	Amsterdam	Euro	18,200	100.00%	Draka Holding N.V.
Czech Republic					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding N.V.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	103,850,920	99.9995%	Prysmian (Dutch) Holdings B.V.
				0.0005%	Prysmian Cavi e Sistemi S.r.l.
Russia					
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 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	50,000,000	100.00%	Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"
Draka Industrial Cable Russia LLC	St. Petersburg	Russian Rouble	100,000	100.00%	Draka Holding N.V.
Neva Cables Ltd	St. Petersburg	Russian Rouble	194,000	75.00%	Draka Comteq Finland OY
				25.00%	Third parties

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Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Draka Comteq Slovakia s.r.o.	Presov	Euro	1,506,639	100.00%	Draka Comteq B.V.
Spain					
Prysmian Cables y Sistemas S.A.	Vilanova I la Geltrú	Euro	15,000,000	100.00%	Prysmian Cavi e Sistemi 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
Draka Industry & Specialty S.L.U.	Noain	Euro	3,201	100.00%	Draka Holding NV Y CIA Soc. Col.
Marmavit S.L.U.	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Nederland B.V.
Draka Holding NV Y CIA Soc. Col.	Santa Perpetua de Mogoda	Euro	17,011,685	99.9999%	Draka Holding N.V.
				0.0001%	Marmavit S.L.U.
Draka Cables Industrial S.L.U.	Santa Perpetua de Mogoda	Euro	58,178,234	100.00%	Draka Holding NV Y CIA Soc. Col.
Draka Comteq Iberica S.L.U.	Malliaño	Euro	4,000,030	100.00%	Draka Holding NV Y CIA Soc. Col.
Draka Elevator Products Spain S.L.U.	Fuente el Saz del Jarama	Euro	3,007	100.00%	Draka Holding NV Y CIA Soc. Col.
Sweden					
Prysmian Kablar och System AB	Hoganas	Swedish Krona	100,000	100.00%	Prysmian Cables and Systems OY
Draka Comteq Sweden AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Comteq B.V.
NK Cables Sverige AB	Orebro	Swedish Krona	100,000	100.00%	Draka NK Cables OY
Draka Sweden AB	Nässjö	Swedish Krona	100,100	100.00%	Draka Holding N.V.
Draka Kabel Sverige AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Sweden AB
Fastighets Spännbucklan AB	Nässjö	Swedish Krona	25,000,000	100.00%	Draka Sweden AB
Fastighets Hygget AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Sweden AB
Switzerland					
Prysmian Cables and Systems SA	Manno	Swiss Franc	500,000	100.00%	Prysmian (Dutch) Holdings B.V.
Turkey					
Türk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	112,233,652	83.746%	Prysmian (Dutch) Holdings B.V.
				16.254%	Third parties
Draka Istanbul Asansor Ihracaat Ithalat Üretim Ltd Sti.	Istanbul	Turkish new Lira	180,000	99.972%	Draka Elevator Products B.V.
				0.028%	Draka Holding N.V.
Draka Comteq Kablo Limited Sirketi	Istanbul	Turkish new Lira	45,818,775	99.999%	Draka Comteq B.V.
				0.001%	Draka Comteq Telecom B.V.
Hungary					
Prysmian MKM Magyar Kabel Muvek KFT	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi 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
North America					
Canada					
Prysmian Power Cables and Systems Canada Ltd.	Saint John	Canadian Dollar	1,000,000	100.00%	Prysmian (Dutch) Holdings B.V.
Draka Elevator Products, Inc.	Brantford	Canadian Dollar	n/a	100.00%	Draka Cableteq USA, Inc.
U.S.A.					
Prysmian Cables and Systems (US) INC.	Carson City	US Dollar	71,000,001	100.00%	Prysmian Cavi e Sistemi 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
Draka USA, Inc.	Massachusetts	US Dollar	10	100.00%	Draka Holding N.V.
Draka Holdings USA, Inc.	Massachusetts	US Dollar	10	100.00%	Draka USA, Inc.
Draka Cableteq USA, Inc.	Massachusetts	US Dollar	1	100.00%	Draka Holdings USA, Inc.
Draka Elevator Products, Inc.	Massachusetts	US Dollar	1	100.00%	Draka Holdings USA, Inc.
Draka Communications Americas, Inc.	Massachusetts	US Dollar	n/a	100.00%	Draka Holdings USA, Inc.
Draka Marine Oil & Gas International LLC	Massachusetts	US Dollar	n/a	100.00%	Draka Cableteq USA, Inc.
Draka Transport USA LLC	Massachusetts	US Dollar	n/a	100.00%	Draka Cableteq USA, Inc.

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Central/South America					
Netherlands Antilles					
NKF Americas N.V.	Willemstad	US Dollar	6,000	100.00%	NKF Vastgoed B.V.
NKF Caribe N.V.	Willemstad	Netherlands Antilles Forint	10,000	100.00%	NKF Vastgoed B.V.
Argentina					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	66,966,667	94.68%	Prysmian Consultora Conductores e Instalaciones SAIC
				5.00%	Prysmian (Dutch) Holdings B.V.
				0.32%	Third parties
Prysmian 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 S.r.l.
Cables Ópticos y Metálicos para Telecomunicaciones Telcon S.R.L.	Buenos Aires	Argentine Peso	500,000	98.00%	Telcon Fios e Cabos para Telecomunicações S.A.
				2.00%	Third parties
Brazil					
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	108,869,887	100.00%	Prysmian Cavi e Sistemi 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 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 Surfex Umbilicais e Tubos Flexíveis do Brasil LTDA	Vila Velha	Brazilian Real	118,290,457	100.00%	Prysmian Cavi e Sistemi S.r.l.
Draka Comteq Brasil Holding Ltda	Sorocaba	Brazilian Real	34,005,410	99.99%	Draka Comteq B.V.
				0.01%	NKF Vastgoed B.V.
Draka Cableteq Brasil S.A.	Sorocaba	Brazilian Real	19,286,097	99.19%	Draka Holding N.V.
				0.81%	Third parties
Doiter Industria e Comercio Ltda	Espirito Santo, Vitoria	Brazilian Real	118,000	99.9992%	Draka Comteq Cabos Brasil S.A.
				0.0008%	Third parties
Draktel Optical Fibre S.A.	Sorocaba	Brazilian Real	42,628,104	70.00%	Draka Comteq Brasil Holding Ltda
				30.00%	Third parties
Draka Comteq Cabos Brasil S.A.	Sao Paulo	Brazilian Real	43,928,631	99.999998%	Draka Comteq B.V.
				0.000002%	Third parties
Chile					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,147,127,679	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
Mexico					
Draka Durango S. de R.L. de C.V.	Durango	Mexican Peso	163,471,787	99.996%	Draka Mexico Holdings S.A. de C.V.
				0.004%	Draka Holding N.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,500	99.998%	Draka Holding N.V.
				0.002%	Draka Nederland B.V.
NK Mexico Holdings S.A. de C.V.	Mexico City	Mexican Peso	n/a	100.00%	Draka NK Cables OY
Africa					
Ivory Coast					
SICABLE - Société Ivoirienne 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 Systemes France S.A.S.
				0.05%	Prysmian (French) Holdings S.A.S.
				0.05%	Prysmian Cavi e Sistemi 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 S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Draka Cableteq Australia Pty Ltd	Brisbane	Australian Dollar	1,700,001	100.00%	Singapore Cables Manufacturers Pte Ltd
New Zealand					
Prysmian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Power Cables & Systems Australia Pty Ltd.

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Asia					
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
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	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Pechino	Euro	55,000,000	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Product INC.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Product INC.
				25.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Shanghai Optical Fibre Cable Co Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co.KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd	Suzhou	Chinese Renminbi (Yuan)	134,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	12,000,000	28.125%	Yangtze Optical Fibre and Cable Company Ltd.
				25.000%	Draka Holding N.V.
				46.875%	Third parties
NK Wuhan Cable Co. Ltd.	Wuhan	US Dollar	12,000,000	7.50%	Yangtze Optical Fibre and Cable Company Ltd.
				60.00%	NK China Investments B.V.
				32.50%	Third parties
Philippines					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999998%	Draka Holding N.V.
				0.0000002%	Third parties
India					
Ravin Cables Limited	Mumbai	Indian Rupee	209,230,110	51.00%	Prysmian Cavi e Sistemi S.r.l.
				49.00%	Third parties
Pirelli Cables (India) Private Limited	New Delhi	Indian Rupee	10,000,000	99.998%	Prysmian Cable Holding B.V.
				0.002%	Prysmian Cavi e Sistemi S.r.l.
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	32.00%	Draka UK Group Limited
				28.00%	Draka Treasury B.V.
				40.00%	Oman Cables Industry SAOG
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 S.r.l.
Malaysia					
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Sindutch Cable Manufacturer Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Marketing and Services Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd
Draka (Malaysia) Sdn Bhd	Malacca	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd
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.
Draka Offshore Asia Pacific Pte Ltd	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Cableteq Asia Pacific Holding Pte Ltd	Singapore	Singapore Dollar	28,630,542	100.00%	Draka Holding N.V.
Singapore Cables Manufacturers Pte Ltd	Singapore	Singapore Dollar	990,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Cable Supply and Consulting Company Pte Ltd	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Comteq Singapore Pte Ltd	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) pte ltd	Singapore	US Dollar	116,692	100.00%	Draka NK Cables OY
Thailand					
MCI-Draka Cable Co. Ltd	Bangkok	Thai Baht	435,900,000	70.250172%	Draka Cableteq Asia Pacific Holding Pte Ltd
				0.000023%	Draka (Malaysia) Sdn Bhd
				0.000023%	Sindutch Cable Manufacturer Sdn Bhd
				0.000023%	Singapore Cables Manufacturers Pte Ltd
				29.749759%	Third parties

The following companies have been consolidated on a proportionate basis:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Central/South America					
Brazil					
Telcon Fios e Cabos para Telecomunicações S.A	Sorocaba	Brazilian Real	25,804,568	50.00%	Draka Comteq Brasil Holding Ltda
				50.00%	Third parties
Asia					
China					
Yangtze Optical Fibre and Cable Company Ltd.	Wuhan	Euro	63,328,220	37.50%	Draka Comteq B.V.
				62.50%	Third parties
United Arab Emirates					
Power Plus Cable CO. LLC	Fujairah	United Arab Emirates Dirhai	51,000,000	49.00%	Ravin Cables Limited
				51.00%	Third parties
Japan					
Precision Fiber Optics Ltd.	Chiba	Japanese Yen	360,000,000	50.00%	Plasma Optical Fibre B.V.
				50.00%	Third parties
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

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Germany					
Kabeltrommel GmbH & CO.KG	Troisdorf	Euro	10,225,838	1.00%	Bergmann Kabel und Leitungen GmbH
				28.68%	Prysmian Kabel und Systeme GmbH
				13.50%	Draka Cable Wuppertal GmbH
				56.82%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	11.77%	Prysmian Kabel und Systeme GmbH
				5.88%	Bergmann Kabel und Leitungen GmbH
				23.53%	Draka Cable Wuppertal GmbH
				58.82%	Third parties
Sykonec GMBH	Neustadt bei Coburg	Euro	300,000	50.00%	Bergmann Kabel und Leitungen GmbH
				50.00%	Third parties
KTG Europe GmbH	Troisdorf	Euro	100,000	100.00%	Kabeltrommel GmbH & CO.KG
U.K.					
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 Cavi e Sistemi S.r.l.
				79.95%	Third parties
Russia					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Draka NK Cables OY
				60.00%	Third parties
Asia					
China					
Jiangsu Yangtze Zhongli Optical Fibre & Cable Co., Ltd.	Changshu	Chinese Renminbi (Yuan)	92,880,000	51.00%	Yangtze Optical Fibre and Cable Company Ltd.
				49.00%	Third parties
Yangtze Optical Fibre & Cable (Sichuan) Co., Ltd.	Emeishan City	Chinese Renminbi (Yuan)	33,200,000	51.00%	Yangtze Optical Fibre and Cable Company Ltd.
				49.00%	Third parties
Tianjin YOFC XMKJ Optical Communications Co.,Ltd.	Tianjin	Chinese Renminbi (Yuan)	220,000,000	49.00%	Yangtze Optical Fibre and Cable Company Ltd.
				51.00%	Third parties
Shenzhen SDGI Optical Fibre Co., Ltd.	Shenzhen	Chinese Renminbi (Yuan)	149,014,800	49.00%	Yangtze Optical Fibre and Cable Company Ltd.
				51.00%	Third parties
Shantou Hi-Tech Zone Aoxing Optical Communication EquipmentsCo.,Ltd. Shantou		Chinese Renminbi (Yuan)	170,558,817	42.42%	Yangtze Optical Fibre and Cable Company Ltd.
				57.58%	Third parties
Yangtze Wuhan Optical System Co.,Ltd.	Wuhan	Chinese Renminbi (Yuan)	50,000,000	44.00%	Yangtze Optical Fibre and Cable Company Ltd.
				56.00%	Third parties
Tianjin YOFC XMKJ Optical Cable Co., Ltd.	Tianjin	Chinese Renminbi (Yuan)	100,000,000	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
				80.00%	Third parties
WuhanGuanyuan Electronic Technology Co. Ltd.	Wuhan	Chinese Renminbi (Yuan)	5,000,000	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
				80.00%	Third parties
Tianmen Xinrun Timber Produce Co., Ltd.	Tianmen	Chinese Renminbi (Yuan)	5,000,000	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
				80.00%	Third parties
Oman					
Oman Cables Industry SAOG	Muscat	Omani Rial	8,970,000	34.78%	Draka Holding N.V.
				65.22%	Third parties

LIST OF INVESTMENTS PURSUANT TO ART.126 OF CONSOB REGULATION 11971

Legal name	% ownership	Direct parent company
Europe		
Finland		
Conex Cables OY	50.00%	Draka NK Cables OY
	50.00%	Terzi
The Netherlands		
Donne Draad B.V.	100.00%	Kabelbedrijven Draka Nederland B.V.
Switzerland		
Voltimum S.A.	13.71%	Prysmian Cavi e Sistemi S.r.l.
	86.29%	Third parties
Asia		
Saudi Arabia		
Sicew-Saudi Italian Company for Electrical Works Ltd.	34.00%	Prysmian Cable Holding B.V.
	66.00%	Third parties
China		
Hangzhou Futong Optical Fiber Technology Co., Ltd.	10.38%	Yangtze Optical Fibre & Cable (Sichuan) Co. Ltd.
	89.62%	Third parties
Wuhan Yunjingfei Optical Fiber Material Co., Ltd.	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
	80.00%	Third parties
Africa		
South Africa		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi 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 Carlo Soprano and Jordi Calvo, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 dated 24 February 1998, that during 2011 the accounting and administrative processes for preparing the consolidated financial statements:

- have been adequate in relation to the business'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 2011 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 companies in the Draka Group, acquired in February 2011, into the Group's system of procedures and controls is still in progress. However, a large portion of these companies, including the nine most material by sales, already adopted the key elements of this system in 2011 and such integration should be largely completed during 2012;
- during 2011, several of the Prysmian Group's companies were involved in the project to adopt 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; in any case, the system of controls in place ensures consistency with the Group's system of procedures and controls

3. They also certify that:

3.1 The consolidated financial statements at 31 December 2011:

- 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.

7 March 2012

Signed: Valerio Battista

Chief Executive Officer

Valerio Battista

Signed: Carlo Soprano and Jordi Calvo

Managers responsible for preparing corporate accounting documents

Carlo Soprano

Jordi Calvo

AUDIT REPORT



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 2011 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 16 March 2011.
- 3 In our opinion, the consolidated financial statements of the Prysmian Group as of 31 December 2011 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 2011, 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 consolidated financial statements in note 14 "Provisions for risks and charges", during 2009, the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and on other European and Asian electrical cable manufacturers aimed at assessing the existence of price

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 Wuhler 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
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fixing agreements in the high voltage land and submarine cables business. Considering the recent developments of the European Commission investigation and the statement of objection received from the European Commission in July 2011, the Directors estimated a liability related to the different jurisdictions under investigation, with the exception of Brazil. This provision represents the best estimate of the liability based on the information now available, even though the outcome of the investigations in progress in the various jurisdictions is still uncertain.

- 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 2011.

Milan, 23 March 2012

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.

