


CARRYING OUT IDEAS TO KEEP ON GROWING

FIRST QUARTER REPORT 2011

PRYSMIAN
CABLES & SYSTEMS

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.

CONTENTS

DIRECTORS' REPORT

DIRECTORS AND AUDITORS

Board of Directors	**Chairman**	Paolo Zannoni	
	Chief Executive Officer & General Manager	Valerio Battista	
	Directors	Wesley Clark (*)	Fabio Ignazio Romeo
		Giulio Del Ninno(*) (1) (2)	Claudio De Conto(*) (1) (2) (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

Foreword

This quarterly financial report at 31 March 2011 (Interim management statement pursuant to art. 154-ter of Italian Decree 58/1998) has been drawn up and prepared:

- in compliance with art. 154-ter of Italian Decree 58/1998 and subsequent amendments with the Issuer Regulations published by Consob (Italy's securities regulator);
- in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and in accordance with *IAS 34 – Interim Financial Reporting*.

The present quarterly financial report has not been audited.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION (*)

(in millions of Euro)

			3 months 2011 (**)		3 months 2010	% Consolidated change	% Prysmian change	FY 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Sales	1,258	233	(1)	1,490	969	53.7%	29.8%	4,571
EBITDA (1)	76	16	-	92	72	27.0%	5.4%	365
Adjusted EBITDA (2)	84	17	-	101	75	34.7%	12.5%	387
Operating income	41	6	-	47	50	-5.5%	-18.2%	307
Adjusted operating income (3)	65	11	-	76	57	35.6%	15.8%	309
Profit before taxes	14	5	-	19	34	-44.4%	-59.7%	213
Profit/(loss) for the period	9	4	-	13	23	-42.9%	-60.9%	150

(in millions of Euro)

			31 March 2011 (**)		31 March 2010	Consolidated change	Prysmian change	31 December 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Net capital employed	2,543	1,021	(575)	2,989	1,473	1,516	1,070	1,403
Employee benefit obligations	141	83	-	224	145	79	(4)	145
Equity	1,286	594	(575)	1,305	732	573	554	799
of which attributable to non-controlling interests	40	22	4	66	36	30	4	43
Net financial position	1,116	344	-	1,460	596	864	520	459

(in millions of Euro)

			3 months 2011 (**)		3 months 2010	% Consolidated change	% Prysmian change	FY 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Investments	16	1	-	17	11	54.5%	45.5%	102
Employees (at period end)	12,694	9,329	-	22,023	12,184	80.8%	4.2%	12,352
Earnings/(loss) per share								
- basic				0.07	0.13			0.82
- diluted				0.07	0.13			0.82

(1) EBITDA is defined as earnings/(loss) for the period, 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 March 2011.

SIGNIFICANT EVENTS DURING THE PERIOD

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).
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).
Payment of the offer price to the Draka shareholders who accepted the offer during the Post-Closing acceptance period was settled on 8 March 2011.

By completing this 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 assessed in 2009 when, as announced at the time, they started discussions for proposing a cross-border merger to their respective shareholders.

The acquisition is backed by a strong strategic rationale and significant value creation opportunities. In fact, the reference industries in which both Prysmian and Draka customers operate are 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 98 plants and a workforce of more than 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 Adj.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 will continue to serve the main national grid operators and will be involved in the most important transmission projects worldwide;

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

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

(d) leveraging on Draka's optical fibre production technology, the new Group will have fibre production facilities spread across the globe and will 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 will be ideally positioned to better capture the growing opportunities. In view of the significant experience matured by both Prysmian and Draka in implementing efficiency and cost-saving measures, further areas for improvement have already been identified.

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

Sources of Finance

With reference to the Draka acquisition, during the month of February 2011, Prysmian obtained, from its banking syndicates, a significant extension to the financial covenants under the Credit Agreement and Forward Start Credit Agreement; under the new terms, the ratio between EBITDA and Net finance costs (as defined in the Credit Agreement and the Forward Start Credit Agreement) and the ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement and Forward Start Credit Agreement) must be not less than 4.00x and not more than 3.50x respectively at year end.

PRINCIPAL PROJECTS ACQUIRED AND COMMERCIAL INITIATIVES IN THE PERIOD

At the start of January 2011 the Group was awarded a contract worth more than 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 involves supplying, installing and testing 92 km of 500 kV impregnated paper-insulated underground cable and related accessories, with a 700 MW transmission capacity, that will be made at Prysmian's Arco Felice plant in Naples, Italy. The project is scheduled to complete by late 2014.

Energinet.dk and Statnett, respectively the Danish and Norwegian transmission grid operators, have decided to undertake the Skagerrak 4 project to increase the capacity of the existing power transmission system between Norway and Denmark, and so enhance the efficiency and competitiveness of the Nordic electricity market. Moreover, the project will contribute to the development of a more sustainable energy market in Europe, by supporting the export of energy from renewable sources generated in Norway and the growth of wind power generation in Denmark.

Also in January, Prysmian 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, with an initial purchase order issued for Euro 112 million (AUD 150 million).

Thanks to this agreement, Prysmian is 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 was awarded a contract worth more than Euro 250 million by the Dutch-German grid operator TenneT for the SylWin1 project to link offshore wind farms in the North Sea to mainland Germany.

The SylWin1 project follows TenneT's award of two other major projects to Prysmian 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 power rating 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 and the converters supplied by Siemens will be realised using advanced HVDC technology. Under the overall contract awarded to the Prysmian and Siemens Energy consortium, Prysmian will design, supply, install and test the submarine and underground cable connections. Siemens Energy will supply the

Voltage Sourced Converter (VSC) system, with a rating of 864 MW. 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's European HV 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.

FINANCE AND M&A ACTIVITIES

On 7 March 2011 Prysmian S.p.A. entered into a long-term credit agreement for Euro 800 million with a syndicate 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 will help 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.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	3 months 2011 (*)				3 months 2010	% Consolidated change	% Prysmian change	FY 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Sales	1,258	233	(1)	1,490	969	53.7%	29.8%	4,571
Adjusted EBITDA	**84**	**17**	**-**	**101**	**75**	**34.7%**	**12.5%**	**387**
% of sales	6.7%	7.2%		6.8%	7.7%			8.5%
EBITDA	**76**	**16**	**-**	**92**	**72**	**27.0%**	**5.4%**	**365**
% of sales	6.1%	6.7%		6.2%	7.5%			8.0%
Fair value change in metal derivatives	(16)	(4)	-	(20)	(4)			28
Remeasurement of minority put option liability	-	-	-	-	-			13
Amortisation, depreciation and impairment	(19)	(6)	-	(25)	(18)	31.9%	2.5%	(99)
Operating income	**41**	**6**	**-**	**47**	**50**	**-5.5%**	**-18.2%**	**307**
% of sales	3.3%	2.8%		3.2%	5.2%			6.7%
Net finance income/(costs)	(27)	(2)	-	(29)	(16)			(96)
Share of income from investments in associates and dividends from other companies	-	1	-	1	-			2
Profit before taxes	**14**	**5**	**-**	**19**	**34**	**-44.4%**	**-59.7%**	**213**
% of sales	1.1%	2.3%		1.3%	3.6%			4.7%
Taxes	(5)	(1)	-	(6)	(11)	-47.6%	-57.2%	(63)
Profit/(loss) for the period	**9**	**4**	**-**	**13**	**23**	**-42.9%**	**-60.9%**	**150**
% of sales	0.7%	1.8%		0.9%	2.4%			3.3%
Attributable to:								
Owners of the parent				14	22			148
Non-controlling interests				(1)	1			2

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

	Prysmian	Draka	Adjustments	Total	3 months 2010 Prysmian	% Consolidated change	% Prysmian change	FY 2010 Prysmian
Operating income (A)	**41**	**6**	**-**	**47**	**50**	**-5.5%**	**-18.2%**	**307**
EBITDA (B)	**76**	**16**	**-**	**92**	**72**	**27.0%**	**5.4%**	**365**
Non-recurring expenses/(income):								
Draka acquisition costs	5	-	-	5	-			6
Effects of Draka change of control	2	-	-	2	-			-
Company reorganisations	1	1	-	2	-			11
Antitrust investigation legal costs	-	-	-	-	-			5
Recognition/(release) of provision for tax inspections	-	-	-	-	-			(2)
Special project costs	-	-	-	-	2			1
Environmental remediation	-	-	-	-	1			1
Total non-recurring expenses/(income) (C)	**8**	**1**	**-**	**9**	**3**			**22**
Fair value change in metal derivatives (D)	16	4	-	20	4			(28)
Remeasurement of minority put option liability (E)	-	-	-	-	-			(13)
Impairment of assets (F)	-	-	-	-	-			21
Adjusted operating income (A+C+D+E+F)	**65**	**11**	**-**	**76**	**57**	**35.6%**	**15.8%**	**309**
Adjusted EBITDA (B+C)	**84**	**17**	**-**	**101**	**75**	**34.7%**	**12.5%**	**387**

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

The Prysmian Group's sales in the first quarter of 2011 came to Euro 1,490 million, compared with Euro 969 million in the first quarter of 2010.
The overall increase of Euro 521 million comprises:

- Euro 232 million (+23.9%) for the first-time consolidation of Draka from 1 March 2011, net of Euro 1 million in intragroup transactions;
- Euro 289 million (+29.8%) 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 the same period of 2010, reporting organic growth of 13.9%, analysed by operating segment as follows:

- Energy + 13.6%;
- Telecom + 16.4%.

The Energy segment benefited from a global recovery in volumes in all its business areas, particularly in the geographical areas of North Europe and Asia Pacific, while Telecom segment growth mostly came from optical fibre cables.

The Group's adjusted EBITDA (before Euro 9 million in non-recurring expenses) came to Euro 101 million, posting an increase of Euro 26 million (+34.7%) on the prior year equivalent period, of which Euro 17 million (+22.6%) attributable to the first-time consolidation of Draka.

INCOME STATEMENT

Group sales came to Euro 1,490 million at the end of the first quarter of 2011, compared with Euro 969 million in the first quarter of 2010, representing a positive change of Euro 521 million (+53.7%).
This increase was due to the following factors:

- addition of Euro 232 million (+23.9%) from the line-by-line consolidation of the Draka Group from 1 March 2011, net of Euro 1 million in intragroup transactions;
- addition of Euro 4 million (+0.3%) from the consolidation of Power Plus Cable CO LLC[1] in the Middle East;
- positive exchange rate effects of Euro 18 million (+2.0%);
- increase of Euro 132 million (+13.6%) in sale prices due to fluctuations in metal prices (copper, aluminium and lead);
- organic sales growth of Euro 135 million (+13.9%) due to higher volumes.

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

Adjusted EBITDA amounted to Euro 101 million in the first quarter of the year, compared with Euro 75 million at 31 March 2010, having benefited from Euro 9 million thanks to organic sales growth and from Euro 17 million for the first-time consolidation of Draka within the Prysmian Group.

[1] Proportionate consolidation of 49%.

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

(in millions of Euro)		% change
Energy (A+B):	**16**	
Energy Prysmian (A)	***6***	
Utilities	6	8.0%
Trade & Installers	3	4.0%
Industrial	(3)	-4.0%
Other	-	
Energy Draka (B)	***10***	13.3%
Energy & Infrastructure	4	5.3%
Industry & Speciality	6	8.0%
Telecom (D+E)	**11**	
Telecom Prysmian (D)	***3***	4.0%
Telecom Draka (E)	***8***	10.7%
Unallocated to segments	**(1)**	-1.3%

Group EBITDA amounted to Euro 92 million, compared with Euro 72 million in the same period of 2010. The increase of Euro 20 million (+27.0%) reflects the following factors:

- addition of Euro 16 million (+22.2%) from the first-time consolidation of Draka;
- organic increase in adjusted EBITDA of Euro 9 million (+11.8%);
- decrease of Euro 5 million (-7.0%) due to higher non-recurring expenses.

The increase in net non-recurring expenses included in EBITDA is entirely due to legal and advisory costs (Euro 5 million), and tax charges (Euro 2 million), incurred in connection with the acquisition of the Draka Group.

Amortisation, depreciation and impairment amounted to Euro 25 million at 31 March 2011, reporting an increase of Euro 7 million on the first quarter of last year. The change is almost entirely attributable to consolidation of the Draka Group.

The fair value change in metal derivatives was a negative Euro 20 million in the first quarter of 2011, compared with a negative Euro 4 million in the first three months of 2010. The negative change of Euro 16 million reflects Euro 4 million for consolidation of the Draka Group.

Group operating income, inclusive of the effect of non-recurring items and of the fair value change in metal derivatives, amounted to Euro 47 million at the end of the first quarter of 2011, compared with Euro 50 million in the same period of 2010, reporting a decrease of Euro 3 million (-5.5%), analysed as follows:

- addition of Euro 6 million from the first-time consolidation of the Draka Group;
- decrease of Euro 9 million in the pre-acquisition Prysmian Group's operating income.

Finance income and costs reported a net negative Euro 29 million at the end of the first quarter of 2011, compared with a negative Euro 16 million at 31 March 2010, posting a deterioration of Euro 13 million. This was mainly 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 negative change of Euro 3 million for currency derivatives and exchange rate differences;
- a negative change of Euro 1 million for the amortisation of bank fees paid in 2010 and in the first quarter of 2011;
- a negative change associated with differences in 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 calculated for the period January - March 2011 amounted to Euro 6 million, representing a tax rate of 30.2%, compared with 32.0% in the same period of 2010.

Profit for the first quarter of 2011 came to Euro 13 million, down 42.9% from Euro 23 million in the first three months of 2010.
The first-time consolidation of the Draka Group accounted for Euro 4 million of profit for the quarter.

Adjusted profit[2] amounted to Euro 36 million, compared with Euro 31 million in the first three months of 2010; the increase is entirely attributable to the first-time consolidation of Draka.

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

SEGMENT PERFORMANCE

ENERGY

(in millions of Euro)

	3 months 2011 (*)				3 months 2010	% Consolidated change	% Prysmian change	FY 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Sales	1,137	159	(1)	1,295	873	48.3%	30.2%	4,145
of which to third parties	1,130	155	(1)	1,284	866	48.3%	30.4%	4,121
Adjusted EBITDA	**74**	**10**	**-**	**84**	**68**	**23.5%**	**8.5%**	**351**
% of sales	6.5%	6.2%		6.5%	7.8%			8.5%
EBITDA	**74**	**10**	**-**	**84**	**65**	**29.2%**	**12.5%**	**339**
% of sales	6.5%	6.2%		6.5%	7.5%			8.2%
Amortisation and depreciation	(17)	(3)	-	(20)	(16)	25.0%	6.3%	(71)
Adjusted operating income	**57**	**7**	**-**	**64**	**52**	**23.1%**	**10.7%**	**280**
% of sales	5.1%	4.4%		4.9%	5.9%			6.8%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	**74**	**10**	**-**	**84**	**65**	**29.2%**	**12.5%**	**339**
Non-recurring expenses/(income):								
Company reorganisations	-	-	-	-	-			10
Antitrust investigation legal costs	-	-	-	-	-			3
Recognition/(release) of provision for tax inspections	-	-	-	-	-			(2)
Special project costs	-	-	-	-	2			-
Environmental remediation	-	-	-	-	1			1
Total non-recurring expenses/(income) (B)	**-**	**-**	**-**	**-**	**3**			**12**
Adjusted EBITDA (A+B)	**74**	**10**	**-**	**84**	**68**	**23.5%**	**8.5%**	**351**

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

Sales to third parties by the Energy segment amounted to Euro 1,284 million in the first quarter of 2011, compared with Euro 866 million at 31 March 2010. The increase of Euro 418 million (+48.3%) was mainly due to the following factors:

- addition of Euro 154 million (+17.8%) from the first-time consolidation of the Draka Group, net of Euro 1 million in intragroup transactions;
- addition of Euro 4 million (+0.5%) due to the consolidation of Power Plus Cable CO LLC[3] in the Middle East;
- increase of Euro 127 million (+14.7%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 15 million (+1.7%);
- organic sales growth of Euro 118 million (+13.6%) due to improvement in volumes and mix.

Adjusted EBITDA came to Euro 84 million in the first quarter of 2011, compared with Euro 68 million in the same period of 2010, reporting an increase of Euro 16 million (+23.5%). This reflects a positive contribution by Draka of Euro 10 million (+14.7%) and an improvement of Euro 6 million (+8.8%) for the pre-acquisition Prysmian Group.

The following paragraphs describe market trends and financial performance in each of the Energy segment's business areas limited to those in the pre-acquisition group.

[3] Proportionate consolidation of 49%

UTILITIES

(in millions of Euro)

	3 months 2011	3 months 2010	% change	% organic change	FY 2010
Sales	483	370			1,790
of which to third parties	482	370	*30.4%*	*20.2%*	1,790
Adjusted EBITDA	**58**	**52**			**250**
% of sales	12.1%	14.0%			14.0%
Adjusted operating income	**49**	**43**			**215**
% of sales	10.1%	11.7%			12.0%

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

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

Power transmission systems (High Voltage)

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

Submarine power transmission and distribution systems (Submarine)

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

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

Power distribution cables and systems (Power Distribution)

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

Grid accessories and components (Accessories)

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

MARKET OVERVIEW

During the first three months of 2011, despite large differences between the various segments and geographical areas, the markets in which Prysmian's Utilities business area operated saw signs of a trend reversal relative to the year just ended. In fact, demand in the Distribution market has recovered from the minimum levels of the past two years, while the High Voltage market seems to have stabilised, and even reported instances of competitive price pressure.

Activities in the High Voltage market - traditionally highly international both in terms of demand and supply - remained stable at the high levels reached during 2010. In fact, although the sector's larger utilities confirmed their decisions to invest in projects to rationalise and/or maintain existing grids, and particularly the initiatives for large new projects in Europe, the Middle East, South America and China, they are becoming increasingly demanding on the price front, also because of an ever larger number of competitors.
As for the Submarine cables business line, the first three months of 2011 confirmed a growth in investment by utilities in new offshore wind farms and the commencement of major new interconnection projects.
This trend has been particularly evident in areas of the world where demand for energy has resumed growing, such as North Europe, the Arab Emirates and China.

Demand in the Power Distribution business line showed signs of a recovery in volumes all around the world after a long period of stagnation.
After two years of generally flat, low demand, volumes requested by the principal utilities in the major European countries started to become steadily stronger thanks to the upturn in energy consumption. In view of the difficulties in forecasting future growth and the significant fluctuations in raw material prices, the competitive environment in terms of price and mix 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 line of business, demand confirmed the signs of growth emerging in 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.
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 Utilities business area amounted to Euro 482 million in the first three months of 2011 compared with Euro 370 million at 31 March 2010, posting an increase of Euro 112 million (+30.4%) due to the combined effect of the following main factors:

- increase of Euro 32 million (+8.6%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 6 million (+1.6%);
- organic sales growth of Euro 74 million (+20.2%) due to improvement in volumes and mix.

Every business line benefited from organic growth except for Submarine, even if there were considerable differences in timing and between geographical areas. In particular, the Power Distribution business line in the first quarter reported greater demand in volume terms in areas like Northern and Eastern 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 the rising costs of other raw materials.

Sales by the High Voltage business line saw continued resumption of demand in Europe and Brazil, which had started in the second half of 2010, accompanied by ever concentration on grids serving the development of renewable energy. The trend in raw material prices, the gradual exhaustion of state financial aid and the uncertainty over future consumption trends have heightened pressure on sale prices, resulting in many cases in a preference for maintenance work rather than new cable installation. The value of the High Voltage order book at 31 March 2011 was stable relative to the end of 2010, and offered sales visibility for about a year.

Sales by the Accessories business line reported increased demand in the Medium and Low Voltage sectors, thanks to trends in the Power Distribution business line, and in the High Voltage sector, thanks to new Submarine and transmission projects.
Thanks to the growth in local kitting capacity and greater competitiveness in supply, Prysmian was able to significantly increase its commercial penetration of the Chinese accessories market.

Sales by the Submarine business line were stable relative to the prior year, in line with company forecasts. The larger projects on which work was performed during the period were Cometa (Majorca - Iberian Mainland), Messina II (Italy), Doha Bay (Qatar), as well as a series of smaller projects carried out on certain European markets.
The value of the Group's order book at the end of the first quarter provides sales visibility for a period of about two and a half years, having grown primarily thanks to new contracts for offshore wind farm connections, for which production capacity is now being expanded and will be available from the third quarter of 2011.

The organic growth in sales is reflected in the adjusted EBITDA of the Utilities business area, which increased from Euro 52 million at the end of the first quarter of 2010 to Euro 58 million at 31 March 2011, even if at a less than proportionate rate (+11.5%) due to the rising cost of raw materials.

TRADE & INSTALLERS

(in millions of Euro)

	3 months 2011	3 months 2010	% change	% organic change	FY 2010
Sales	419	312			1,467
of which to third parties	419	312	*34.2%*	*10.1%*	1,465
Adjusted EBITDA	**8**	**5**			**36**
% of sales	1.9%	1.7%			2.4%
Adjusted operating income	**5**	**2**			**20**
% of sales	1.1%	0.5%			1.4%

Prysmian produces a wide range of both rigid and flexible low voltage cables for distributing power to and within residential and non-residential buildings in compliance with international standards.
Product development and innovation pays particular attention to high performance cables, such as Fire-Resistant cables and Low Smoke zero Halogen (LSOH) cables, which are used in all those applications where safety must be guaranteed: in the event of fire, Fire-Resistant cables continue to operate and Low Smoke zero Halogen cables have reduced emissions of toxic gas and smoke.
Prysmian's customers for these products cover a wide spectrum, from international distributors and buying syndicates to installers and wholesalers.

MARKET OVERVIEW

The reference markets have distinct geographical characteristics (despite international product standards) both in terms of customer and supplier fragmentation and the range of items produced and sold.
In the first three months of 2011, the construction industry showed slight signs of recovery almost everywhere in the world, despite continued pressure on prices and on terms of payment due to the general squeeze on bank credit.
In Europe, nearly every market (except for Spain and the United Kingdom) reported a slight upturn in the volume of demand.
In contrast, markets in North America displayed a rising trend in volumes, coupled with greater price aggressiveness.
Markets in South America were stable for the industrial and residential construction sectors, both in terms of volume and price.

FINANCIAL PERFORMANCE

Sales to third parties by the Trade & Installers business area amounted to Euro 419 million at the end of March 2011 compared with Euro 312 million in the same period of 2010, posting an increase of Euro 107 million (+34.2%) due to the combined effect of the following factors:

- increase of Euro 70 million (+22.3%) in sale prices due to fluctuations in metal prices;
- positive exchange rate effects of Euro 6 million (+1.8%);
- organic sales growth of Euro 31 million (+10.1%), primarily as a result of a recovery in volumes in Europe.

Prysmian retained its market share on the principal European markets in the first three months of 2011 by carrying on the strategy of focusing on commercial relationships with the principal international wholesalers.
Prysmian 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.
In North America and particularly Canada, Prysmian was unable to fully benefit from the market uptrend because the newly rationalised industrial structure is still in a start-up phase.
Despite price pressure in the residential and non-residential construction sector, Prysmian's wide product range allowed it to retain its market share in South America.

Thanks to the factors described above and actions to improve industrial structure, adjusted EBITDA rose by Euro 3 million (+60.0%) on the prior year equivalent period to Euro 8 million.

INDUSTRIAL

(in millions of Euro)

	3 months 2011	3 months 2010	% change	% organic change	FY 2010
Sales	194	159			742
of which to third parties	194	159	*22.3%*	*3.7%*	742
Adjusted EBITDA	**8**	**11**			**61**
% of sales	4.0%	6.8%			8.3%
Adjusted operating income	**3**	**7**			**42**
% of sales	1.6%	4.1%			5.7%

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

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

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

MARKET OVERVIEW

Markets for industrial cables in the period January - March 2011 appeared either stable or in the process of a cautious recovery relative to the second half of 2010.
In fact, the expected upturn in demand from growth in certain areas of the world (Far East, Middle East, South America) in the sectors of Oil & Gas, mining, shipping and dockside crane installations has been halted by the spread of political instability in the Middle East and North Africa.
In the rail infrastructure sector and transport sector in general, the principal operators continued to be prudent, in view of poor visibility as to when investments would revive and of recent government policies to cut budget deficits in the principal Eurozone economies.
The automotive sector showed clear signs of recovery in Europe, thanks to government policies and eco-incentives in support of the car industry in the principal western economies.
The umbilical cables sector in Brazil reported a prudent start to the year after a sharp acceleration in activity in fourth quarter of 2010; a gradual recovery in demand is expected over coming quarters.

FINANCIAL PERFORMANCE

Sales to third parties by the Industrial business area amounted to Euro 194 million at 31 March 2011, compared with Euro 159 million in the same period of 2010. The increase of Euro 35 million (+22.3%) is due to the following factors:

- increase of Euro 23 million (+14.6%) in sale prices due to higher metal prices;
- positive exchange rate effects of Euro 3 million (+1.5%);
- addition of Euro 4 million (+2.5%) from the proportionate consolidation of 49% of Power Plus Cable CO LLC in the Middle East;
- organic sales growth of Euro 5 million (+3.7%).

In Europe, Prysmian has concentrated its commercial efforts on the renewable energy and automotive sectors, so as to counterbalance the reduction in volumes in the rail and dockside crane installations sectors. The Asia Pacific region has offered the Group the best growth opportunities thanks to a recovery in the Prysmian market share in Australia and increased commercial penetration of China.

Adjusted EBITDA came to Euro 8 million at 31 March 2011, a decrease of Euro 3 million on the prior year equivalent period, mainly because of the phasing of projects and orders in the umbilical cables sector in Brazil and in the Oil & Gas sector in general, which will benefit the second half of the year.

OTHER

(in millions of Euro)

	3 months 2011	3 months 2010	FY 2010
Sales	41	32	146
of which to third parties	35	25	124
Adjusted EBITDA	**-**	**-**	**4**
Adjusted operating income	**-**	**-**	**3**

This business area comprises the sale of semi-finished products, raw materials or other goods, forming part of the production process and occasionally produced by operating units of the Prysmian Group.
These sales are normally associated with local commercial decisions, do not generate high margins and can vary in size from period to period.

TELECOM

(in millions of Euro)

	3 months 2011 (*)				3 months 2010	% Consolidated change	% Prysmian change	FY 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Sales	130	81	-	211	106	99.1%	22.8%	454
of which to third parties	128	78	-	206	103	100.0%	24.8%	450
Adjusted EBITDA	**10**	**8**	-	**18**	**7**	**157.1%**	**54.3%**	**36**
% of sales	7.8%	9.9%		8.5%	6.2%			7.9%
EBITDA	**9**	**8**	-	**17**	**7**	**142.9%**	**39.9%**	**36**
% of sales	7.1%	9.9%		8.1%	6.2%			7.9%
Amortisation and depreciation	(2)	(3)	-	(5)	(2)	150.0%	0.0%	(7)
Adjusted operating income	**8**	**5**	-	**13**	**5**	**160.0%**	**71.9%**	**29**
% of sales	6.3%	6.2%		6.2%	4.5%			6.3%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	**9**	**8**	**-**	**17**	**7**	**142.9%**	**39.9%**	**36**
Non-recurring expenses/(income):								
Company reorganisations	1	-	-	1	-			-
Total non-recurring expenses/(income) (B)	**1**	**-**	**-**	**1**	**-**			**-**
Adjusted EBITDA (A+B)	**10**	**8**	**-**	**18**	**7**	**157.1%**	**54.3%**	**36**

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

Pre-acquisition Prysmian Group

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

Optical fibres

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

Optical cables

Optical fibres are used in the production of a vast range of optical cables, from single fibre constructions through to cables containing 1,728 fibres. Optical cables are now used in a variety of demanding environments. They can be pulled (or blown) into ducts, buried directly underground or suspended on overhead systems such as telegraph poles or electricity pylons. Cables are also installed in road and rail tunnels and within various buildings where they must satisfy specific fire-resistant requirements.
Cables can also be installed in gas and drainage networks. Prysmian has cable designs specifically tailored to meet all of these requirements including technologies such as Optical Ground Wire (OPGW), Rapier (easy break-out), Zephyr (mini blown cable), Airbag (dielectric direct buried) and many more.

Copper cables

Prysmian produces a wide range of copper cables for underground and overhead cabling solutions and for residential and non-residential buildings. Cables are designed for high transmission, low interference and electromagnetic compatibility and in accordance with the main international standards and specifications. Prysmian is able to supply cables with specific performance characteristics such as zero halogen emissions, low emission of toxic fumes and gases and fire 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 supplies a complete range of passive connectivity products under the OAsys trademark. These products satisfy every cable management need whatever the network type, including overhead and underground installation, as well as cabling in central offices, exchanges or customer premises.

FTTH (Fibre To The Home)

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

MARKET OVERVIEW

The market for optical fibre cables is a global one. The latest CRU bulletin in February 2011 has estimated a slight decline in the size of the global market in 2011 but with large regional differences. Rapidly developing markets (especially China) are expected to report a slowing of growth, with general stability in both North America and Europe.
The Access/Broadband/FTTx market was relatively active in 2010, although the low maturity of these products implies a different evolution in demand by geographical area.

The copper cables market is experiencing a further slowdown in the wake of the economic downturn of the past two years, which has also driven some major operators to reschedule their larger investment projects.

Copper cables are primarily used for maintenance work and for upgrading existing networks. xDSL cables have provided an opportunity for product technological diversification in a market that has not otherwise experienced significant changes in recent years.

FINANCIAL PERFORMANCE

Sales to third parties by the Telecom segment amounted to Euro 206 million in the first quarter of 2011 compared with Euro 103 million in the first quarter of 2010.
The overall increase of Euro 103 million reflects:

- Euro 78 million for the first-time consolidation of the Draka Group from 1 March 2011;
- Euro 25 million (+24.8%) in sales growth by the pre-acquisition Prysmian Group.

Net of changes in the scope of consolidation and effects of changes in metal prices and exchange rates, sales increased significantly on the same period of 2010, reporting a growth of 24.8%.

This change was mainly due to the following factors:

- increase of Euro 5 million (+5.2%) in sale prices due to higher metal prices;
- positive exchange rate effects of Euro 3 million (+3.2%);
- organic sales growth of Euro 17 million (+16.4%), thanks to volume growth for optical fibre cables.

The organic sales growth in the first three months of 2011 reflects not only increased volumes for optical fibre cables, following the resumption of certain important projects, but also a slight recovery in the copper cables sector. Growing demand for optical cables from a different mix of markets and sales channels relative to the past, such as North and South America, has driven sales growth in this area despite strong price pressures.

Adjusted EBITDA (before non-recurring income and expenses) came to Euro 18 million, up Euro 11 million on the prior year equivalent period (+157.1%), of which Euro 8 million attributable to the first-time consolidation of Draka.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

				31 March 2011	31 March 2010	Consolidated change	Prysmian change	31 December 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Net fixed assets	1,987	694	(567)	2,114	1,001	1,113	986	1,029
Net working capital	670	310	(10)	970	600	370	70	494
Provisions	(114)	17	2	(95)	(128)	33	14	(120)
Net capital employed	**2,543**	**1,021**	**(575)**	**2,989**	**1,473**	**1,516**	**1,070**	**1,403**
Employee benefit obligations	141	83	-	224	145	79	(4)	145
Total equity	1,286	594	(575)	1,305	732	573	554	799
of which attributable to non-controlling interests	40	22	4	66	36	30	4	43
Net financial position	1,116	344	-	1,460	596	864	520	459
Total equity and sources of funds	**2,543**	**1,021**	**(575)**	**2,989**	**1,473**	**1,516**	**1,070**	**1,403**

Net fixed assets amounted to Euro 2,114 million at 31 March 2011, compared with Euro 1,029 million at the end of 2010, having increased by Euro 1,085 million, mainly due to the combined effect of:

- Euro 493 million for recognition of provisional goodwill relating to acquisition of the Draka Group and Euro 613 million from the first-time consolidation of the Draka Group of companies (net of Euro 81 million in goodwill existing prior to the acquisition);
- Euro 17 million in investments (Euro 16 million attributable to the pre-acquisition Prysmian Group and Euro 1 million attributable to the Draka Group);
- Euro 25 million in amortisation, depreciation and impairment charges for the period (Euro 19 million attributable to the pre-acquisition Prysmian Group and Euro 6 million attributable to the Draka Group).

Net working capital of Euro 970 million at the end of the first quarter of 2011, exceeded the corresponding figure at 31 December 2010 (Euro 494 million) by Euro 476 million (Euro 471 million excluding the impact of the fair value change in derivatives), and the corresponding figure at 31 March 2010 (Euro 600 million) by Euro 370 million (Euro 325 million excluding the impact of the fair value change in derivatives).
Both increases reflect the following main factors:

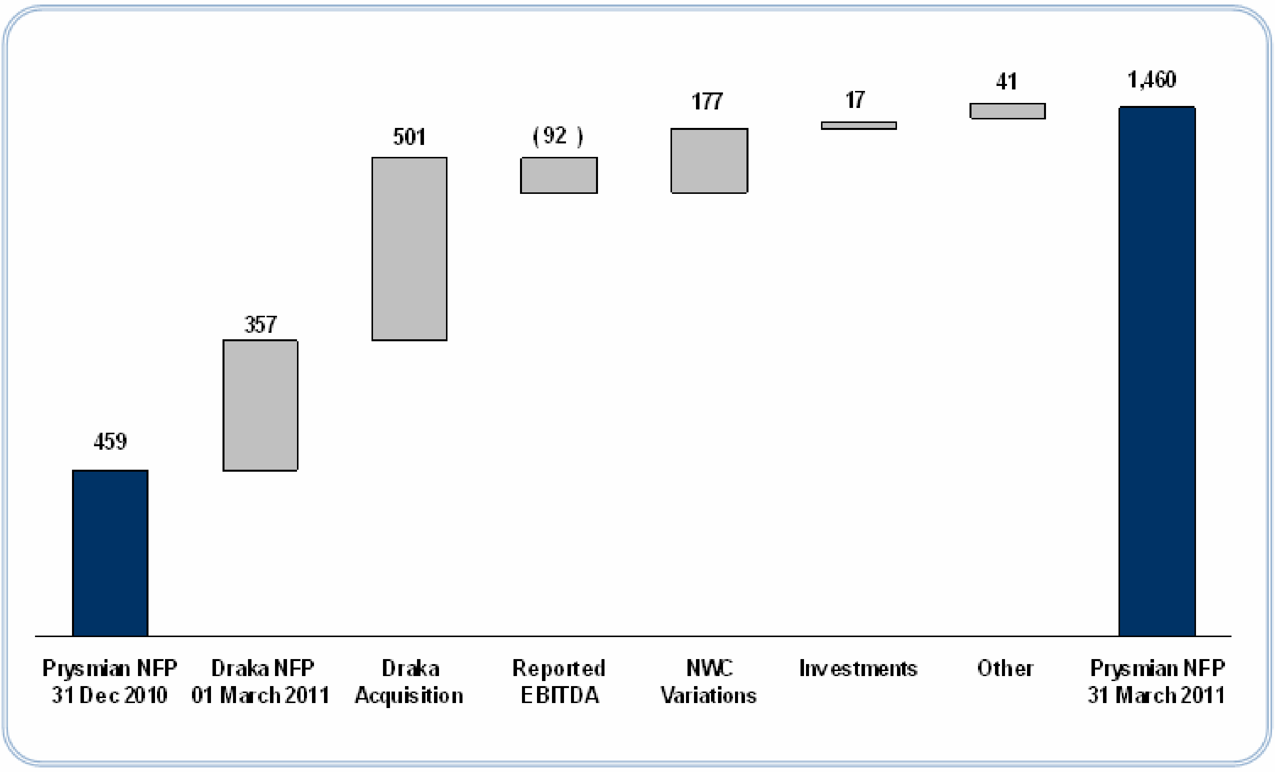
- Euro 310 million from enlargement of the scope of consolidation following acquisition of the Draka Group of companies;
- increase in strategic metal prices which has caused the value of metal contained in the Group's net working capital to rise with respect to both December 2010 and March 2010;
- seasonal trends and the growth in first-quarter volumes on the prior year equivalent period;

The net financial position of Euro 1,460 million at 31 March 2011, increased by Euro 1,001 million on 31 December 2010 (Euro 459 million) and by Euro 864 million on 31 March 2010 (Euro 596 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, of which the remainder (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) in the first three months of 2011;
- negative impact of the seasonal change in working capital, also affected by the trend in strategic metal prices;
- net operating investments of Euro 17 million;
- payment of Euro 24 million in net finance costs, including Euro 15 million in bank fees and other incidental costs for renegotiating the covenants under existing credit agreements and for finalising a new credit agreement for Euro 800 million.

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



NET WORKING CAPITAL

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

(in millions of Euro)

				31 March 2011	31 March 2010	Consolidated change	Prysmian change	31 December 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Inventories	726	459	-	1,185	561	624	165	600
Trade receivables	897	444	(1)	1,340	723	617	174	764
Trade payables	(965)	(528)	1	(1,492)	(694)	(798)	(271)	(862)
Other receivables/(payables)	(22)	(73)	(10)	(105)	13	(118)	(35)	(45)
Net operating working capital	**636**	**302**	**(10)**	**928**	**603**	**325**	**33**	**457**
Derivatives	34	8	-	42	(3)	45	37	37
Net working capital	**670**	**310**	**(10)**	**970**	**600**	**370**	**70**	**494**

Net operating working capital amounted to Euro 928 million (12.3% of sales) at 31 March 2011, compared with Euro 457 million (9.2% of sales) at 31 December 2010 and Euro 603 million (15.6% of sales) at 31 March 2010.

This change was mainly affected by the following factors:

- addition of Euro 302 million following the first-time consolidation of the Draka Group of companies;
- higher net working capital requirements due to the seasonality of sales;
- trend in strategic metal prices, causing an increase in the value of metal included in the Group's net working capital relative to both December 2010 and March 2010;
- higher working capital requirements in the Submarine cables business line.

NET FINANCIAL POSITION

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

(in millions of Euro)

				31 March 2011	31 March 2010	Consolidated change	Prysmian change	31 December 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
Long-term financial payables								
Credit agreement	1,066	-	-	1,066	871	195	195	671
Bank fees	(8)	-	-	(8)	(3)	(5)	(5)	(2)
Bond	396	-	-	396	-	396	396	396
Derivatives	27	-	-	27	-	27	27	44
Other financial payables	54	40	-	94	67	27	(13)	46
Total long-term financial payables	**1,535**	**40**	**-**	**1,575**	**935**	**640**	**600**	**1,155**
Short-term financial payables								
Credit agreement	105	-	-	105	104	1	1	101
Bond	20	-	-	20	-	20	20	15
Securitization	161	-	-	161	-	161	161	-
Derivatives	6	-	-	6	-	6	6	9
Other financial payables	84	413	(352)	145	100	45	(16)	85
Total short-term financial payables	**376**	**413**	**(352)**	**437**	**204**	**233**	**172**	**210**
Total financial liabilities	**1,911**	**453**	**(352)**	**2,012**	**1,139**	**873**	**772**	**1,365**
Long-term financial receivables	1	9	-	10	4	6	(3)	1
Long-term derivatives	1	-	-	1	-	1	1	3
Long-term bank fees	20	-	-	20	17	3	3	16
Long-term available-for-sale financial assets	-	-	-	-	-	-	-	-
Short-term financial receivables	361	-	(352)	9	43	(34)	318	42
Short-term derivatives	2	-	-	2	-	2	2	3
Short-term bank fees	7	-	-	7	3	4	4	3
Short-term available-for-sale financial assets	-	-	-	-	-	-	-	142
Financial assets held for trading	46	-	-	46	70	(24)	(24)	66
Cash and cash equivalents	357	100	-	457	406	51	(49)	630
Total financial assets	**795**	**109**	**(352)**	**552**	**543**	**9**	**252**	**906**
Net financial position	**1,116**	**344**	**-**	**1,460**	**596**	**864**	**520**	**459**

STATEMENT OF CASH FLOWS

(in millions of Euro)

	3 months 2011 (*)				3 months 2010	Consolidated change	Prysmian change	FY 2010
	Prysmian	Draka	Adjustments	Total	Prysmian			Prysmian
EBITDA	**76**	**16**	**-**	**92**	**72**	**20**	**4**	**365**
Changes in provisions (including employee benefit obligations)	(11)	(3)	-	(14)	-	(14)	(11)	(17)
Net cash flow provided by operating activities (before changes in net working capital)	**65**	**13**	**-**	**78**	**72**	**6**	**(7)**	**348**
Changes in net working capital	(180)	3	-	(177)	(120)	(57)	(60)	(6)
Taxes paid	(14)	-	-	(14)	(6)	(8)	(8)	(59)
Net cash flow provided by operating activities	**(129)**	**16**	**-**	**(113)**	**(54)**	**(59)**	**(75)**	**283**
Acquisitions (1)	(501)	82	-	(419)	(20)	(399)	(481)	(21)
Net cash flow used in operational investing activities	(16)	(1)	-	(17)	(11)	(6)	(5)	(95)
Net cash flow provided by financial investing activities (2)	-	2	-	2	-	2	-	5
Free cash flow (unlevered)	**(646)**	**99**	**-**	**(547)**	**(85)**	**(462)**	**(561)**	**172**
Net finance costs	(20)	(4)	-	(24)	(4)	(20)	(16)	(52)
Free cash flow (levered)	**(666)**	**95**		**(571)**	**(89)**	**(482)**	**(577)**	**120**
Increases in share capital and other changes in equity	1	-	-	1	8	(7)	(7)	13
Dividends paid	-	-	-	-	-	-	-	(75)
Net cash flow provided/(used) in the period	**(665)**	**95**	**-**	**(570)**	**(81)**	**(489)**	**(584)**	**58**
Net financial position at the beginning of the period	**(459)**	**-**	**-**	**(459)**	**(474)**	**15**	**15**	**(474)**
Net cash flow provided/(used) in the period	(665)	95	-	(570)	(81)	(489)	(584)	58
Other changes	8	-	-	8	(41)	49	49	(43)
Business combinations	-	(439)	-	(439)	-	(439)	-	-
Net financial position at the end of the period	**(1,116)**	**(344)**	**-**	**(1,460)**	**(596)**	**(864)**	**(520)**	**(459)**

(*) The Draka Group's cash flows refer to the period 1 March – 31 March 2011.

(1) The figure of Euro 419 million represents the cash outlay of Euro 501 million to acquire the Draka Group minus the 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 78 million in the first three months of 2011, of which Euro 65 million relating to the pre-acquisition Prysmian Group.

This cash flow was absorbed by the increase of Euro 177 million in net working capital described earlier (of which Euro 180 million relating to the pre-acquisition Prysmian Group). Therefore, after deducting Euro 14 million in tax payments, net cash flow from operating activities in the period was a negative Euro 113 million (of which Euro 129 million relating to the pre-acquisition Prysmian Group).

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

Net operating investments in the first three months of 2011 amounted to Euro 17 million (of which Euro 16 million relating to the pre-acquisition Prysmian Group), Euro 6 million more than in the same period of 2010. Investments in the first three months of 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 China and France and for submarine cables in Italy.

ALTERNATIVE PERFORMANCE INDICATORS

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

• **Adjusted profit**: profit before non-recurring income and expenses, the fair value change in metal derivatives and in other fair value items, the effect of currency and interest rate derivatives, exchange rate differences and the related tax effects;
• **Adjusted operating income**: operating income before non-recurring income and expenses 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 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 March 2011

(in millions of Euro)

			31 March 2011		31 December 2010	
		Note	**Partial amounts from financial statements**	**Total amounts from financial statements**	**Partial amounts from financial statements**	**Total amounts from financial statements**
Net fixed assets						
Property, plant and equipment				1,447		949
Intangible assets				583		59
Investments in associates				67		9
Available-for-sale financial assets				5		3
Assets held for sale				12		9
Total net fixed assets	**A**			**2,114**		**1,029**
Net working capital						
Inventories	**B**			**1,185**		**600**
Trade receivables	**C**			**1,340**		**764**
Trade payables	**D**			**(1,492)**		**(862)**
Other receivables/payables - net	**E**			**(105)**		**(45)**
of which:						
Other receivables - non-current						
Tax receivables		3	10		11	
Receivables from employees		3	2		1	
Others		3	14		12	
Other receivables - current						
Tax receivables		3	105		88	
Receivables from employees		3	1		1	
Advances		3	15		18	
Others		3	129		55	
Construction contracts		3	196		190	
Other payables - non-current		11	*(24)*		*(20)*	
Tax and social security payables		11	(10)		(10)	
Others		11	(14)		(10)	
Other payables - current		*11*	*(500)*		*(355)*	
Tax and social security payables		11	(110)		(73)	
Advances		11	(101)		(98)	
Payables to employees		11	(60)		(45)	
Accrued expenses		11	(117)		(83)	
Others		11	(112)		(56)	
Current tax payables			*(53)*		*(46)*	
Total operating working capital	**F=B+C+D+E**			**928**		**457**
Derivatives	**G**		**42**		**37**	
of which:						
Forward currency contracts on commercial transactions (cash flow hedges) - non-current		*5*	*3*		*2*	
Forward currency contracts on commercial transactions (cash flow hedges) - current		*5*	*7*		*(3)*	
Forward currency contracts on commercial transactions - current		*5*	*(1)*		-	
Other forward currency contracts on commercial transactions - current		*5*	*2*		-	
Metal derivatives - non-current		*5*	*7*		*5*	
Metal derivatives - current		*5*	*24*		*33*	
Total net working capital	**H=F+G**			**970**		**494**

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(in millions of Euro)

		Note	31 March 2011 Partial amounts from financial statements	31 March 2011 Total amounts from financial statements	31 December 2010 Partial amounts from financial statements	31 December 2010 Total amounts from financial statements
Provisions						
Provisions for risks and charges - non-current				(56)		(44)
Provisions for risks and charges - current				(65)		(62)
Deferred tax assets				107		30
Deferred tax liabilities				(81)		(44)
Total provisions	**I**			**(95)**		**(120)**
Net capital employed	**L=A+H+I**			**2,989**		**1,403**
Employee benefit obligations	**M**			**224**		**145**
Total equity	**N**			**1,305**		**799**
Equity attributable to non-controlling interests				66		43
Net financial position						
Total long-term financial payables	**O**			**1,575**		**1,155**
Credit agreement		10	1,066		671	
Bank fees		10	(8)		(2)	
Bond		10	396		396	
Derivatives			27		44	
of which:						
Forward currency contracts on financial transactions		*10*	*20*		*28*	
Interest rate swaps		*10*	*7*		*16*	
Other payables			94		46	
of which:						
Finance lease obligations		*10*	*15*		*1*	
Other financial payables		*10*	*79*		*45*	
Short-term financial payables	**P**			**437**		**210**
Credit Agreement		10	105		101	
Bond		10	20		15	
Securitization		10	161		-	
Derivatives			6		9	
of which:						
Interest rate swaps		*5*	-		-	
Forward currency contracts on financial transactions		*5*	*6*		*9*	
Other payables			145		85	
of which:						
Finance lease obligations		*10*	*3*		*1*	
Other financial payables		*10*	*142*		*84*	
Total financial liabilities	**Q=O+P**			**2,012**		**1,365**
Long-term financial receivables	**R**	3	(10)		(1)	
Long-term derivatives	**R**		(1)		(3)	
of which:						
Interest rate swaps (non-current)		*5*	*(1)*		*(1)*	
Forward currency contracts on financial transactions (non-current)		*5*	-		*(2)*	
Long-term bank fees	**R**	3	(20)		(16)	
Short-term financial receivables	**R**	3	(9)		(42)	
Short-term derivatives	**R**		(2)		(3)	
of which:						
Forward currency contracts on financial transactions (current)		*5*	*(2)*		*(3)*	
Short-term bank fees	**R**	3	(7)		(3)	
Available-for-sale financial assets (current)	**S**			**-**		**(142)**
Financial assets held for trading	**T**			**(46)**		**(66)**
Cash and cash equivalents	**U**			**(457)**		**(630)**
Total financial assets	**V=R+S+T+U**			**(552)**		**(906)**
Total net financial position	**W=Q+V**			**1,460**		**459**
Total equity and sources of funds	**Z=M+N+W**			**2,989**		**1,403**

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

(in millions of Euro)

	Note	3 months 2011 Amounts from income statement	3 months 2010 Amounts from income statement
Sales	**A**	**1,490**	**969**
Change in inventories of work in progress, semi-finished and finished goods		118	77
Other income		12	6
Raw materials and consumables used		(1,107)	(667)
Personnel costs		(170)	(129)
Other expenses		(251)	(184)
Operating costs	**B**	**(1,398)**	**(897)**
EBITDA	**C=A+B**	**92**	**72**
Personnel costs			
of which non-recurring personnel costs	**E**	-	-
Other expenses			
of which non-recurring other expenses	**F**	(9)	(3)
Adjusted EBITDA	**G=C-E-F**	**101**	**75**

(in millions of Euro)

	Note	3 months 2011 Amounts from income statement	3 months 2010 Amounts from income statement
Operating income	**A**	**47**	**50**
Non-recurring amortisation, depreciation and impairment		-	-
Non-recurring personnel costs		-	-
Non-recurring other expenses		*(9)*	*(3)*
Total non-recurring expenses	**B**	**(9)**	**(3)**
Fair value change in metal derivatives	**C**	**(20)**	**(4)**
Adjusted operating income	**E=A-B-C**	**76**	**57**

SUBSEQUENT EVENTS

The shareholders of Prysmian S.p.A. met on 14 April 2011 in ordinary and extraordinary session.

During the ordinary session, the shareholders:

- approved the financial statements for 2010 and the distribution of a dividend of Euro 0.166 per share for a total of some Euro 35 million. The dividend was paid out from 21 April 2011, with the shares going ex-div on 18 April 2011, and was payable to shares outstanding on the ex-div date;
- confirmed Frank Dorjee and Friedrich Fröhlich as directors, having been co-opted by the Board of Directors on 3 March 2011. The shareholders made this appointment on the basis of a motion presented by the Board of Directors and adopted it by statutory majority vote, without the use of slate voting. Like the rest of the Board, these two directors will end their term in office on the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011;
- set the annual emoluments of the Board of Directors at Euro 350 thousand for financial year 2011, and granted the Board the authority to determine how such sum should be allocated between all or just some of the directors;
- approved, pursuant to art. 114-bis of Italian Decree 58/98 (TUF), an incentive plan for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., granting the Board 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.

During the meeting's extraordinary session, the shareholders also voted:

- to amend art. 6 of the By-laws to permit a cash increase in share capital, excluding rights under art. 2441, par. 8 of the Italian Civil Code and art. 134 of Italian Decree 58/98 (TUF), in one or more stages, by up to Euro 213,150, by issuing, also in stages, a maximum number of 2,131,500 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted to employees of Prysmian S.p.A. and its subsidiaries to service the above incentive plan;
- to amend art. 9 of the By-laws to introduce the possibility, in certain circumstances, of approving the annual financial statements within 180 days from the end of the financial year and to introduce the possibility of holding Shareholders' Meetings, both in ordinary and extraordinary session, in just one call;
- to amend art. 14 of the By-laws to allow the Board of Directors, when renewing the entire Board, to present its own candidate slate;
- to amend art. 23 of the By-laws by introducing the option for the Extraordinary Shareholders' Meeting to distribute profits to employees of the Company or its subsidiaries by issuing them bonus shares.

On 3 May, Prysmian announced that it had signed two major contracts with SAIPEM, a world leading Oil & Gas industry contractor, worth in excess of Euro 60 million, to supply special cables for applications in the Oil, Gas and Petrochemicals industry.

Under the first contract, the Group will supply a wide range of power, instrumentation and optical fibre cables specially designed for process plant and sulphur recovery units 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 will be produced in the Italian plants of Livorno Ferraris (Vercelli), Merlino (Lodi) and Ascoli Piceno, with delivery starting from May 2011.

BUSINESS OUTLOOK

The first three months of the year have confirmed the upward trend in demand and industrial production that started from the second quarter of 2010. The progressive upturn in global demand, coupled with a gradual improvement in consumer confidence, has been largely driven by growth in emerging markets, while recovery in Europe was weaker, partly due to deficit-cutting policies implemented in various countries. In the United States, government stimulus packages allowed demand to start recovering during the prior year. Given this economic context, the Group expects to see continued recovery in 2011 for building wires, medium voltage cables for utilities and for those products in the Industrial sector most exposed to cyclical trends. Positive demand development is confirmed in the high value-added businesses of power transmission, renewable energy, oil & gas and fibre optic cables for major telecom operators. Based on the results achieved in the first three months, combined with the size of the current order book, adjusted EBITDA for the FY2011 is expected in the region of Euro 530-580 million (FY2010: Euro 387 million). This range is related to development of demand on the reference markets in the second half of the year and includes the contribution of the Draka acquisition, consolidated from 1 March 2011.

STOCK OPTION PLANS

Information about changes in the existing stock option plans can be found in Note 22 of the Explanatory notes.

RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the quarter.

DRAKA GROUP - FIRST-QUARTER MANAGEMENT REPORT 2011 (taken from the press release of 12 May 2011)

Press release

Amsterdam, 12 May 2011

FIRST QUARTER 2011 FIGURES[1]

HIGHER PROFIT DRIVEN BY ORGANIC GROWTH, BETTER PRODUCT MIX AND COST SAVINGS

(€ million, unless stated otherwise)	Q1 2011	Q1 2010	∆%
Sales	**624**	**522**	**20**
Adj. EBITDA[2]	**35**	**25**	**37**
Adj. operating result[3]	**19**	**10**	**90**
Operating result	**10**	**-**	**NMF**
Adj. net result for the period [4]	**12**	**2**	**404**
Net result for the period	**1**	**(5)**	**NMF**
Cash flow from operating activities	**(65)**	**(32)**	**107**

DISCLAIMER

Due to the acquisition of Draka by Prysmian certain Non-Gaap measures and definitions were revised according to Prysmian definitions. Furthermore, the accounting policies with respect to metal derivatives and employee benefits have changed. For more information reference is made to page 14 of this press release.

- **Sales** were up 20%, mainly due to higher copper prices (12%). Organic growth[5] amounted to 4% in Q1 2011, continuing the positive trend of H2 2010.
- **Organic growth** was driven by rising demand for high-end special-purpose cables and optical-fiber telecommunication cable and a modest recovery in European demand for low-voltage cable.
- **Adjusted EBITDA and adjusted operating result** were up by 37% and 90% respectively to € 35 million and € 19 million, driven by organic growth, better product mix and cost savings. All three Draka groups contributed to this improvement.
- **Energy & Infrastructure** more than doubled its adjusted operating result and **Industry & Specialty** and **Communications** posted growth in operating result of 56% and 36%, respectively.
- **Adjusted net result for the period** was € 12 million (+404%).
- **Operative net working capital[6]** was € 302 million (Q1 2010: € 286 million), reflecting higher volumes, higher copper prices and currency-translation effects. Net financial position[7] grew by € 13 million vs. Q1 2010 to € 344 million.

[1] The figures in this press release are unaudited.
[2] Defined as EBITDA before non-recurring income/ (expenses). Non recurring income/ (expenses) were € 6 million negative in Q1 2011 compared to € 10 million negative in Q1 2010.
[3] Defined as operating income before non-recurring income/ (expenses), the fair value in metal derivatives and other fair value items. Total adjustments were € 9 million negative in Q1 2011 compared to € 10 million negative in Q1 2010.
[4] Defined as profit before non-recurring income/ (expenses), the fair value in metal derivatives and other fair value items, the effect of currency and interest rate derivatives, exchange rate differences and the related tax effects. Total adjustments amounted to € 11 million negative in Q1 2011 compared to € 7 million negative in Q1 2010.
[5] Organic growth is defined as sales growth excluding the effects of metal price, currency translation and perimeter changes.
[6] Operative net working capital includes inventories, trade accounts receivables, trade account payables and other receivables/(payables); balance of derivatives assets/(liabilities) is not included.
[7] Defined as the sum of the following items: 1) Borrowings from banks and other lenders; 2) Derivatives (assets and liabilities) for financial transactions; 3) Financial receivables; 4) Bank fees on loans; 5) Available-for-sale financial assets, not instrumental to the Group's activities; 6) Financial assets held for trading; 7) Cash and cash equivalents.

Q1 2011 in brief

- **Sales** were € 624 million, an increase of 19.6% compared with Q1 2010, reflecting a 4.0% organic growth and the 11.8% positive effect of the higher average copper price compared with Q1 2010. The effects on sales of exchange-rate movements and perimeter effects (acquisition of PTM in USA in June 2010) were 3.1% positive and 0.7% positive, respectively.
- **Adjusted operating result**: 90.3% higher at € 19 million. The improvement was driven by organic growth, a better product mix and cost savings. The cost savings in Q1 2011 amounted to some € 3 million. Negative factor affecting the result were higher non-metal material prices (mainly polymers).
- **Adjusted operating margin:** 3.1% compared with 2.0% for the same period in 2010. Energy & Infrastructure recorded the strongest margin improvement, at 3.3% compared with 1.9% in Q1 2010. Industry & Specialty and Communications also reported better margins at 2.7% and 5.0%, respectively, as against 2.3% and 4.0% in the same period in 2010.
- **Operating result including non-recurring and special items**: € 10 million, compared with nil in Q1 2010. The non-recurring and special items were € 9 million negative and consisted mainly of restructuring costs and overhead reduction costs, consultants' expenses relating to the transaction with Prysmian and impairment of non-current assets. Special items included also the fair value change in metal derivatives for an amount of € 1 million negative.
- **Adjusted net result for the period**: € 12 million (Q1 2010: € 2 million).
- **Net result for the period:** € 1 million positive (Q1 2010: € 5 million negative).
- **Operative net working capital ratio**: 12.1% (Q1 2010: 13.7%). Cash flow from operating activities was € 65 million negative compared with € 32 million negative in Q1 2010. The negative cash flow in Q1 reflects the increase in working capital compared with year-end 2010 due to normal seasonal effects. The negative cash flow in Q1 2011 was higher due to the higher copper price and the organic growth, which required more working capital.
- **Net financial position**: € 13 million higher at € 344 million, due entirely to the increase in working capital.

Q1 2011 figures

General

The first quarter of 2011 saw continued improvement in the economic conditions in the developed countries and continued high growth in the emerging markets, which sustained the rising global demand for cable. At product level, all segments contributed to growth in the cable market except copper telecommunication cable, for which demand continued to weaken.

Sales

Sales in Q1 2011 were 19.6% higher at € 624 million. The effect of higher copper prices on sales was 11.8 percentage points positive. This is due to the fact that changes in the copper price are passed on in the price of cable products with some delay. The remaining increase was the product of a combination of organic growth (4.0 percentage points) and positive currency-translation effects (3.1 percentage points), in particular the strengthening of the dollar against the euro. The organic growth was due principally to strong demand for high-end special-purpose cable and optical fibre telecommunication cable and a modest recovery in demand for low-voltage cable in Europe.

The effect on sales of the acquisition of Pressure Tube Manufacturing (USA), which has been included in the consolidation since June 2010, was 0.7 percentage points positive.

(€ million)	**Q1 2011**	**Q1 2010**
Sales		
Energy & Infrastructure	224	186
Industry & Specialty	206	158
Communications	194	178
Draka total	**624**	**522**
Adjusted operating result		
Energy & Infrastructure	7	3
Industry & Specialty	6	4
Communications	10	7
Unallocated	(4)	(4)
Draka total	**19**	**10**

Operating result

The operating result in Q1 2011 was € 10 million, compared with nil in the same period in 2010. On a like-for-like basis – excluding non-recurring and special items – the adjusted operating result was € 19 million, an increase of 90.3% compared with Q1 2010. This improvement was driven by organic growth, a better product mix and cost savings.

The non-recurring and special items were € 8 million negative and consisted mainly of restructuring costs and overhead efficiency costs, consultants' expenses relating to the transaction with Prysmian and impairment of non-current assets. Special items included also the fair value change in metal derivatives for € 1 million negative.

Operating margin

The operating margin – the adjusted operating result as a percentage of sales – turned out at 3.1% compared with 2.0% in Q1 2010. The improvement was driven by organic growth, which translated into higher capacity utilization rates at Draka's plants, cost savings (around € 3 million) and an improved product mix. Negative factor affecting the margin were the higher non-metal material prices (especially polymers).

Other financial items

Net finance expense amounted to € 9 million, up 53.8% compared with Q1 2010 (€ 7 million). This increase was due entirely to the non-recurring charge of € 4 million in relation to the settlement of interest-rate derivatives in connection with the repayment of Draka's credit facility due to its acquisition by Prysmian. Excluding this effect interest expense showed a decline. Income taxes amounted to € 2 million, including the positive tax effect on the non-recurring items of € 2 million. Excluding this effect, the effective tax rate was 21.8% (Q1 2010: 47.2%).

The share in the profit of equity-accounted investees amounted to € 2 million, compared with € 2 million in Q1 2010.

Net result for the period

The net result for Q1 2011 was € 1 million, compared with € 5 million negative in the same period in 2010. Excluding non-recurring and special items, the adjusted net result was € 12 million, compared with € 2 million in Q1 2010.

Financial position

Cash flow and operative net working capital

Cash flow from operating activities in Q1 2011 amounted to € 65 million negative, compared with € 32 million negative in Q1 2010, due almost entirely to the increase in operating working capital in Q1 2011.

The increase of € 75 million in operating working capital to € 302 million follows the normal seasonal pattern of higher working capital compared with year-end. The higher copper price, currency-translation effects and organic growth also converted into higher working capital. The operating working capital ratio (operative net working capital as a percentage of sales) was well under control, amounting to 12.1% compared with 13.7% in Q1 2010.

Investments and acquisitions

Net investments in intangible assets and property, plant and equipment amounted to € 6 million, less than the amortization and depreciation charge of € 16 million. The expenditure related solely to regular maintenance and replacement investments.

Balance sheet and financing

Total equity amounted to € 594 million, which was 3.2% lower compared with 31 December 2010, mainly due to negative currency-translation effects.

Net financial position increased by 25.9% or € 71 million to € 344 million, due almost entirely to the increase in operating working capital.

The next three pages give an overview of the results of Draka's three groups, Energy & Infrastructure, Industry & Specialty and Communications.

Energy & Infrastructure

Headlines

- Result doubled, thanks to improved product mix and modest organic growth
- European construction market showing some signs of recovery, apart from the Benelux and Spain where the markets continued to contract in Q1 2011
- Slow start in Asia-Pacific region in Q1 2011, but the outlook is encouraging with recovery in the construction sector and a growing order book
- Organic growth in line with the markets with stable market share
- Sustained focus on new segments (industry, infrastructure and renewable energy) and high-margin products, such as halogen-free and fire-resistant cable, is paying off

Financial result

(€ million, unless stated otherwise)	Q1 2011	Q1 2010
Sales	224	186
Adjusted operating result[1]	7	3
Operating margin (%)	3.3	1.9

[1] Excluding non-recurring items. There were no non-recurring items in Q1 2011. Non-recurring items in Q1 2010 were € 2 million negative.

Energy & Infrastructure reported sales growth of 21.0% in Q1 2011, to € 224 million, driven primarily by the positive effect on sales of higher average copper prices (15.9 percentage points). Organic growth was 1.2%. Currency-translation effects contributed 3.9 percentage points to the growth in sales.

The adjusted operating result increased 111.4% to € 7 million, due mainly to the improved product mix and slightly higher volume in the Europe division, which translated into higher capacity utilization at Draka's plants. Higher non-metal material prices (notably polymers) had an adverse impact on margins. Additional cost savings had an effect of approximately € 1 million on the result.

Analysis by division

Europe

The European construction markets improved a little in Q1 2011 compared with the same period in 2010. This improvement was driven mainly by continued growth in the Scandinavian countries, but was mitigated by weaker demand in the Benelux and Spain compared with the same period in 2010. Because volume is keeping pace with the market trend in the individual geographical markets, Draka's market share is remaining stable. The division's strategy of focusing constantly on offering added value by reliably supplying a complete range of products that achieve ever higher levels of performance is continuing to prove its worth in the current market conditions.

Asia-Pacific

The picture in the Asia-Pacific region remained mixed, with demand lower compared with Q1 2010, but the division's result benefited from the completion of a number of profitable contracts. Construction activity in the region is picking up and the order book is growing.

Industry & Specialty

Headlines

- Higher results for Industry & Specialty on the back of marked organic growth
- Engineered Specialties benefited greatly from strong growth at Pressure Tube Manufacturing
- Demand at Automotive remained at high levels; Aerospace stable
- Modest growth in demand for elevator cable, driven by continuing growth of Chinese market
- Offshore: growth reflecting ramp up of production in new subsea facility and order book
- Renewable Energy (wind and solar): outlook still good despite slow start

Financial result

(€ million, unless stated otherwise)	**Q1 2011**	**Q1 2010**
Sales	206	158
Adjusted operating result[1]	6	4
Operating margin (%)	2.7	2.3

[1] Excluding non-recurring items. There was a non-recurring charge of € 2 million in Q1 2011 which related to restructuring exercises and overhead efficiencies. Non-recurring items in Q1 2010 were € 1 million negative.

Industry & Specialty group sales in Q1 2011 were 30.0% higher at € 206 million, driven by substantial organic growth (9.7 percentage points), higher copper prices (15.3 percentage points) and gains on exchange (2.6 percentage points). Almost all divisions contributed to the higher volume, with Engineered Specialties and Offshore posting the fastest growth. The acquisition of PTM (USA) accounted for about 2.4 percentage points of the increase in sales.

The adjusted operating result was 55.6% higher at € 6 million. The excellent performance by Engineered Specialties accounted for most of this significant improvement in the result.

Analysis by division

Aerospace

Demand at Aerospace was stable, but the result benefited significantly from cost savings.

Automotive

Demand for automotive cable remained at a high level in Q1 2011, which translated into a greatly improved result.

Elevator

Despite modest organic growth, the result was sharply lower due partly to a less profitable product mix and price pressure. Recovery in the result will come from cost savings and growth in the Chinese market.

Engineered Specialties

Benefiting from its strategic focus on niche markets, the division was able to increase volume significantly. The greatly improved result can also be attributed partly to the acquisition of Pressure Tube Manufacturing (USA). Furthermore growth in utilities and irrigation also contributed.

Offshore

Despite strong organic growth, the division posted a lower result in Q1 2011, mainly due to start-up costs incurred in relation to substantial new orders for submarine cable.

Renewable Energy

The division's performance remained stable and the prospects are good, with an improving order book.

Communications

Headlines

- The result continued to improve, driven by organic growth, a better product mix and cost savings
- The global optical fiber market remained stable at 2010 level; modest growth in Europe compensated for slight decline in China
- Decisions by European telecom operators to extend FTTH projects had a positive effect in Q1
- Continuing strong demand within data communication cable segment for high-end applications such as 10GB networks in data centres

Financial result

(€ million, unless stated otherwise)	Q1 2011	Q1 2010
Sales	194	178
Adjusted operating result[1]	10	7
Operating margin (%)	5.0	4.0

[1] Excluding non-recurring items. There was a non-recurring charge of € 4 million in Q1 2011 which related to various efficiency projects. Non-recurring items in Q1 2010 were € 7 million negative.

The Communications group's sales were 8.9% higher in Q1 2011 at € 194 million. This increase is attributable to a combination of organic growth (1.9 percentage points), the positive effect of higher copper prices passed on in sales (4.3 percentage points) and gains on exchange (2.7 percentage points).

The adjusted operating result was € 10 million, up 36.1% compared with Q1 2010. This increase was driven by organic growth, better margins at Multimedia & Specials and good progress by Draka's joint ventures. Additional cost savings had an effect of approximately € 2 million on the result.

Analysis by market segment

Telecom Solutions

Demand for optical fiber cable increased, driven by the greater propensity on the part of telecom operators in Europe and the United States to invest in Fiber-to-the-Home (FTTH) projects. Growth was particularly strong in Europe, where Draka has fulfilled several major FTTH contracts. Helped by the good performance of Draka's joint ventures and further cost savings, the division posted a higher result.

Multimedia & Specials

Demand for data communication cable showed growth compared with Q1 2010, thanks to rising demand in Germany. Demand remained strong for cable for high-end applications such as 10GB networks in data centres. The division posted a significantly higher result, mainly due to the improved product mix.

Optical Fiber

Demand for optical fiber showed little change in Q1 2011, with growth in Europe compensating for a modest decline in China. Optical fiber prices (in US dollars) remained stable. The division posted a lower result compared with Q1 2010, mainly due to the weakening of the US$/€ exchange rate.

NOTE FOR EDITORS: for more information, please contact:

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Cautionary note regarding forward-looking statements

This announcement contains forward-looking statements. Forward-looking statements are statements that are not based on historical fact, including statements about our beliefs and expectations. Any statement in this announcement that expresses or implies our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Such statements are based on plans, estimates and projections as currently available to the management of Draka. Forward-looking statements therefore speak only as of the date they are made and we assume no obligation to publicly update any of them in the light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of significant factors could therefore cause actual future results to differ materially from those expressed or implied in any forward-looking statement. Such factors include but are not limited to conditions on the markets in Europe, the United States and elsewhere from which we derive a substantial portion of our revenue, potential defaults on the part of borrowers or trading counterparties, the implementation of our restructuring programme including the envisaged reduction in headcount and the reliability of our risk management policies, procedures and methods.
For more information on these and other factors, please refer to our annual report. The forward-looking statements contained in this announcement are made as of the date hereof and the companies assume no obligation to update any forward-looking statement contained in this announcement.

Profile

Draka Holding N.V. ('Draka') has been acquired by Prysmian Cables & Systems ('Prysmian'). Prysmian is world leader of the high-tech energy and telecom cables and systems industry. With sales of some € 7 billion (pro-forma 2010 Prysmian/Draka) and 22,000 employees across 50 countries and 98 plants, the Prysmian Group is a truly global business. Strongly positioned in high-tech markets, Prysmian offers the widest range of products, services, technologies and know-how in all market segments: underground and submarine cables and systems for power transmission and distribution; special cables for applications in diverse industrial sectors; cables and wires for the construction industry; optical fiber, fiber optic and copper cables and connectivity systems for telecommunications and data communications.

More information on Prysmian and Draka can be found at www.Prysmian.com and www.Draka.com.

Condensed consolidated statement of income

(unaudited)

In millions of euro	Three months ended 31 March 2011	2010
Sales	624	522
Change in inventories of work in progess, semi-finished and finished goods, and raw materials and consumables used	(415)	(331)
Other income	2	1
Fair value change in metal derivatives	(1)	-
Personnel costs	(94)	(92)
Amortisation, depreciation and impairment	(18)	(15)
Other expenses	(88)	(85)
Operating result	**10**	**-**
Net finance expense	(9)	(7)
Share of profit of equity accounted investees (net of income tax)	2	2
Result before income tax	**3**	**(5)**
Income tax benefit / (expense)	(2)	-
Result for the period	**1**	**(5)**
Attributable to:		
Equity holders of the company	-	(5)
Minority interests	1	-
Result for the period	**1**	**(5)**

Condensed consolidated statement of comprehensive income

(unaudited)

In millions of euro	Three months ended 31 March 2011	2010
Result for the period	**1**	**(5)**
Foreign exchange translation differences	(21)	25
Fair value gains / (losses) on available-for-sale financial assets	1	-
Effective portion of fair value changes of cash flow hedges (net of income tax)	2	(3)
Other comprehensive income for the period	**(18)**	**22**
Total comprehensive income for the period	**(17)**	**17**
Attributable to:		
Equity holders of the company	(16)	15
Minority interests	(1)	2
Total comprehensive income for the period	**(17)**	**17**

Condensed consolidated balance sheet

(unaudited)

In millions of euro	31-03-2011	31-12-2010	31-03-2010
Assets			
Non-current assets			
Property, plant and equipment	519	540	546
Intangible assets	112	114	114
Investments in equity accounted investees	56	59	56
Deferred tax assets	58	61	54
Derivative financial instruments	4	4	-
Other non-current financial assets	15	14	15
Total non-current assets	**764**	**792**	**785**
Current assets			
Inventories	459	400	399
Trade and other receivables	505	485	454
Derivative financial instruments	6	9	8
Income tax receivable	1	2	2
Held-for-sale assets	3	-	-
Cash and cash equivalents	100	139	80
Total current assets	**1,074**	**1,035**	**943**
Total assets	**1,838**	**1,827**	**1,728**
Equity			
Shareholders' equity			
Share capital	27	27	27
Reserves	545	556	537
Result for the period	-	5	(5)
Total equity attributable to equity holders of the company	**572**	**588**	**559**
Minority interests	**22**	**25**	**23**
Total equity	**594**	**613**	**582**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	41	39	323
Provision for employee benefits	83	83	89
Derivative financial instruments	-	5	5
Other provisions	17	17	24
Other payables	4	5	5
Deferred tax liabilities	16	17	18
Total non-current liabilities	**161**	**166**	**464**
Current liabilities			
Bank overdrafts	6	10	9
Interest-bearing loans and borrowings	406	368	85
Derivative financial instruments	1	6	11
Trade and other payables	656	645	553
Income tax payable	6	7	6
Other provisions	8	12	18
Total current liabilities	**1,083**	**1,048**	**682**
Total liabilities	**1,244**	**1,214**	**1,146**
Total equity and liabilities	**1,838**	**1,827**	**1,728**

Condensed consolidated statement of cash flows

(unaudited)

In millions of euro	Three months ended 31 March 2011	2010
Result for the period	1	(5)
Depreciation	14	14
Amortisation	2	2
Impairments	2	-
Fair value change in metal derivatives	1	-
Net finance expense	9	7
Share of profit of equity accounted investees	(2)	(2)
Income tax (benefit) / expense	2	-
	29	**16**
Changes in inventories	(68)	(38)
Changes in trade receivables	(40)	(49)
Changes in trade payables	35	40
Changes in other working capital and other	(11)	10
	(55)	**(21)**
Income tax paid	(1)	(3)
Application of provisions	(9)	(8)
Net cash from operating activities	**(65)**	**(32)**
Dividends received	2	-
Acquisition of intangible assets	(1)	(1)
Acquisition of property, plant and equipment	(5)	(4)
Net cash used in investing activities	**(4)**	**(5)**
Net interest paid	(6)	(6)
Cancellation interest rate swaps	(4)	-
Repayment promissory note Optelecom	6	-
Movements in bank loans	39	48
Net cash from financing activities	**35**	**42**
Net increase / (decrease) in cash and cash equivalents	**(34)**	**5**
Cash and cash equivalents at 1 January	139	74
Exchange rate fluctuations on cash and cash equivalents	(5)	1
Cash and cash equivalents at 31 March	**100**	**80**

Condensed consolidated statement of changes in total equity

(unaudited)

In millions of euro	Share capital	Share premium	Translation reserve	Hedging reserve	Preference shares dividend reserve	Retained earnings and other reserves	**Share-holders' equity**	Minority Interests	**Total equity**
Balance as at 31 December 2009	**27**	**458**	**(23)**	**(2)**	**6**	**78**	**544**	**21**	**565**
Foreign exchange translation differences	-	-	23	-	-	-	23	2	25
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	(3)	-	-	(3)	-	(3)
Total income and expenses recognised directly in equity	**-**	**-**	**23**	**(3)**	**-**	**-**	**20**	**2**	**22**
Result for the period	-	-	-	-	1	(6)	(5)	-	(5)
Total recognised income and expense	**-**	**-**	**23**	**(3)**	**1**	**(6)**	**15**	**2**	**17**
Balance as at 31 March 2010	**27**	**458**	**-**	**(5)**	**7**	**72**	**559**	**23**	**582**
Balance as at 31 December 2010	**27**	**458**	**14**	**6**	**6**	**77**	**588**	**25**	**613**
Foreign exchange translation differences	-	-	(19)	-	-	-	(19)	(2)	(21)
Fair value gains / (losses) on available-for-sale financial assets	-	-	-	-	-	1	1	-	1
Effective portion of fair value changes of cash flow hedges (net of income tax)	-	-	-	2	-	-	2	-	2
Total income and expenses recognised directly in equity	**-**	**-**	**(19)**	**2**	**-**	**1**	**(16)**	**(2)**	**(18)**
Result for the period	-	-	-	-	1	(1)	-	1	1
Total recognised income and expense	**-**	**-**	**(19)**	**2**	**1**	**-**	**(16)**	**(1)**	**(17)**
Put options held by non-controlling interests	-	-	-	-	-	-	-	(2)	(2)
Total direct changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Balance as at 31 March 2011	**27**	**458**	**(5)**	**8**	**7**	**77**	**572**	**22**	**594**

Press release

Amsterdam, 12 May 2011

Selected explanatory notes

1. General

Draka Holding N.V. (“the Company”) is a company domiciled in Amsterdam, the Netherlands. The condensed consolidated interim financial statements for the first quarter 2011 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in equity accounted investees.
The condensed consolidated interim financial statements have been prepared by the Board of Management and were authorized for issuance. The condensed consolidated interim financial statements have not been audited.

2. Significant accounting policies

Introduction

These condensed consolidated interim financial statements have been prepared in accordance with IFRS and its interpretations issued by the IASB, as adopted by the EU.
The accounting policies applied in these condensed consolidated interim financial statements are the same accounting policies as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010 as included in the Annual Report 2010 issued on 14 February 2011, except for the policies applied in connection with metal derivative financial instruments (hedging) and employee benefits.

Furthermore, due to the acquisition of Draka by Prysmian certain Non-GAAP measures and definitions were revised according to Prysmian definitions.

Change of accounting policies

As of 1 January 2011 hedge accounting for metal derivatives is no longer applied. As of that date all fair value changes of all metal derivatives are recognised in the income statement on line item fair value change in metal derivatives. The outstanding balance of the hedging reserve at 31 December 2010 remains in equity and is recognised in the income statement as soon as the hedged transaction takes place. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

As of 1 January 2011 Draka has abandoned the "corridor" method in which cumulative unrecognised actuarial gains and losses were only recognised in the income statement if they exceeded 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets. As of 2011 the cumulative unrecognised actuarial gains and losses are included in the provision for employee benefits with the resulting effect charged directly to equity. The comparative figures have been restated to reflect this change in accounting policy; the provision for employee benefits increased and shareholders’ equity decreased with respectively € 6 million in March 2010 and € 1 million in December 2010.

3. Basis for presentation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010. The consolidated financial statements of the Group as at and for the year ended 31 December 2010 are available upon request at the Company’s office or at www.draka.com.

4. Estimates

The condensed consolidated interim financial statements 2011 are prepared in accordance with IAS 34, which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2010.

5. Segment reporting

Segment information is presented in respect of the Group's business segments.

The format of the business segments is based on the Group's management and internal reporting structure.

Three months ended 31 March (unaudited)	Energy & Infrastructure		Industry & Specialty		Communications		Not allocated to segments / eliminations		Consolidated	
In millions of euro	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Sales from external customers	224	186	206	158	194	178	-	-	624	522
Intersegment transactions	21	10	1	4	9	11	(31)	(25)	-	-
Sales	**245**	**196**	**207**	**162**	**203**	**189**	**(31)**	**(25)**	**624**	**522**
Operating result (excluding non-recurring items and fair value change in metal derivatives)	7	3	6	4	10	7	(4)	(4)	19	10
Non-recurring items	-	(2)	(2)	(1)	(2)	(7)	(2)	-	(6)	(10)
Assets impairment	-	-	-	-	(2)	-	-	-	(2)	-
Fair value change in metal derivatives	-	-	-	-	-	-	(1)	-	(1)	-
Operating result	**7**	**1**	**4**	**3**	**6**	**-**	**(7)**	**(4)**	**10**	**-**
Net finance expense									(9)	(7)
Share of profit of equity accounted investees									2	2
Income tax benefit / (expense)									(2)	-
Result for the period									**1**	**(5)**

6. Non-recurring items and assets impairment

In the first quarter of 2011 the Group recognised non-recurring items and assets impairment amounting to € 8 million. An impairment charge of € 2 million is recognised on idle land in Germany. The completion of the downsizing of the Wire & Cable Assemblies (WCA) activities in relation to severance payments and impairments contributed € 2 million to the non-recurring items. The remaining advisory and other fees with respect to the takeover of Draka by Prysmian amounted to € 2 million. The remaining expenses primarily relate to the overflow of in earlier years announced restructurings.

In the first quarter of 2010 the Group recognised non-recurring items amounting to € 10 million. These costs related for an amount of approximately € 6 million to the in January 2010 announced closing of the factory in Årnes (Norway) and approximately € 1 million to the in the last quarter of 2009 announced closure of the plant in Ystad. The remaining expenses primarily related to the overflow of various in 2009 announced restructurings.

7. Interest-bearing loans and borrowings

Total interest-bearing loans and borrowings (non-current and current) increased with € 39 million compared to 31 December 2010, mainly due to the seasonal increase in operating working capital. As a result of the change in control the multicurrency revolving credit facility was repaid and replaced by an intercompany loan from Prysmian.

8. Related parties transactions

There are no material changes in the nature, scope and (relative) scale in this reporting period compared to the disclosures in note 30 of the consolidated financial statements as at and for the year ended 31 December 2010.

Milan, 12 May 2011

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 March 2011	31 December 2010
Non-current assets			
Property, plant and equipment	1	1,447	949
Intangible assets	1	583	59
Investments in associates		67	9
Available-for-sale financial assets	2	5	3
Derivatives	5	18	14
Deferred tax assets		107	30
Other receivables	3	56	41
Total non-current assets		**2,283**	**1,105**
Current assets			
Inventories	4	1,185	600
Trade receivables	3	1,340	764
Other receivables	3	462	397
Financial assets held for trading	6	46	66
Derivatives	5	45	52
Available-for-sale financial assets	2	-	142
Cash and cash equivalents	7	457	630
Total current assets		**3,535**	**2,651**
Assets held for sale	8	12	9
Total assets		**5,830**	**3,765**
Equity attributable to the Group:		**1,239**	**756**
Share capital		21	18
Reserves		1,204	590
Profit/(loss) for the period		14	148
Equity attributable to non-controlling interests:		**66**	**43**
Share capital and reserves		67	41
Profit/(loss) for the period		(1)	2
Total equity	9	**1,305**	**799**
Non-current liabilities			
Borrowings from banks and other lenders	10	1,548	1,111
Other payables	11	24	20
Provisions for risks and charges	12	56	44
Derivatives	5	32	48
Deferred tax liabilities		81	44
Employee benefit obligations	13	224	145
Total non-current liabilities		**1,965**	**1,412**
Current liabilities			
Borrowings from banks and other lenders	10	431	201
Trade payables	11	1,492	862
Other payables	11	500	355
Derivatives	5	19	28
Provisions for risks and charges	12	65	62
Current tax payables		53	46
Total current liabilities		**2,560**	**1,554**
Total liabilities		**4,525**	**2,966**
Total equity and liabilities		**5,830**	**3,765**

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	3 months 2011	3 months 2010
Sales of goods and services		1,490	969
Change in inventories of work in progress, semi-finished and finished goods		118	77
Other income		12	6
Raw materials and consumables used		(1,107)	(667)
Fair value change in metal derivatives		(20)	(4)
Personnel costs		(170)	(129)
Amortisation, depreciation and impairment		(25)	(18)
Other expenses		(251)	(184)
of which non-recurring other expenses		*(9)*	*(3)*
Operating income	14	**47**	**50**
Finance costs	15	(67)	(77)
Finance income	15	38	61
Share of income from investments in associates and dividends from other companies		1	-
Profit before taxes		**19**	**34**
Taxes	16	(6)	(11)
Profit/(loss) for the period		**13**	**23**
Attributable to:			
Owners of the parent		14	22
Non-controlling interests		(1)	1
Basic earnings/(loss) per share (in Euro)	17	**0.07**	**0.13**
Diluted earnings/(loss) per share (in Euro)	17	**0.07**	**0.13**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	3 months 2011	3 months 2010
Profit/(loss) for the period	**13**	**23**
Fair value gains/(losses) on available-for-sale financial assets - gross of tax	-	(1)
Fair value gains/(losses) on available-for-sale financial assets - tax effect	-	-
Fair value gains/(losses) on cash flow hedges - gross of tax	21	(22)
Fair value gains/(losses) on cash flow hedges - tax effect	(6)	7
Actuarial gains/(losses) on employee benefits - gross of tax	-	-
Actuarial gains/(losses) on employee benefits - tax effect	-	-
Currency translation differences	(26)	12
Total post-tax other comprehensive income/(loss) for the period	**(11)**	**(4)**
Total comprehensive income/(loss) for the period	**2**	**19**
Attributable to:		
Owners of the parent	5	16
Non-controlling interests	(3)	3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Fair value gains and losses on available-for-sale financial assets	Cash flow hedges	Currency translation reserve	Other reserves	Profit/(loss) for the period	Non-controlling interests	Total
Balance at 31 December 2009	**18**	**3**	**(32)**	**(58)**	**498**	**248**	**21**	**698**
Allocation of prior year profit	-	-	-	-	248	(248)	-	-
Capital contributions	-	-	-	-	3	-	-	3
Dividend payment	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	12	12
Total comprehensive income/(loss) for the period	-	(1)	(15)	10	-	22	3	19
Balance at 31 March 2010	**18**	**2**	**(47)**	**(48)**	**749**	**22**	**36**	732
Balance at 31 December 2010	**18**	**-**	**(13)**	**(32)**	**635**	**148**	**43**	**799**
Allocation of prior year profit	-	-	-	-	148	(148)	-	-
Capital contributions	3	-	-	-	476	-	-	479
Future capital increase costs	-	-	-	-	(1)	-	-	(1)
Change in scope of consolidation	-	-	-	-	-	-	26	26
Total comprehensive income/(loss) for the period	-	-	15	(24)	-	14	(3)	2
Balance at 31 March 2011	**21**	**-**	**2**	**(56)**	**1,258**	**14**	**66**	**1,305**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

		3 months 2011	3 months 2010
	Profit before taxes	19	34
	Depreciation and impairment of property, plant and equipment	22	17
	Amortisation and impairment of intangible assets	3	1
	Share of income from investments in associates	(1)	-
	Fair value change in metal derivatives and other fair value items	20	4
	Net finance costs	29	16
	Changes in inventories	(150)	(101)
	Changes in trade receivables/payables	(10)	38
	Changes in other receivables/ payables	(16)	(55)
	Changes in receivables/payables for derivatives	(1)	(2)
	Taxes paid	(14)	(6)
	Utilisation of provisions (including employee benefit obligations)	(19)	(9)
	Increases in provisions (including employee benefit obligations)	5	9
A.	**Net cash flow provided by/(used in) operating activities**	**(113)**	**(54)**
	Acquisitions [1]	(419)	(20)
	Investments in property, plant and equipment	(15)	(7)
	Investments in intangible assets	(2)	(4)
	Investments in financial assets held for trading	-	(30)
	Disposals of financial assets held for trading	17	5
	Disposals of available-for-sale financial assets [2]	143	-
	Dividends received	2	-
B.	**Net cash flow provided by/(used in) investing activities**	**(274)**	**(56)**
	Capital contributions and other changes in equity	1	8
	Finance costs paid	(59)	(66)
	Finance income received	35	62
	Changes in net financial payables	243	15
C.	**Net cash flow provided by/(used in) financing activities**	**220**	**19**
D.	Currency translation gains/(losses) on cash and cash equivalents	(6)	5
E.	**Total cash flow provided/(used) in the period (A+B+C+D)**	**(173)**	**(86)**
F.	**Net cash and cash equivalents at the beginning of the period**	**630**	**492**
G.	**Net cash and cash equivalents at the end of the period (E+F)**	**457**	**406**

[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. See section D. Business Combinations for details.

[2] Refer to disposals of government and blue chip corporate bonds acquired for temporarily investing the Group's liquidity.

EXPLANATORY NOTES

A. GENERAL INFORMATION

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

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

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

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

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

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

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

On 22 February 2011, Prysmian settled the offer for those shares tendered during the offer period, by acquiring 44,064,798 Draka shares and issuing 29,059,677 ordinary shares of Prysmian S.p.A. and paying Euro 378,973,735.24 in cash. The unit price of the ordinary shares acquired, determined in accordance with IFRS 3, was equal to Euro 18.47379.

During the Post-Closing acceptance period, ending on 22 February 2011, another 4,192,921 shares were tendered for acceptance, representing around 8.6% of Draka's ordinary share capital (excluding treasury shares held by Draka itself).
Together with the 44,064,798 shares tendered during the offer period ending on 3 February 2011, Prysmian holds a total of 48,257,719 shares.

Lastly, taking account of the 5,754,657 Draka preference shares acquired by Prysmian from ASR Levensverzekering N.V. and Kempen Bewaarder Beleggingsfonds 'Ducatus' B.V. on 1 March 2011, Prysmian holds 99.047% of Draka's voting rights.
Payment of the offer price to the Draka shareholders who accepted the offer during the post-closing acceptance period was settled on 8 March 2011.

Further details can be found in section D. Business Combinations.

Having acquired more than 95% of Draka's ordinary share capital, Prysmian has delisted 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.

The consolidated financial statements contained herein were approved by the Board of Directors on 12 May 2011.

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

B. FORM AND CONTENT

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

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

The information contained in the first-quarter report must be read in conjunction with the annual IFRS consolidated financial statements at 31 December 2010.

B.1 FINANCIAL STATEMENTS AND DISCLOSURES

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.

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

B.2 ACCOUNTING STANDARDS

Accounting standards used for preparing the first-quarter report

The consolidation principles, the methods applied for converting financial statements into the presentation currency, the accounting standards as well as the accounting estimates adopted are the same as those used for the consolidated financial statements at 31 December 2010, to which reference should be made for more details, except for:

1. income taxes, which have been recognised using the best estimate of the weighted average rate for the full year;

2. the accounting standards and amendments discussed below and obligatorily applied with effect from 1 January 2011 after receiving endorsement from the competent authorities.

Accounting standards, amendments and interpretations applied from 1 January 2011

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 Prysmian Group's related party disclosures.

On 26 November 2009, the IFRIC issued an amendment to the interpretation *IFRIC 14* to define the treatment of liabilities relating to pension funds when an entity is subject to minimum funding requirements for defined benefit plans and makes an early payment of contributions to cover those requirements. As at the present document date, the European Union had completed the endorsement process needed for its application. The revised version of this interpretation, published in the European Union's Official Journal on 20 July 2010, applies from 1 January 2011. 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 annual periods 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 annual periods beginning on or after 1 January 2011. These Improvements are not considered to have a material impact on the Group's financial statements.

New standards, amendments and interpretations of existing standards, not yet obligatory 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 replace *IAS 39 - Financial Instruments: Recognition and Measurement*. This initial document addresses the classification of financial instruments and forms part of a three-part project, whose second and third parts will address the impairment methodology for financial assets and the application of hedge accounting respectively. This new standard, whose purpose is to simplify and reduce the complexity of accounting for financial instruments, classifies financial instruments in three categories that the reporting entity defines according to its business model, and to the contractual characteristics and related cash flows of the instruments in question.
On 28 October 2010, the IASB published new requirements on accounting for financial liabilities. These requirements will be added to IFRS 9 and complete the classification and measurement phase of the project to replace IAS 39. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of IFRS 9, due to come into effect from 1 January 2013.

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

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

On 20 December 2010, the IASB issued a document entitled *Deferred Tax: Recovery of Underlying Assets* (Amendments to IAS 12). The current version of IAS 12 requires the recoverability of deferred tax assets to be assessed on the basis of judgements concerning their possible use or sale. The amendment provides a

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

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

- *IFRS 1 – Improving disclosures about financial instruments (IFRS 7)*, with the purpose of aligning the standard to the disclosures required by IFRS 7 concerning the methods used to measure the fair value of financial instruments;

- *IFRS for SMEs – International Financial Reporting Standards for Small and Medium-sized Entities*;

- *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)*. The document:
  a) removes the fixed dates in IFRS 1 to allow first-time adopters to use the same simplification rules as those permitted for entities that made the transition to IFRS in 2005;
  b) includes an exemption from the retrospective application of IFRS on first-time adoption for first-time adopters (who up until now have been unable to adopt IFRS due to hyperinflation). This amendment allows such first-time adopters to use fair value as the deemed cost of all its assets and liabilities.

B.3 CHANGES IN THE SCOPE OF CONSOLIDATION

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

The following change took place during the first three months of 2011:

Acquisitions
As described in section A. General Information, on 22 February 2011 Prysmian S.p.A. acquired 99.081% of Draka Holding N.V. Further information can be found in section D. Business Combinations.

Liquidations
Prysmian Kabelwerke und Systeme Gmbh completed its winding-up process on 17 February 2011 with the company’s removal from the local company registry.

C. SEGMENT INFORMATION

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

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

Following acquisition of the Draka Group, the consolidated figures are analysed by operating segment (Energy and Telecom), with no further breakdown by business area; this is because the size of the operating segments provides a uniform basis for comparing the pre-acquisition Prysmian Group and the Draka Group.

In the pre-acquisition Prysmian Group, 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 residual costs according to the resources (personnel, space used, etc.) absorbed by the individual operating segments.

In the case of Draka Group companies, which entered the scope of consolidation from 28 February 2011, fixed Corporate costs are not currently being allocated to the individual segments.

C.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(in millions of Euro)

	3 months 2011				3 months 2010
	Prysmian	**Draka [1]**	**Adjustments**	**Total**	**Prysmian**
Sales of goods and services	**1,258**	**233**	**(1)**	**1,490**	**969**
Energy	1,137	159	(1)	1,295	873
of which third parties	*1,130*	*155*	*(1)*	*1,284*	*866*
Telecom	130	81		211	106
of which third parties	*128*	*78*		*206*	*103*
Eliminations	(9)	(7)		(16)	(10)
Adjusted EBITDA (A)	**84**	**17**	-	**101**	**75**
Energy	74	10	-	84	68
Telecom	10	8	-	18	7
Unallocated	-	(1)	-	(1)	-
Non-recurring income/(expenses) (B)	**(8)**	**(1)**	-	**(9)**	(3)
EBITDA (A+B)	**76**	**16**	-	**92**	**72**
Amortisation and depreciation (C)	**(19)**	**(6)**	-	**(25)**	**(18)**
Energy	(17)	(3)	-	(20)	(16)
Telecom	(2)	(3)	-	(5)	(2)
Unallocated	-	-	-	-	-
Adjusted operating income (A+C)	**65**	**11**	-	**76**	**57**
Energy	57	7	-	64	52
Telecom	8	5	-	13	5
Unallocated	-	(1)	-	(1)	-
Fair value change in metal derivatives (D)	(16)	(4)	-	(20)	(4)
Impairment of assets (E)	-	-	-	-	-
Operating income (A+B+C+D+E)	**41**	**6**	-	**47**	**50**
Finance costs	**(63)**	**(5)**	**1**	**(67)**	**(77)**
Finance income	**36**	**3**	**(1)**	**38**	**61**
Share of income from investments in associates and dividends from other companies	-	**1**	-	**1**	-
Profit before taxes	**14**	**5**	-	**19**	**34**
Taxes	(5)	(1)	-	**(6)**	(11)
Profit/(loss) for the period	**9**	**4**	-	**13**	**23**

[1] figures for the period 1 March - 31 March 2011.

C.2 GEOGRAPHICAL AREAS

The following table presents sales of goods and services by geographical area, with reference to the country invoiced.

(in millions of Euro)

	3 months 2011				3 months 2010
	Prysmian	Draka	Adjustments	Total	Prysmian
Sales of goods and services	**1,258**	**233**	**(1)**	**1,490**	**969**
EMEA*	876	138	**(1)**	1,013	691
North America	101	41		142	77
Latin America	133	7		140	101
Asia Pacific	148	47		195	100

* EMEA = Europe, Middle East and Africa

D. 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 practical reasons, the acquisition date is being taken as 28 February 2011 for accounting purposes, with revenues and expenses consolidated as from 1 March 2011.

At 31 March 2011, Prysmian S.p.A. held 99.152% of the shares issued by Draka Holding N.V., corresponding to 99.047% of the voting rights.

The total consideration paid for the acquisition is Euro 978 million, of which Euro 501 million in cash (including Euro 86 million for purchasing the preference shares) and Euro 477 million through the issue of around 31.8 million shares in Prysmian S.p.A, with a value of Euro 14.97163 each.

Acquisition-related costs amount to around Euro 25 million, before tax effects of some Euro 8 million. The portion of these 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 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"	5	6	11
Equity	1	4	5
Total	**6**	**10**	**16**

In addition, there are another Euro 9 million in costs relating to renegotiation of financial covenants, which will be amortised in "Finance costs" over the period 2011-2014.

The assets and liabilities of the Draka Group have been determined on a provisional basis, since at the date of the present report the principal acquisition accounting processes were still incomplete.
In compliance with IFRS 3, the fair value of the assets, liabilities and contingent liabilities will be finalised within twelve months from the acquisition date.
The excess of the purchase consideration over the provisional fair value of net assets acquired has been recognised as goodwill, quantified as Euro 493 million.
Such goodwill is especially justified by the synergies from integrating the two groups and by assets currently not valued but whose measurement is in the process of being finalised.

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)	485
Goodwill (A)-(B)	**493**
Financial outlay for acquisition	501
Cash and cash equivalents held by acquired companies	(82)
Acquisition cash flow	**419**

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

(in millions of Euro)

	Pre-acquisition book value	**Fair value**
Property, plant and equipment [1]	531	531
Intangible assets	31	31
Investments in associates	60	60
Available-for-sale financial assets	3	3
Derivatives	5	5
Inventories	452	452
Trade and other receivables [2]	515	515
Trade and other payables [3]	(641)	(653)
Deferred taxes	43	45
Current taxes	(7)	(7)
Provisions for risks	(27)	(27)
Employee benefit obligations	(83)	(83)
Borrowings from banks and other lenders	(443)	(443)
Non-controlling interests	(22)	(22)
Cash and cash equivalents	82	82
Net assets	**499**	**489**
Net assets acquired - 99.047% (B)	**495**	**485**

(1) These include Euro 3 million classified as assets held for sale.

(2) Gross trade receivables amount to Euro 450 million while their fair value is Euro 440 million.

(3) These include a liability for Euro 12 million relating to potentially onerous purchase agreements.

The non-controlling interest, amounting to Euro 4 million, does not include components of acquisition-related goodwill, which has been provisionally calculated for the Prysmian interest alone.

During the first quarter of 2011, the Draka Group accounted for Euro 233 million of the Prysmian Group's total sales of goods and services, and contributed Euro 4 million to the overall profit 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 624 million, while its contribution to profit for the quarter would have been around Euro 5 million, excluding the cost of settling interest rate derivatives closed out as a result of the change in 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.

1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)

	Property, plant and equipment	Intangible assets
Balance at 31 December 2010	**949**	**59**
Movements in period:		
- Investments	15	2
- Disposals	-	-
- Business combinations	528	524
- Depreciation, amortisation and impairment	(23)	(2)
- Currency translation differences	(22)	-
Total movements	**498**	**524**
Balance at 31 March 2011	**1,447**	**583**
Of which:		
- Historical cost	1,821	691
- Accumulated depreciation/amortisation and impairment	(374)	(108)
Net book value	**1,447**	**583**

(in millions of Euro)

	Property, plant and equipment	Intangible assets
Balance at 31 December 2009	**872**	**43**
Movements in period:		
- Investments	7	4
- Disposals	-	-
- Business combinations	9	15
- Depreciation, amortisation and impairment	(17)	(1)
- Currency translation differences	21	2
Total movements	**20**	**20**
Balance at 31 March 2010	**892**	**63**
Of which:		
- Historical cost	1,189	150
- Accumulated depreciation/amortisation and impairment	(297)	(87)
Net book value	**892**	**63**

A total of Euro 15 million in investments have been made in property, plant and equipment in 2011. Of these:
- 69% refer to projects for increasing production capacity and developing new products;
- 9% are for projects to improve industrial efficiency;
- 9% are for structural work on buildings or for entire production lines to make them compliant with the latest regulations;
- 9% refer to research and development expenditure;
- the remaining 4% refer to expenditure on replacing a series of obsolete office equipment.

Investments in intangible assets amount to Euro 2 million, most of which in connection with the Brazilian subsidiary's development of a prototype destined for flexible pipe production.

"Business combinations" refer to the acquisition of the Draka Group, which has increased property, plant and equipment by Euro 528 million and intangible assets by Euro 524 million, of which Euro 493 million refers to acquisition-related goodwill, calculated on an entirely provisional basis.

No impairment losses have emerged at 31 March 2011. This does not mean that impairment losses, even significant ones, will not emerge in subsequent quarters or at year end when tests are performed in more detail.

2. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are detailed as follows:

(in millions of Euro)

	31 March 2011	**31 December 2010**
Non-current	5	3
Current	-	142
Total	**5**	**145**

At 31 March 2011, these mostly refer to shareholdings regarded as instrumental to the Group's business.
The decrease of Euro 140 million in the first three months of 2011 is mainly attributable to the disposal of government and blue chip corporate bonds, not instrumental to the Group's business but held solely for temporarily investing the Group's liquidity, the proceeds of which were used to settle the Draka Group's cash consideration.

3. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)			31 March 2011
	Non-current	Current	Total
Trade receivables	-	1,393	1,393
Allowance for doubtful accounts	-	(53)	(53)
Total trade receivables	**-**	**1,340**	**1,340**
Other receivables:			
Tax receivables	10	105	115
Financial receivables	10	9	19
Prepaid finance costs	20	7	27
Receivables from employees	2	1	3
Construction contracts	-	196	196
Advances	-	15	15
Others	14	129	143
Total other receivables	**56**	**462**	**518**
Total	**56**	**1,802**	**1,858**

(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**

The increase of Euro 576 million in trade receivables mostly refers to the effect of acquiring the Draka Group. The Draka Group's trade receivables amount to Euro 454 million gross at 31 March 2011, while its allowance for doubtful accounts is Euro 10 million.

4. INVENTORIES

These are detailed as follows:

(in millions of Euro)

	31 March 2011	31 December 2010
Raw materials	323	188
of which allowance for obsolete and slow-moving raw materials	*(19)*	*(12)*
Work in progress and semi-finished goods	317	164
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	*(7)*	*(5)*
Finished goods	545	248
of which allowance for obsolete and slow-moving finished goods	*(34)*	*(19)*
Total	**1,185**	**600**

The first-time consolidation of the Draka Group has significantly increased the value of inventories. The Draka Group's inventories amount to Euro 459 million at 31 March 2011.

5. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

	31 March 2011	
	Asset	**Liability**
Non-current		
Interest rate swaps (cash flow hedges)	1	7
Forward currency contracts on commercial transactions (cash flow hedges)	7	4
Forward currency contracts on financial transactions (cash flow hedges)	-	3
Total hedging derivatives	**8**	**14**
Forward currency contracts on commercial transactions	2	-
Forward currency contracts on financial transactions	-	17
Metal derivatives	8	1
Total other derivatives	**10**	**18**
Total non-current	**18**	**32**
Current		
Forward currency contracts on commercial transactions (cash flow hedges)	14	7
Total hedging derivatives	**14**	**7**
Forward currency contracts on commercial transactions	3	4
Forward currency contracts on financial transactions	2	6
Metal derivatives	26	2
Total other derivatives	**31**	**12**
Total current	**45**	**19**
Total	**63**	**51**

(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		
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**

6. FINANCIAL ASSETS HELD FOR TRADING

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.

7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)	31 March 2011	31 December 2010
Cash and cheques	5	10
Bank and postal deposits	452	620
Total	**457**	**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 Finance Department of Prysmian S.p.A..
Cash and cash equivalents managed by Group treasury companies amount to Euro 223 million at 31 March 2011 compared with Euro 352 million at 31 December 2010.

8. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 March 2011	31 December 2010
Land	12	9
Buildings	-	-
Total	**12**	**9**

The change in the first three months of 2011 is attributable to the Draka Group acquisition, which has involved including in this category a piece of land in Germany, with a value of Euro 3 million. Apart from this, the category includes the land (Euro 8.60 million) and building (Euro 0.45 million) of the Eastleigh plant in the United Kingdom, which is expected to be sold during the year.

9. SHARE CAPITAL AND RESERVES

Consolidated equity has increased by Euro 506 million since 31 December 2010, mainly reflecting the net effect of:

- profit for the period of Euro 13 million;
- capital contributions of Euro 478 million;
- negative currency translation differences of Euro 25 million;
- the first-time consolidation of Draka's non-controlling interests of Euro 26 million;
- the positive post-tax change of Euro 15 million in the fair value of derivatives designated as cash flow hedges.

The share capital of Prysmian S.p.A. amounts to Euro 21,427,941.10 at 31 March 2011, corresponding to 214,279,411 shares.

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

	Ordinary shares	Treasury shares	Total
Balance at 31 December 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)	32,250,109	-	32,250,109
Treasury shares	-	(10,669)	(10,669)
Balance at 31 March 2011	**214,279,411**	**(3,039,169)**	**211,240,242**

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

(2) Capital increases relating to the Draka Group acquisition and to exercise of part of the options under the Stock Option Plan

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 period to buy up to 18 million shares. This period was subsequently extended for another 18 months under a resolution adopted on 9 April 2009.

The increase in the number of treasury shares during the first three months of 2011 is due to the acquisition of the Draka Group, which holds 10,669 shares in Prysmian S.p.A.

10. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)			31 March 2011
	Non-current	**Current**	**Total**
Borrowings from banks and other financial institutions	1,137	408	1,545
Bond	396	20	416
Finance lease obligations	15	3	18
Total	**1,548**	**431**	**1,979**

(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 March 2011**	**31 December 2010**
Credit Agreements	1,163	770
Bond	416	411
Other borrowings	382	129
Total	**1,961**	**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 part of the facilities in Euro and to Libor USD for the part in US dollars;

- the "Credit Agreement 2011", entered by Prysmian on 7 March 2011 with a syndicate of major banks for Euro 800 million in five-year facilities. 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 following table summarises the Committed Lines available to the Group at 31 March 2011 and 31 December 2010:

(in millions of Euro)			**31 March 2011**
	Total lines	**Used**	**Unused**
Term Loan Facility	770	(770)	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility	400	(6)	394
Revolving Credit Facility 2011	400	-	400
Bonding Facility	300	(142)	158
Total Credit Agreements	**2,270**	**(1,318)**	**952**
Securitization	350	(161)	189
Total	**2,620**	**(1,479)**	**1,141**

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

(in thousands of Euro)	
30 November 2011 (Term Loan)	100,000
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 extinguished early on 10 May 2011.

Forward Start Credit Agreement

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

(in thousands of Euro)

Term Loan Facility	670,000
Revolving Credit Facility	400,000

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

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

The Bonding Facility was not covered by the new agreement.

With reference to the Draka acquisition, during the month of February 2011, Prysmian obtained, from its banking syndicates, a significant extension to the financial covenants under the Credit Agreement and Forward Start Credit Agreement; under the new terms, the ratio between EBITDA and Net finance costs (as defined in the Credit Agreement and the Forward Start Credit Agreement) and the ratio between Net Financial Position and EBITDA (as defined in the Credit Agreement and Forward Start Credit Agreement) must be not less than 4.00x and not more than 3.50x respectively at year end.

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 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	(5)	-	(6)	(11)
New funds	394	-	171	565
Repayments	-	-	(340)	(340)
Amortisation of bank and financial fees and other expenses	-	-	-	-
Interest and other movements	4	5	1	10
Total movements	**393**	**5**	**269**	**667**
Balance at 31 March 2011	**1,163**	**416**	**400**	**1,979**

(in millions of Euro)

	Credit Agreements	Bond	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2009	**960**	-	**72**	**1,032**
Business combinations	-	-	10	10
Currency translation differences	8	-	16	24
New funds	-		-	-
Repayments	-	-	-	-
Amortisation of bank and financial fees and other expenses	1	-	-	1
Interest and other movements	3		4	7
Total movements	**12**	**-**	**30**	**42**
Balance at 31 March 2010	**972**	**-**	**102**	**1,074**

NET FINANCIAL POSITION

(in millions of Euro)

	Note	31 March 2011	31 December 2010
Long-term financial payables			
Term Loan Facility		1,066	671
Bank fees		(8)	(2)
Credit Agreement	10	**1,058**	**669**
Bond	10	396	396
Finance leases	10	15	1
Forward currency contracts on financial transactions	5	20	28
Interest rate swaps	5	7	16
Other financial payables	10	79	45
Total long-term financial payables		**1,575**	**1,155**
Short-term financial payables			
Term Loan Facility	10	105	101
Bank fees	10	-	-
Bond	10	20	15
Finance leases	10	3	1
Securitization	10	161	-
Interest rate swaps	5	-	-
Forward currency contracts on financial transactions	5	6	9
Other financial payables	10	142	84
Total short-term financial payables		**437**	**210**
Total financial liabilities		**2,012**	**1,365**
Long-term financial receivables	3	10	1
Long-term bank fees	3	20	16
Interest rate swaps	5	1	1
Forward currency contracts on financial transactions (non-current)	5	-	2
Forward currency contracts on financial transactions (current)	5	2	3
Short-term financial receivables	3	9	42
Available-for-sale financial assets (current)[1]	2	-	142
Short-term bank fees	3	7	3
Financial assets held for trading	6	46	66
Cash and cash equivalents	7	457	630
Net financial position		**1,460**	**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)

	Note	31 March 2011	31 December 2010
Net financial position - as reported above		**1,460**	**459**
Long-term financial receivables	3	10	1
Long-term bank fees	3	20	16
Net forward currency contracts on commercial transactions	5	(11)	1
Net metal derivatives	5	(31)	(38)
Recalculated net financial position		**1,448**	**439**

11. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)			**31 March 2011**
	Non-current	**Current**	**Total**
Trade payables	-	1,492	1,492
Total trade payables	**-**	**1,492**	**1,492**
Other payables:			
Tax and social security payables	10	110	120
Advances	-	101	101
Payables to employees	-	60	60
Accrued expenses	-	117	117
Others	14	112	126
Total other payables	**24**	**500**	**524**
Total	**24**	**1,992**	**2,016**

(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**

The Draka Group's trade payables amount to Euro 528 million at 31 March 2011.
Advances include Euro 51 million due to customers for construction contracts at 31 March 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.
Other includes Euro 13 million for put options given to minority shareholders in companies not wholly-owned by the Group.
Trade payables include positions relating to the purchase of strategic metals (copper, aluminium and lead), whose payment terms are longer than normal for this type of transaction.

12. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)			31 March 2011
	Non-current	**Current**	**Total**
Restructuring costs	5	8	13
Contractual and legal risks	36	29	65
Environmental risks	2	5	7
Tax inspections	6	11	17
Other risks and charges	7	12	19
Total	**56**	**65**	**121**

(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**
Currency translation differences	-	(1)	-	-	-	(1)
Increases	-	2	-	-	1	3
Utilisations	(3)	(4)	-	-	(1)	(8)
Releases	(2)	(3)	-	-	(1)	(6)
Business combinations	12	14	-	-	1	27
Other	-	(1)	-	-	1	-
Total movements	7	7	-	-	1	15
Balance at 31 March 2011	**13**	**65**	**7**	**17**	**19**	**121**

The provision for restructuring costs has increased by a net amount of Euro 7 million.
In particular:
- the increase of Euro 12 million is due to the first-time consolidation of the Draka Group;

- the utilisation of Euro 3 million in provisions for restructuring costs mostly refers to projects to rationalise production in France and to restructuring projects within the Draka Group;
- the release of Euro 2 million relates to the restructuring project in Canada, specifically at the St. Jean plant.

The net movement of Euro 7 million in the provision for contractual and legal risks mostly reflects:
- an increase of Euro 14 million for the first-time consolidation of the Draka Group;
- an increase of Euro 2 million, mainly relating to employment disputes (Euro 0.8 million) and to contractual risks (Euro 0.7 million);
- releases of Euro 3 million, mostly relating to the Submarine business;
- utilisations of Euro 4 million, of which Euro 1.2 million for legal costs relating to antitrust investigations and the remainder for risks relating to contractual penalties and guarantees. More details about antitrust investigations can be found in Note 18.

The provisions for environmental risks, tax inspections and other risks and charges do not report any significant changes in the quarter under review.

13. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	31 March 2011	31 December 2010
Pension funds	160	91
Employee indemnity liability (Italian TFR)	22	22
Medical benefit plans	19	18
Termination and other benefits	23	14
Total	**224**	**145**

Employee benefit obligations report an increase of Euro 79 million, mainly because of the Draka Group acquisition.

Movements in employee benefit obligations have had an overall impact of Euro 4 million on the income statement in the quarter, of which Euro 2 million classified in personnel costs and Euro 2 million in finance costs.

The period average headcount and period-end closing headcount are shown below:

	3 months 2011	3 months 2010
Average number	15,783	12,071

	31 March 2011	31 December 2010
Closing number	22,023	12,352

14. OPERATING INCOME

Operating income is Euro 47 million in the first quarter of 2011 (Euro 50 million in the first three months of 2010) and includes the following non-recurring items:

(in millions of Euro)

	3 months 2011	3 months 2010
Effects of Draka change of control	(2)	-
Draka acquisition costs	(5)	-
Company reorganisations	(2)	-
Special project costs	-	(2)
Environmental remediation	-	(1)
Total non-recurring (expenses)/income	**(9)**	**(3)**

15. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

(in millions of Euro)

	3 months 2011	3 months 2010
Interest on borrowings	6	4
Interest on bond	5	-
Amortisation of bank and financial fees and other expenses	2	1
Interest costs on employee benefits	2	2
Other bank interest	4	1
Costs for undrawn credit lines	1	-
Sundry bank fees	2	1
Other	4	6
Finance costs	**26**	**15**
Net losses on interest rate swaps	-	13
Losses on derivatives	**-**	**13**
Foreign currency exchange losses	41	49
Total finance costs	**67**	**77**

Finance income is detailed as follows:

(in millions of Euro)

	3 months 2011	3 months 2010
Interest income from banks and other financial institutions	2	1
Other finance income	-	-
Finance income	**2**	**1**
Net gains on forward currency contracts	3	-
Net gains on interest rate swaps	1	-
Gains on derivatives	**4**	**-**
Foreign currency exchange gains	32	60
Total finance income	**38**	**61**

16. TAXES

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

(in millions of Euro)

	3 months 2011	3 months 2010
Current income taxes	7	11
Deferred income taxes	(1)	-
Total	**6**	**11**

The effective tax rate in the first three months of 2011 is 30.2%.

17. EARNINGS/(LOSS) PER SHARE

Basic earnings per share have been determined by dividing profit for the period attributable to owners of the parent by the average number of the Company's outstanding shares. With regard to the denominator used for calculating earnings per share, the average number of outstanding shares also includes the shares issued following exercise of options under the Stock Option Plan, involving the issue of 546,227 shares in 2008, 688,812 shares in 2009, 794,263 shares in 2010 and 425,539 shares in 2011. The options are all vested but can be exercised only in four 30-day periods, running from the date of approving the half-year results for 2011 and 2012 and from the date of approving the proposed annual financial statements for 2011 and 2012.
Diluted earnings per share have been determined by taking into account, when calculating the number of outstanding shares, the potential dilutive effect of options granted under the existing Stock Option Plan.

(in millions of Euro)

	3 months 2011	3 months 2010
Profit attributable to owners of the parent	14	22
Weighted average number of ordinary shares (thousands)	200,355	178,446
Basic earnings per share (in Euro)	**0.07**	**0.13**
Profit attributable to owners of the parent	14	22
Weighted average number of ordinary shares (thousands)	200,355	178,446
Adjustments for: Dilution from incremental shares arising from exercise of stock options (thousands)	596	487
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	200,951	178,933
Diluted earnings per share (in Euro)	**0.07**	**0.13**

18. CONTINGENT LIABILITIES

Towards the end of January 2009, the European Commission, the US Department of Justice and the Japanese antitrust authority started an investigation into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive agreements in the Underground and Submarine High Voltage Cable business areas. Subsequently, the Australian Competition and Consumers

Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. Recently, the Canadian antitrust authority has also started an investigation into a submarine high voltage project dating back to 2006.
The investigations in Japan and New Zealand have ended without any penalties for Prysmian. The other investigations are still in progress and the Group is fully collaborating with the relevant authorities.

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

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

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

Given the highly uncertain timing and outcome of these investigations, for the time being the Group companies involved have just recognised provisions (in the legal risks provision) against the estimated legal costs incurred during the investigation process.

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

19. RECEIVABLES FACTORING

The Group has factored trade receivables without recourse. The amount of receivables factored but not yet paid by customers was Euro 117 million at 31 March 2011 (Euro 34 million at 31 March 2010 and Euro 61 million at 31 December 2010). The increase is partly due to the first-time consolidation of the Draka Group, which at quarter end reported Euro 50 million in uncollected factored receivables.

20. SEASONALITY

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

21. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during the first three months of 2011.

22. STOCK OPTION PLANS

On 30 November 2006, the Company's shareholders approved a stock option plan which was dependent on the flotation of the Company's shares on Italy's Electronic Equities Market (MTA) organised and managed by Borsa Italiana S.p.A. The plan was reserved for employees of companies in the Prysmian Group.
Each option entitles the holder to subscribe to one share at a price of Euro 4.65.
The following table provides further details about the stock option plan:

(in Euro)

	31 March 2011		**31 December 2010**	
	Number of options	**Strike price**	**Number of options**	**Strike price**
Options at start of period	737,846	4.65	1,560,436	4.65
Granted	-	4.65	-	4.65
Cancelled		-	(28,327)	-
Exercised	(425,539)	4.65	(794,263)	4.65
Options at end of period	312,307	4.65	737,846	4.65
of which vested at end of period	312,307	4.65	737,846	4.65
of which exercisable(1)	-	-	-	-
of which not vested at end of period	-	4.65	-	4.65

* Options can be exercised only in specified periods.

As at 31 March 2011 the options are all fully vested. The Shareholders' Meeting of 15 April 2010 approved a revision to the original plan as a result of which the options can be exercised up to the thirtieth day after publicly announcing the Board's approval of the Company's proposed financial statements for 2012 (the original option expiry date was thirty days after the Board's approval of the proposed financial statements for 2010).

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.

23. EXCHANGE RATES

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

	Closing rates at		Average rates	
	31 March 2011	31 December 2010	3 months 2011	3 months 2010
Europe				
British Pound	0.884	0.861	0.854	0.888
Swiss Franc	1.301	1.250	1.287	1.463
Hungarian Forint	265.720	277.950	272.428	268.522
Norwegian Krone	7.833	7.800	7.824	8.102
Swedish Krona	8.933	8.966	8.864	9.946
Czech Koruna	24.543	25.061	24.375	25.868
Danish Krone	7.456	7.454	7.456	7.443
Romanian Leu	4.122	4.262	4.221	4.113
Turkish Lira	2.192	2.059	2.157	2.090
Polish Zloty	4.011	3.975	3.946	3.987
Russian Rouble	40.285	40.820	39.998	41.270
North America				
US Dollar	1.421	1.336	1.368	1.383
Canadian Dollar	1.379	1.332	1.348	1.438
South America				
Brazilian Real	2.314	2.226	2.281	2.490
Argentine Peso	5.760	5.313	5.490	5.310
Chilean Peso	683.357	624.941	658.821	717.972
Mexican Peso	16.700	16.535	16.604	12.764
Oceania				
Australian Dollar	1.374	1.314	1.361	1.529
New Zealand Dollar	1.860	1.720	1.811	1.951
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	1.970	1.907	1.933	1.890
Asia				
Chinese Renminbi (Yuan)	9.304	8.822	9.003	9.442
United Arab Emirates Dirham	5.218	4.908	5.024	5.078
Hong Kong Dollar	11.056	10.386	10.654	10.736
Singapore Dollar	1.790	1.714	1.747	1.940
Indian Rupee	63.264	59.728	61.861	63.414
Indonesian Rupiah	12,366.750	12,002.140	12,171.851	12,809.323
Japanese Yen	117.600	108.650	114.345	125.485
Thai Baht	42.900	40.170	42.385	45.472
Philippine Peso	61.500	58.300	60.691	63.593
Omani Rial	0.547	0.515	0.538	0.532
Malaysian Ringgit	4.298	4.095	4.167	4.659
Saudi Riyal	5.327	5.011	5.130	5.186

24. SUBSEQUENT EVENTS

The shareholders of Prysmian S.p.A. met on 14 April 2011 in ordinary and extraordinary session.

During the ordinary session, the shareholders:

- approved the financial statements for 2010 and the distribution of a dividend of Euro 0.166 per share for a total of some Euro 35 million. The dividend was paid out from 21 April 2011, with the shares going ex-div on 18 April 2011, and was payable to shares outstanding on the ex-div date;
- confirmed Frank Dorjee and Friedrich Fröhlich as directors, having been co-opted by the Board of Directors on 3 March 2011. The shareholders made this appointment on the basis of a motion presented by the Board of Directors and adopted it by statutory majority vote, without the use of slate voting. Like the rest of the Board, these two directors will end their term in office on the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011.
- set the annual emoluments of the Board of Directors at Euro 350 thousand for financial year 2011, and granted the Board the authority to determine how such sum should be allocated between all or just some of the directors;
- approved, pursuant to art. 114-bis of Italian Decree 58/98 (TUF), an incentive plan for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., granting the Board 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.

During the meeting's extraordinary session, the shareholders also voted:

- to amend art. 6 of the By-laws to permit a cash increase in share capital, excluding rights under art. 2441, par. 8 of the Italian Civil Code and art. 134 of Italian Decree 58/98 (TUF), in one or more stages, by up to Euro 213,150, by issuing, also in stages, a maximum number of 2,131,500 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted to employees of Prysmian S.p.A. and its subsidiaries to service the above incentive plan;
- to amend art. 9 of the By-laws to introduce the possibility, in certain circumstances, of approving the annual financial statements within 180 days from the end of the financial year and to introduce the possibility of holding Shareholders' Meetings, both in ordinary and extraordinary session, in just one call;
- to amend art. 14 of the By-laws to allow the Board of Directors, when renewing the entire Board, to present its own candidate slate;
- to amend art. 23 of the By-laws by introducing the option for the Extraordinary Shareholders' Meeting to distribute profits to employees of the Company or its subsidiaries by issuing them bonus shares.

On 3 May, Prysmian announced that it had signed two major contracts with SAIPEM, a world leading Oil & Gas industry contractor, worth in excess of Euro 60 million, to supply special cables for applications in the Oil, Gas and Petrochemicals industry.

Under the first contract, the Group will supply a wide range of power, instrumentation and fibre optic cables specially designed for process plant and sulphur recovery units 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 will be produced in the Italian plants of Livorno Ferraris (Vercelli), Merlino (Lodi) and Ascoli Piceno, with delivery starting from May 2011.

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Pursuant to art. 154-bis par. 2 of Italy's Unified Financial Act (TUF), Massimo Branda and Jordi Calvo, as managers responsible for preparing corporate accounting documents, declare that the information contained in this quarterly report corresponds to the underlying documents, accounting books and records.

Milan, 12 May 2011

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Paolo Zannoni