CARRYING OUT IDEAS TO KEEP ON GROWING

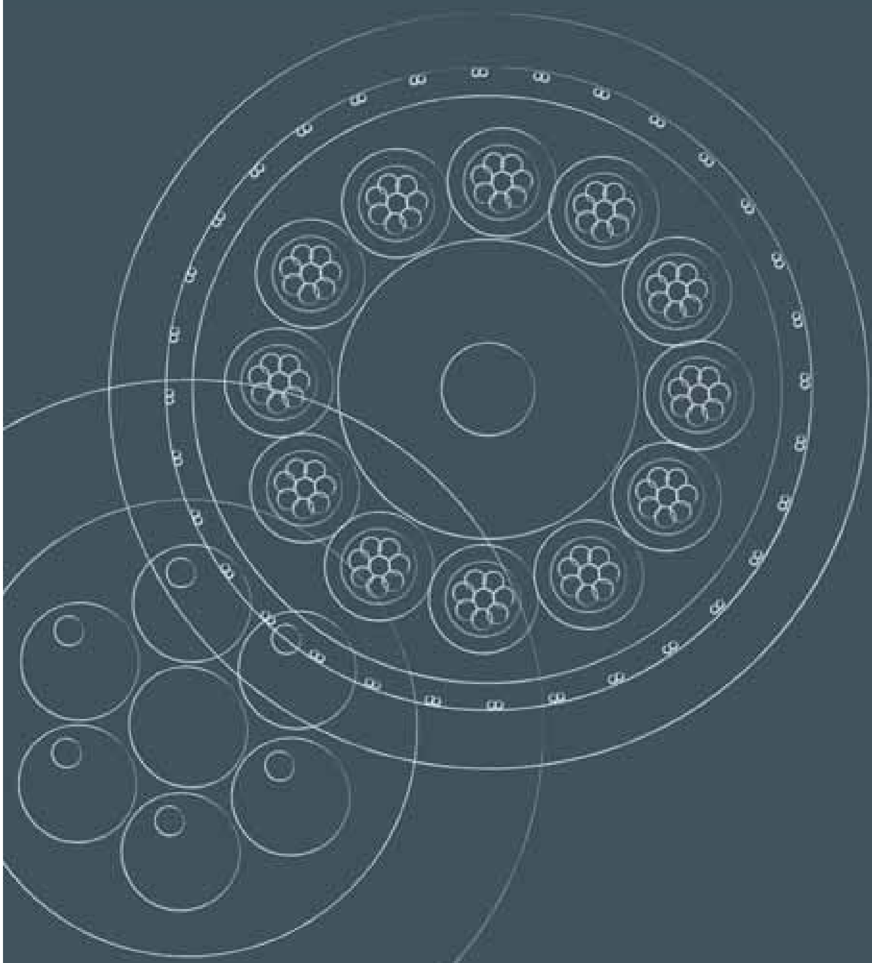
2009 ANNUAL REPORT

PRYSMIAN
CABLES & SYSTEMS

2009 ANNUAL REPORT

PRYSMIAN GROUP

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



CONTENTS

NOTICE OF SHAREHOLDERS' MEETING

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

- **Tuesday, 13 April 2010**, at 14.30, in first call in ordinary and extraordinary session;
- **Wednesday, 14 April 2010**, at the same time and place, in second call in extraordinary session;
- **Thursday, 15 April 2010**, at the same time and place, in second call in ordinary session and in third call in extraordinary session;

to discuss and resolve on the following

AGENDA

Ordinary session

1. Financial statements at 31 December 2009; Directors' report and proposed allocation of profit for the year; report by the Board of Statutory Auditors; report by the Independent Auditors; related resolutions.
2. Appointment, after determining annual emoluments, of the Board of Statutory Auditors and its Chairman for financial years 2010/2011/2012.
3. Decisions arising from Directors' vacation of office.
4. Determination of emoluments of the Board of Directors for financial year 2010.
5. Incentive plans: resolutions under article 114-bis of Italian Legislative Decree 58/98.

Extraordinary session

1. Extension of the term for subscribing to the capital increase resolved by the Shareholders' Meeting on 30 November 2006, which serves the Stock Option Plan approved at the same meeting. Consequent amendment of art. 6 of the By-laws "Capital and shares".

Appointment of the Board of Statutory Auditors

Art. 21 of the By-laws requires the Board of Statutory Auditors to be appointed on the basis of slates presented by shareholders. Consequently, shareholders who, alone or together with others, own shares representing at least 2% of share capital with voting rights, as established by Consob Resolution no. 17148 dated 27 January 2010, may present slates for the appointment of the Board of Statutory Auditors. These candidate slates must be filed at the Company's registered office at least 15 days prior to the date set for the Ordinary Shareholders' Meeting in first call. The following documents must also be filed within the same deadline:

(i) information relating to the identity of the shareholders who have presented the candidate slates, indicating the total percentage of shares owned and a certification attesting this ownership;

(ii) a statement by these shareholders that they have no connection with shareholders or groups of shareholders with a controlling or majority interest in the Company;

(iii) a curriculum vitae containing each candidate's personal and professional details, as well as details of appointments held as a director or statutory auditor in other companies;

(iv) a statement by each candidate confirming that there are no reasons why he/she is ineligible or incompatible for the position, that he/she meets the requirements for the office of statutory auditor, as set out in law and the Company's By-laws, and that he/she accepts his/her candidacy.

If only one slate of candidates is presented by the above deadline, or if the slates presented are only by

connected shareholders, the slate presentation deadline will be extended by five calendar days and the minimum shareholding for presenting slates will be reduced to 1% of share capital.

Shareholders are invited to take account of the recommendations contained in Consob Communication DEM 9017893 dated 26 February 2009 on the "Appointment of members of the board of directors and board of statutory auditors".

Appointment of Directors

Art. 14 of the By-laws states that in the event of reconstituting the membership of the Board of Directors, the slate voting mechanism does not apply, meaning that the Shareholders' Meeting adopts the related resolution by majority vote provided the legal quorum has been met. Any proposed candidate names can still be filed at the Company's registered offices in Viale Sarca 222, Milan.

Attendance at the meeting

Art. 11 of the By-laws states that all holders of voting rights may attend or be represented at Shareholders' Meetings provided the certificate issued by authorised intermediaries under art. 2370, par. 2 of the Italian Civil Code has reached the Company's registered office at least 2 working days before the date of the first call of the meeting; such certificate may not be withdrawn until after the meeting has taken place. In order to facilitate confirmation of their entitlement to vote, the holders of voting rights are requested to display a copy of the certificate sent by the respective intermediaries to the Company, which such intermediaries must give them in compliance with applicable laws and regulations.

Every shareholder may be represented at the Shareholders' Meeting by issuing a written proxy, except for incompatibilities and restrictions provided in law. A proxy form complying with current legal requirements must be reproduced at the end of each copy of the certificate that intermediaries are required to issue to shareholders; another type of proxy form can be found on the Company's website at www.prysmian.com or from its registered office.

The Company's subscribed and paid-in share capital is Euro 18,123,503.90, consisting of 181,235,039 ordinary shares, each with a nominal value of Euro 0.10 and each carrying the right to one vote. The Company holds 3,028,500 of its own shares at the current date.

Documentation

The Board of Directors' proposals relating to the items on the agenda, including the Parent Company and Consolidated Financial Statements at 31 December 2009 and relevant reports, will be made available to the public in the legally required term at the Company's registered offices, at Borsa Italiana S.p.A. and on the Company's website at www.prysmian.com.

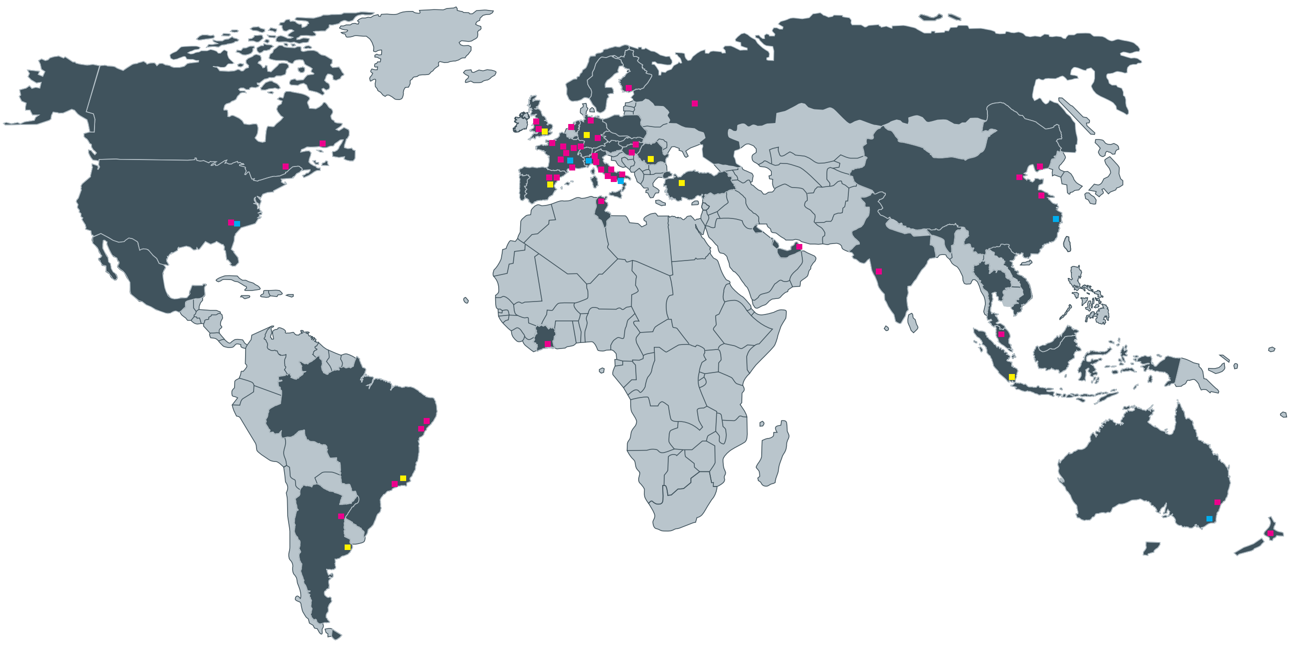
Considering the current Shareholders' structure of the Company, the Shareholders' Meeting is expected to be held, both in ordinary and extraordinary session, on **April 15th, 2010**.

Milan, 12 March 2010

The Chairman of the Board of Directors
Paolo Zannoni

DIRECTORS' REPORT

A TRULY GLOBAL GROUP



- Energy (42)
- Telecom (6)
- Shared Energy and Telecom (8)
- Prysmian global presence

39	56	7	12,000
COUNTRIES	PLANTS	R&D CENTRES	EMPLOYEES

PLANTS [*]

EMEA

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

France: Amfreville, Angy, Charvieu, Chavanoz, Gron, Neuf Pre, Paron, Xoulces

UK: Aberdare, Bishopstoke, Wrexham

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

Germany: Eschweiler, Neustadt, Schwerin

Hungary: Balassagyarmat, Kistelek

Ivory Coast: Abidjan

Finland: Pikkala

Holland: Delft

Romania: Slatina

Russia: Rybinsk

Tunisia: Grombalia

Turkey: Mudanya

U.A.E.: Fujairah

APAC

China: Baoying, Tianjin (2), Wuxi

Australia: Dee Why, Liverpool

India: Pune

Indonesia: Cikampek

Malaysia: Kuala Lumpur

New Zealand: Auckland

NORTH AMERICA

Canada: Prescott, St. Jean

USA: Abbeville, Lexington

SOUTH AMERICA

Brazil: Joinville, Sorocaba, St. Andrè, Vila Velha

Argentina: La Rosa, Quilmes

(*) The plants in India and the United Arab Emirates have become part of the Prysmian Group after a majority interest was acquired in the Ravin Cables Group of India, under an operation that started in 2009 and ended in January 2010.

PRYSMIAN GROUP

Strongly positioned in high-tech market segments, Prysmian is active in the development, design, production, supply and installation of a wide range of cables for the most diverse applications in the energy and telecommunications segments. In 130 years of business the Group has established strong relationships with the major global players in all its segments of operation.

Companies like AKER, Alstom, Bharti, British Telecom, Changchung Railcars, China State Grid, Dong Energy, E.On, Eletropaulo, Endesa, Enel, Foster & Wheeler, France Telecom, Hegemeyer, Iberdrola, National Grid, Petrobras, Qatar General Electricity & Water Corporation, Qwest, Rexel, RTE/EDF, Siemens, Sonepar, STX Marine, Telefonica, Telecom Italia, Telstra, Telus, TenneT, Terna, Valeo, Vattenfall, Verizon and Vodafone choose Prysmian as their partner for projects that are often designed and realised to customer specification.

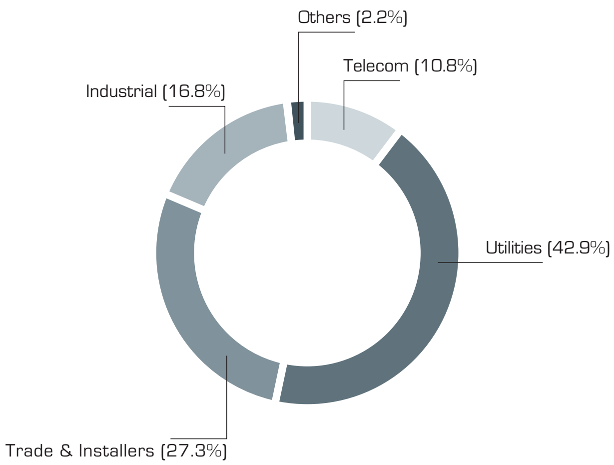
High and Extra-High Voltage underground and submarine power transmission cables and systems, industrial cables for applications in the high technology sectors (from Oil, Gas & Petrochemicals, transport and mining to renewable energy), and optical cables for voice, video and data transmission: these are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

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

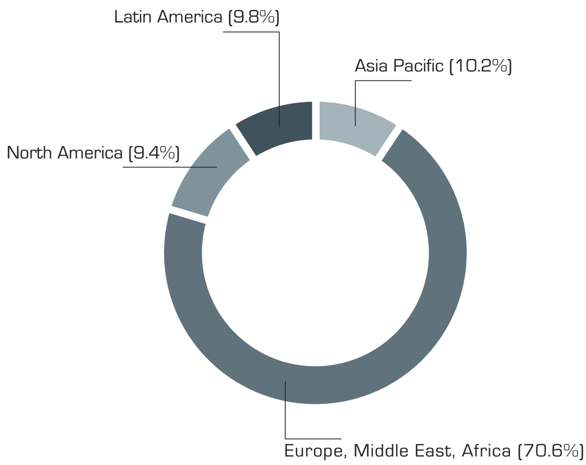
We carry out major submarine energy interconnection projects for utilities utilities and power grid operators, such as the Basslink project in Australia, the Neptune and Transbay projects in the USA, the Spain-to-Majorca project, the SA.PE.I and Messina II projects in Europe, and the Doha Bay and GCCIA projects in the Middle East. We have helped build High Voltage power grids in the world's largest cities, from New York to Buenos Aires, London, Paris, Madrid, Milan, Rome, St. Petersburg, Singapore and Hong Kong.
In the renewable energy sector, Prysmian is world leader in cables for offshore wind farms. The Group's technology, which covers cables for the operation of wind turbines, inter-array cables for linking the various turbines and cables for mainland connection, has allowed Prysmian to become a player in the major projects already developed or under development, such as Walney, Ormonde, Gunfleet Sands, Greater Gabbard and Thanet in the UK, and Alpha Ventus in Germany.
We support the petrochemicals industry with a wide range of high-tech products. A strategic technical cooperation agreement with Petrobras has introduced Prysmian to the high-tech sector of flexible pipes for oil drilling, which, together with our existing production of umbilical cables for offshore platforms, allows us to offer OG&P operators a complete range of SURF (Subsea Umbilical, Riser and Flowline) products and services. From Brazil to the Gulf of Mexico, from the Caspian Sea to the Arabian Gulf, from the North Sea to South-East Asia, Prysmian cables and systems underpin the Oil & Gas industry's most important international development projects.
In the transport sector, we have cabled the world's biggest ships, like Royal Caribbean's GENESIS fleet, or fastest trains, like that designed by Alstom.
In the construction sector, Prysmian's fire-resistant cables can be found in the very heart of the most spectacular, state-of-the-art developments, like the Wimbledon tennis stadium, the Burj Khalifa in Dubai, the world’s tallest ever building, and Masdar City in the

Arab Emirates, the world's first carbon-neutral city. In the telecom cables sector, we carry out the most advanced Fibre To The Home projects for world leaders like Verizon in the United States and provide support to major operators in Europe, the Middle East, Asia and Latin America for their network upgrades. Thanks to this unique track record, Prysmian can present itself throughout the world as a partner of choice for developing infrastructure in two of the most strategic sectors: energy and telecommunications.

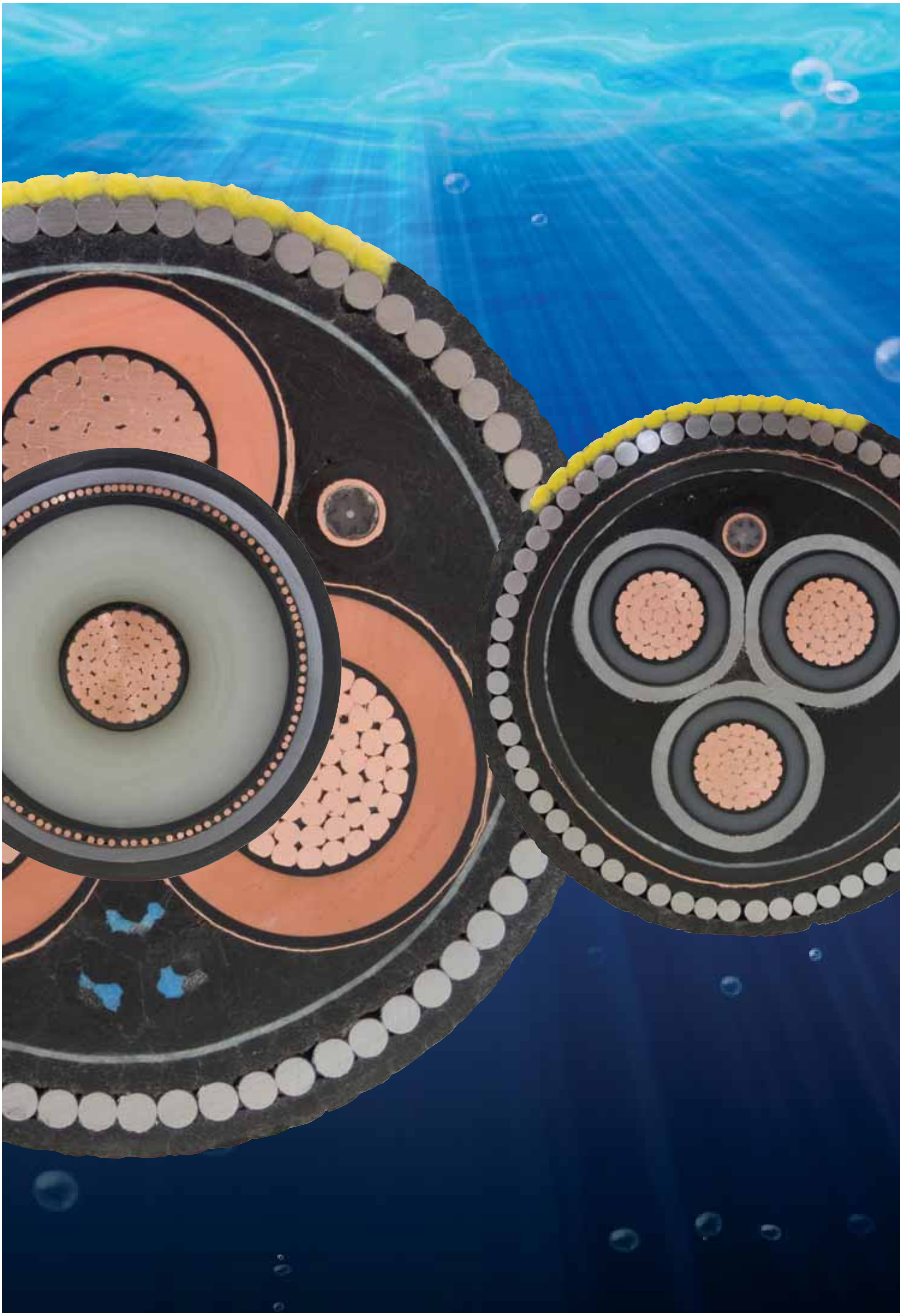
SALES BY BUSINESS AREAS AT 31 DECEMBER 2009 (*)



SALES BY GEOGRAPHICAL AREAS AT 31 DECEMBER 2009 (*)



(*) Net of intragroup eliminations.



SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION (*)

(in millions of Euro)

	2009	2008	% change	2007
Sales	3,731	5,144	-27.5%	5,188
Contribution margin [1]	791	970	-18.5%	960
EBITDA [2]	366	518	-29.3%	573
Adjusted EBITDA [3]	403	542	-25.6%	529
Operating income [4]	386	380	1.6%	508
Adjusted operating income [5]	334	477	-30.1%	464
Profit before taxes	337	286	17.8%	387
Profit/(loss) for the year	252	235	7.5%	302

(in millions of Euro)

	31 December 2009	31 December 2008	Change	31 December 2007
Net capital employed	1,314	1,165	149	1,282
Employee benefit obligations	142	125	17	112
Equity	698	463	235	454
of which attributable to non-controlling interests	21	16	5	21
Net financial position	474	577	(103)	716

(in millions of Euro)

	2009	2008	% change	2007
Investments	107	116	-7.8%	89
Employees (at period end)	11,704	12,372	-5.4%	12,243
Earnings/(loss) per share				
- basic	1.40	1.32		1.67
- diluted	1.39	1.31		1.65

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

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

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

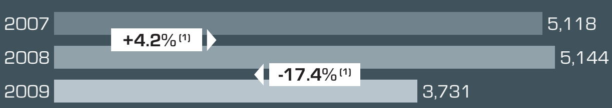
(4) Starting from the present report, operating income includes the fair value change in metal derivatives previously classified in net finance income/(costs). The comparative figures for 2008 have been restated accordingly.

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

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

KEY FINANCIALS (*)

SALES



ADJ. EBITDA (2)

ADJ. OPERATING INCOME (2)

ADJ. OPERATING INCOME (2) PER EMPLOYEE (€ ,000)

(*) In millions of euro.

(1) Organic Growth: growth net of changes in the group perimeter, in metal prices and exchange rates.
(2) Adjusted EBITDA and Adjusted Operating Income are defined as EBITDA and Operating Income before non-recurring income/expenses and fair value change in derivatives. The percentages have been calculated on sales.

ADJ. PROFIT [3]

2007	5.8%	299
2008	6.5%	332
2009	5.5%	206

ROCE [4]

2007	36.2%
2008	40.9%
2009	25.4%

OPERATIVE NET WORKING CAPITAL [5]

2007	10.3%	525
2008	8.8%	451
2009	12.5%	465

NET FINANCIAL POSITION

2007	716
2008	577
2009	474

NET FINANCIAL POSITION/ADJ. EBITDA [6]

2007	1.4x
2008	1.1x
2009	1.2x

FREE CASH FLOW [7]

2007	245
2008	320
2009	183

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


PRYSMIAN
CABLES & SYSTEMS

LETTER TO SHAREHOLDERS

The world economic and financial crisis, whose effects became particularly apparent from the second half of 2008, also impacted 2009, causing a further deterioration in our company's business environment. The first half of the year witnessed a steady contraction in demand in various geographical areas and segments; this was followed by a second half which saw the first signs of market stabilisation and even slight recovery in some cases, particularly in higher value-added business areas less exposed to trends in the economic cycle.

In such a market scenario, the Group's strategy, adopted during recent years, of focusing on higher-tech business areas requiring greater know-how and on geographical markets offering higher growth potential, further proved its worth. In facing the crisis, Prysmian continued to devote considerable attention to continuous improvements in its organisational and industrial efficiency, reducing fixed costs by some Euro 39 million and headcount by around 1,000 (on a like-for-like basis).

Group sales amounted to Euro 3,731 million, reporting an organic decrease of 17.4% on 2008. In terms of its profit indicators, the Group achieved the target originally announced to the market: in fact, adjusted EBITDA amounted to Euro 403 million, with a slight but significant improvement in margin to 10.8% from 10.5% in 2008, despite the drop in demand. Profit for the year came to Euro 252 million, or Euro 206 million excluding the net positive effects of non-recurring and extraordinary items. The Group's financial and capital structure once again proved particularly solid, as witnessed by the further improvement in its net financial position, down to Euro 474 million from Euro 577 million at the end of 2008, confirming the Group's considerable ability to generate cash even in a particularly difficult year: free cash flow amounted to Euro 183 million.

The results achieved through the strategy of segmenting product offer and mix can be seen from a closer examination of performance by the individual business areas. In fact, the reduction in volumes was greatest in certain lower value-added business areas (Trade & Installers, Power Distribution and some Industrial cable business lines like Automotive), with less effect on higher-tech business lines such as high voltage underground and submarine cables and cables for renewable energy, in which the Group has invested in recent years. In terms of profitability, it is worth noting that the Group's high value-added business areas collectively generated 65% of adjusted EBITDA (50% in 2008), ensuring greater visibility for sales and less exposure to the economic cycle.

In the Utilities market, Prysmian confirmed its worldwide leadership in high voltage submarine cables and systems, reporting double-digit organic growth. The Group took forward the development of some of the world's most important projects in this business area, such as the Transbay project in the USA, the SAPEI project in Italy, the Spain-to-Majorca project in Spain, the GCCIA project in Bahrain, and the Doha Bay project in Qatar and won a new contract at the end of 2009 worth around Euro 300 million for the submarine cable that will link Sicily to the Italian mainland. At the end of 2009 the order book for submarine cables and systems covered production capacity for the next two years. Demand for high voltage underground cables showed signs of stabilising in the second half of the year and the largest utilities, although still cautious, started work on new projects after having put them on stand-by during the economic crisis's deepest phase. Prysmian's order book for high voltage underground cables provides sales visibility for the next few months. In the Power Distribution business area, Prysmian faced the persistent weakness in demand by continuing to focus on innovation, with its revolutionary P-Laser cable which offers better performance, flexibility and environmental sustainability and has now reached the final stage of industrialisation.

The Trade & Installers business area also reported a general stabilisation in volumes in the second half of the year after a marked downturn in the first half. Prysmian continued to concentrate on high-end products such as fire-resistant and LSOH cables, which ensure superior margins thanks to their higher-tech nature, while also devoting considerable attention to cost reduction and industrial efficiency and continuing to demonstrate its ability to generate cash even in a difficult market. In the Industrial cables business area, orders of cables for the OG&P sector started to recover in the second half of the year, while demand for cables for renewable energy grew steadily, with earnings making a strong recovery in the second half of the year.

Lastly, in the Telecom cables segment, demand for optical cables started to recover in the second half of the year, with Prysmian taking a number of important steps such as the agreement with the Cabelte Eletricos group of Portugal to sell FTTH solutions in Portugal, Angola and Mozambique and the development of important relationships with China's principal local telecom companies.

This is the Group's performance and results in overview. The situation inevitably reflects the impact of the crisis gripping nearly every economy after a still positive 2008, but nonetheless sees Prysmian as a company capable of achieving results at the top of the sector.

The company has proved also to be particularly dynamic in seeking out and finalising opportunities for both external and organic growth. In December Prysmian announced that it had acquired Rybinsk Elektrokabel in Russia and in January 2010 it also completed the acquisition started in 2009 of India's Ravin Cables group. These operations are in line with the strategy of growth and focus on high-potential markets, adopted with a view strengthening our

presence in higher value-added sectors, particularly high voltage and industrial cables. By acquiring Ravin Cables, Prysmian has assured itself not only an entry into the promising Indian market, but has also established a manufacturing presence in the Middle East, which is another strategic market, where the Group has acquired a plant with high development potential.

Major steps forward were also taken in terms of organic growth, with a total of some Euro 63 million invested in expanding production capacity serving strategic businesses. The new plant for manufacturing extra high voltage cable in the USA was inaugurated in October 2009 and is the first and only one of its kind in the country. This plant represents a definite competitive advantage for Prysmian in a market which can expect to see major investments in developing and modernising electricity transmission networks. Also completed was the investment in expanding production capacity at the Arco Felice submarine cables plant, with the aim of satisfying the growing demand for cabling by offshore wind farms. In China the high voltage plant in Baoying is being enlarged, while the first project for a 500 kV high voltage system was realised, marking the introduction of more advanced technology to this market and a strengthening of Prysmian's position in the higher value-added business areas. Lastly, the project continues for starting up flexible pipe production in Brazil for the offshore oil industry. Prysmian developed the first prototype pipes in 2009, proving that it was able to expand its business into a sector demanding the highest levels of technology and know-how.

Financial year 2009 was therefore characterised by necessarily prudent management in a still weak market, while continuing to develop growth strategies at the same time. In this way, the Group will be in a position to benefit from any recovery in demand, also because it can count on a solid financial and capital structure.

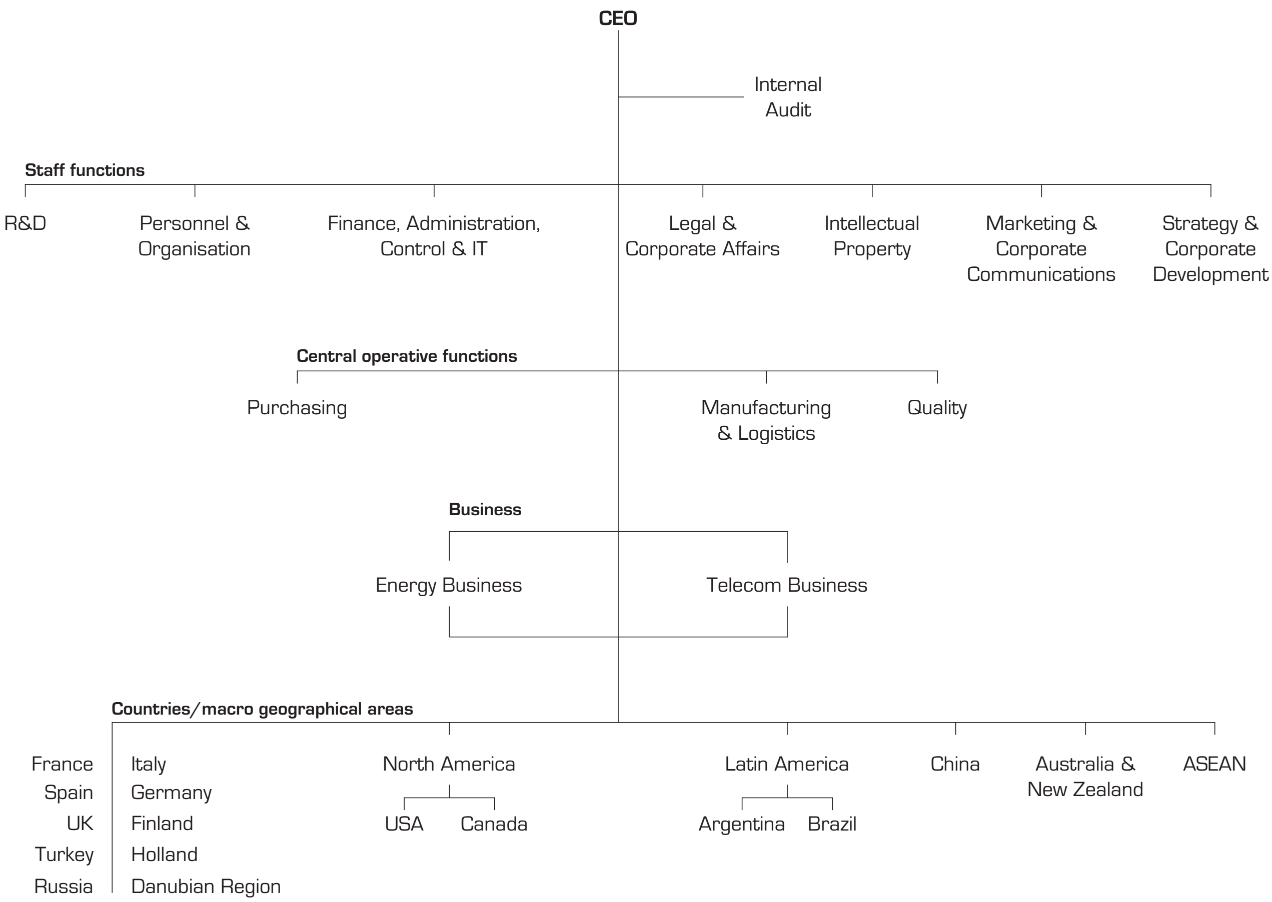
Valerio Battista, Chief Executive Officer

DIRECTORS AND AUDITORS

Board of Directors	**Chairman**	Paolo Zannoni	
	Chief Executive Officer & General Manager	Valerio Battista	
	Directors	Wesley Clark [*]	Fabio Ignazio Romeo
		Giulio Del Ninno [*] [1]	Udo Gunter Werner Stark [*] [1] [2] [3]
		Pier Francesco Facchini	Fabio Labruna [*] [3] [4]
		Hugues Lepic [2] [3]	Michele Titi Cappelli [4]
		Michael Ogrinz	
Board of Statutory Auditors	**Chairman**	Marcello Garzia	
	Standing Statutory Auditors	Luigi Guerra	Paolo Burlando [4]
	Alternate Statutory Auditors	Luciano Rai [4]	Giovanni Rizzi [4]
Independent Auditors	**PricewaterhouseCoopers S.p.A.**		

[*] Independent directors.
[1] Members of the Internal Control Committee.
[2] Members of the Compensation and Nomination Committee.
[3] Members of the Antitrust Committee.
[4] Appointed on 9 April 2009.

ORGANISATIONAL STRUCTURE



PRYSMIAN AND THE FINANCIAL MARKETS

Prysmian S.p.A. has been listed on the Italian Stock Exchange since 3 May 2007 and has been included since September 2007 in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity. In addition, since November 2007 the Prysmian stock has been part of the Morgan Stanley Capital International index which includes the world's largest companies by capitalisation, while it has been included in the MIB 30 index since September 2008.

The listing of Prysmian's ordinary shares, resulting from the sale of 46% of the shares held by Goldman Sachs Group Inc., took place at a price of Euro 15.0 per share, corresponding to a capitalisation of Euro 2.7 billion. At 31 December 2009 the Company's free float was equal to 73.3% of share capital after Goldman Sachs Group Inc. placed another 27.3% on the market in two successive stages (12.4% in November 2007 and 14.9% in November 2009). Prysmian is now one of Italy's few industrial companies with a global presence that has achieved public company status in recent years.

The economic context in 2009 confirmed the recessionary environment already experienced the previous year and which became considerably worse since September 2008 following the collapse of certain international financial institutions. The world economy witnessed a sharp drop in confidence and weak demand, which, combined with the credit crunch, forced companies to reduce investment and cut orders, resulting in a major slump in productive activity. In the face of this crisis, national governments introduced stimulus packages and rescue plans in support of demand and employment, while central banks implemented an expansionary monetary policy involving a steady reduction in interest rates. The effect of these measures was seen in the second half of the year with the fall in demand and industrial output stabilising at record lows for recent years.

The world's principal stock markets reached a low in March on the expectation of another steady deterioration in the macroeconomic environment, only to return to their level at the start of the year and then close the year with significant gains in view of the stabilisation in demand and expectations for a recovery, albeit gradual, in the macroeconomic indicators. In this context, the Prysmian stock reported a 10% gain over the course of 2009 but a 19% loss in value since the date of its listing (3 May 2007), while significantly outperforming its competitors and related indices (FTSE MIB: -47% and MSCI Capital Goods Euro: -36% from the date of Prysmian's listing to 31 December 2009), thus increasing its weight in these indices. By way of reference, principal financial markets performed as follows in 2009: FTSE Italia All Shares: +19%, FTSE MIB: +20%, CAC 40 (France): +22%; IBEX (Spain): +30%; FTSE 100 (UK): +22%; DAX (Germany): +24%; Dow Jones (US): +19%; Nikkei (Japan): +19%.

During the first three months of 2009 and in line with the general downward trend in all major world markets following the credit crisis, the Prysmian stock reported a significant fall, reaching a low of Euro 6.10 on 9 March. The subsequent steady rally by international stock markets combined with the publication of better-than-expected interim results allowed the stock to regain and exceed its level at the start of the year.

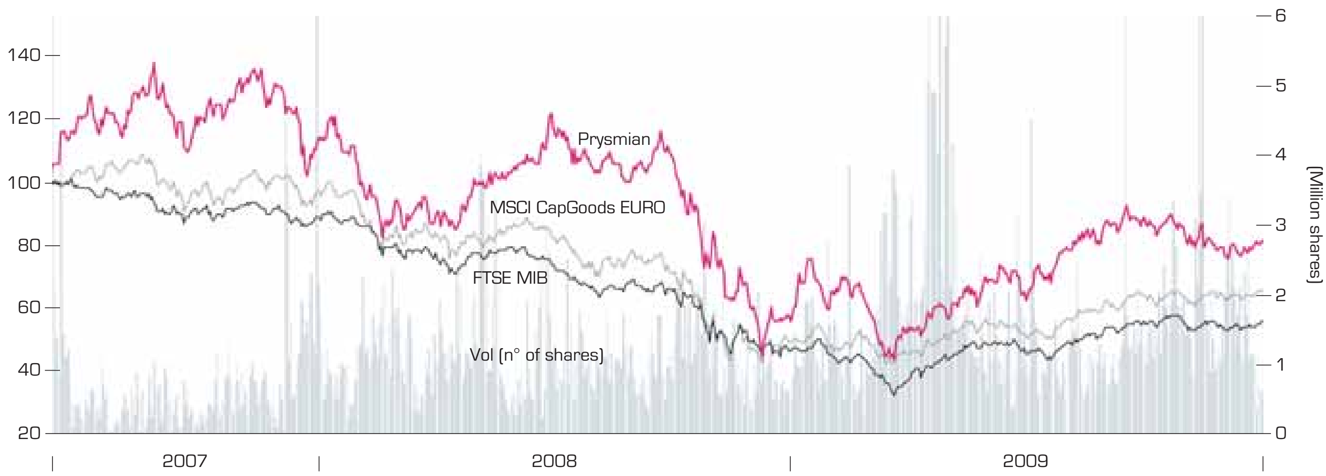
The stock's liquidity grew significantly during 2009, with average daily trading volumes reaching 1.88 million shares, up 45% compared with 1.30 million in 2008 and up 96% compared with 0.96 million in 2007. This result was partly due to increased broker coverage (22 brokers covered the stock at the end of 2009 compared with 18 in 2008 and 14 in 2007), and management activity to increase the Company's visibility in the world's major financial markets.

The dividend for 2008 was paid on 23 April 2009 and amounted to Euro 0.417 per share, corresponding to a total of Euro 74 million and a 31% pay-out ratio on the 2008 profit. Earnings per share in 2008 amounted to Euro 1.32 per share.

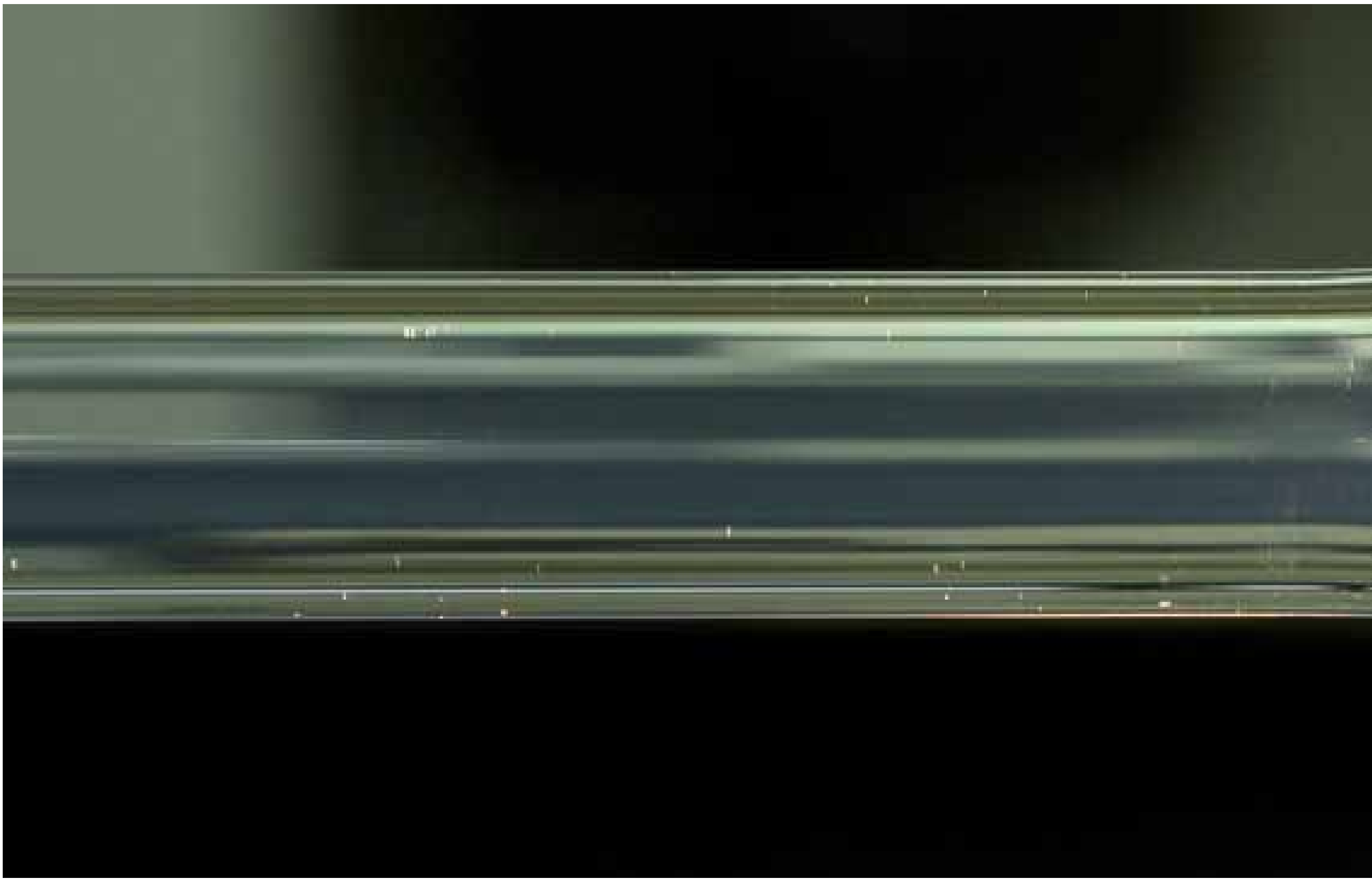
On 9 April 2009 the shareholders of Prysmian S.p.A. voted to renew the authorisation to buy back and sell treasury shares, having revoked the authorisation given at the shareholders' meeting on 15 April 2008. The authorisation permits the purchase of shares representing no more than 10% of the Company's share capital at any time, including any treasury shares already held by the Company. The buy-back programme lasts for a maximum of 18 months from the date of approval. At 31 December 2009 the total number of treasury shares was 3,028,500 with a par value of Euro 302,850. More details are reported in Note 11. Share capital and reserves, forming part of the Notes to the consolidated financial statements.

PERFORMANCE

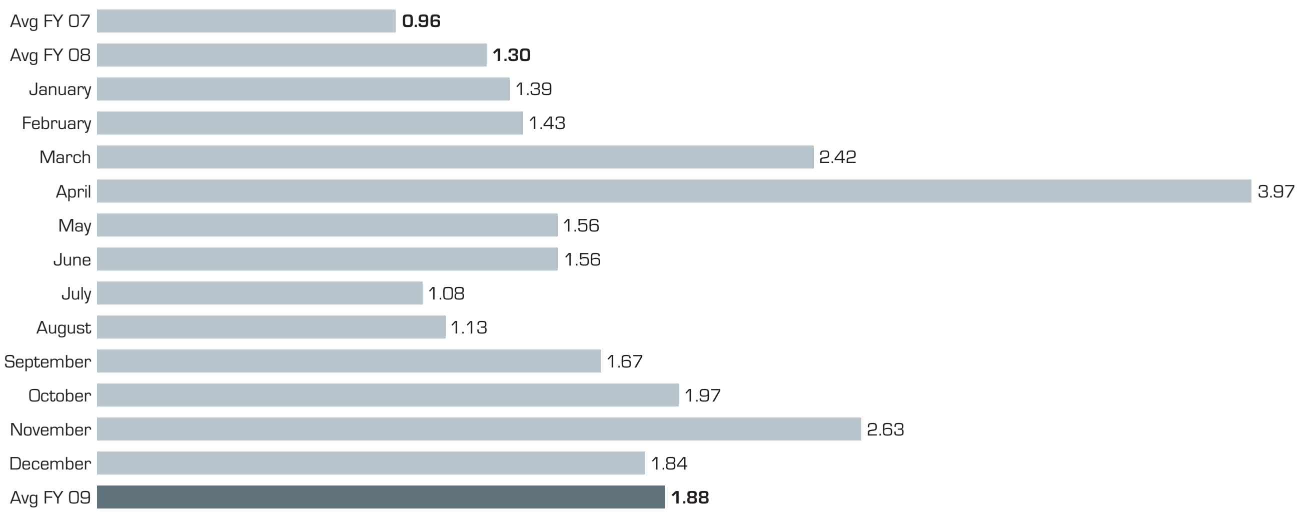
Maximum: 21.00 €
Minumum: 6.10 €

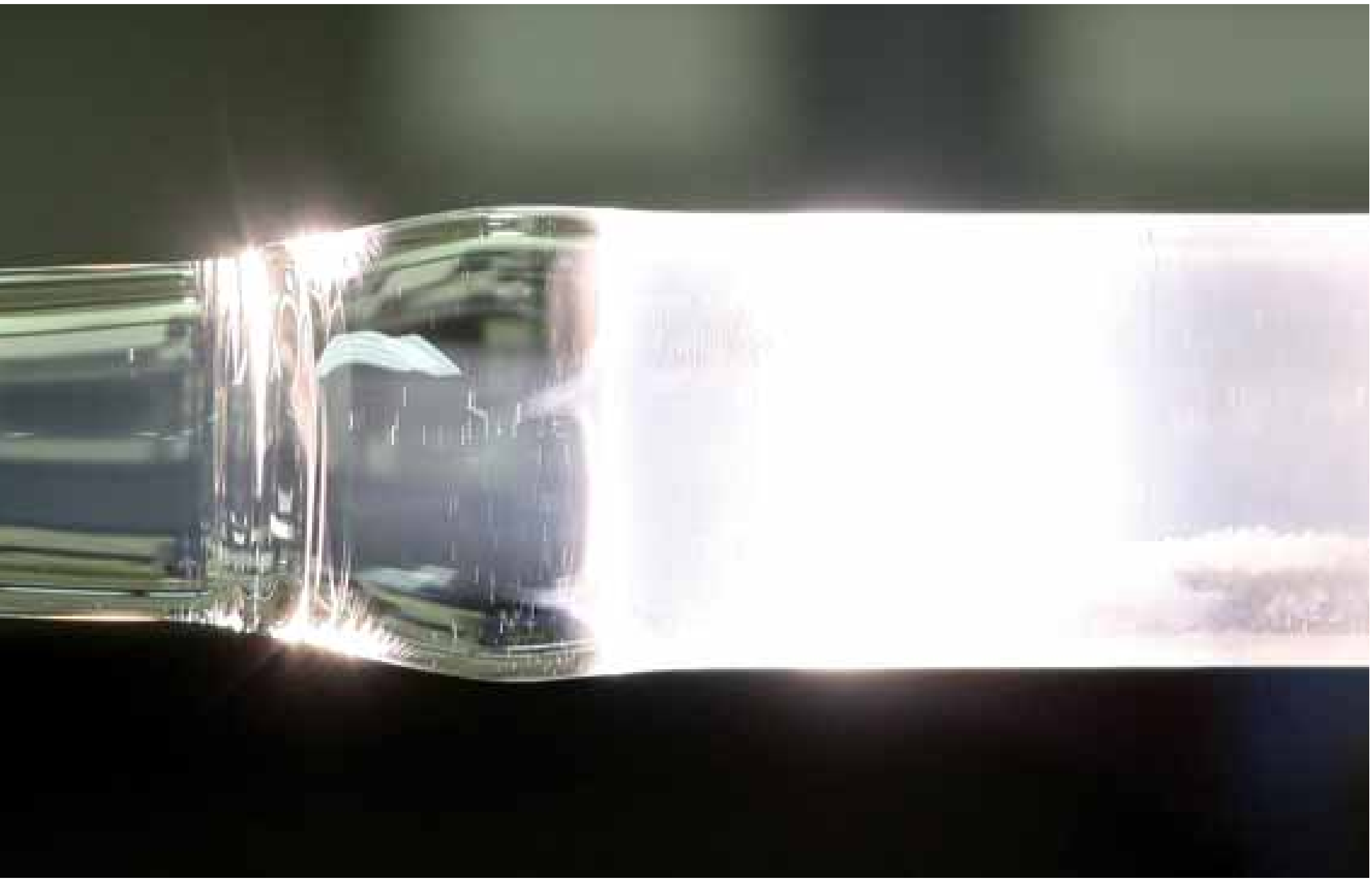


Performance: -18.70%
Market capitalisation at 31 December 2009: 2,209 Mil €



AVERARGE DAILY TRADING VOLUME (million shares)





	31 December 2009	31 December 2008	31 December 2007 (*)
Price	€12.19	€11.10	€16.89
Change over period	9.82%	-34.28%	12.60%
Market capitalisation	€2,209 million	€2,004 million	€3,040 million
Average price	€10.60	€13.76	€18.36
Maximum price	€13.84	€18.54	€21.00
Minimum price	€6.10	€6.21	€15.34
Average capitalisation	€1,918 million	€2,482 million	€3,305 million
Average daily trading volume	1.88 million	1.30 million	0.96 million
Number of shares at 31 December	181,235,039	180,546,227	180,000,000

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

INVESTOR RELATIONS

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

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

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

Contact with the financial market was particularly intense in 2009, involving more than 350 meetings held at the Group's offices, road shows in the major financial centres of Europe, North America and Asia, as well as participation at conferences organised by major international brokers.

Coverage of the Prysmian stock increased significantly during the year, confirming growing interest by national and international financial markets in the Group. Twenty-two independent analysts regularly cover the Prysmian stock: Banca Aletti, Banca Akros, Banca Leonardo, Banca IMI, Berenberg, Cassa Lombarda, Centrobanca, Centrosim, Cheuvreux, Citigroup, Equita, Exane BNP Paribas, Execution Ltd, Goldman Sachs, Hammer Partners, Intermonte, JP Morgan, Mediobanca, Merrill Lynch, Natixis, Royal Bank of Scotland, and UniCredit HVB.

The Investor Relations office has also maintained constant contact with institutional investors through its website which includes audio/video recordings of the conference calls and presentations to the financial community, as well as presentation documents and press releases published by the Group. The Investor Relations section of the website also includes the financial calendar and information on corporate governance, the Group's Code of Ethics and the shares.

INVESTOR RELATIONS CONTACT DETAILS

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+39 02 6449 1
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Luca Caserta
Head of Investor Relations
+39 02 6449 51400
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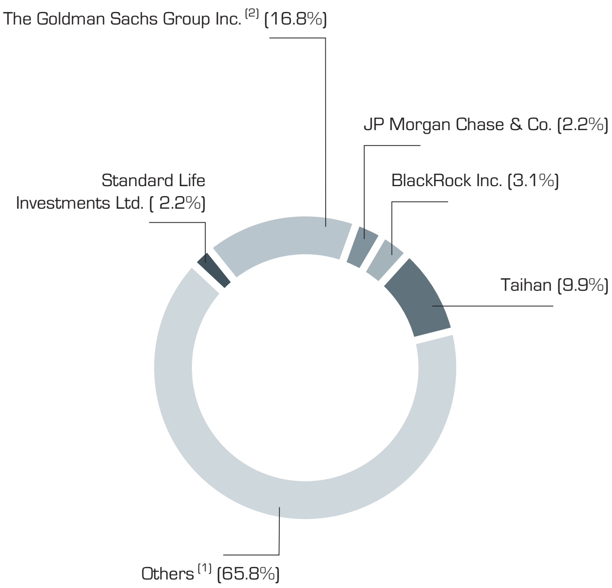
OWNERSHIP STRUCTURE

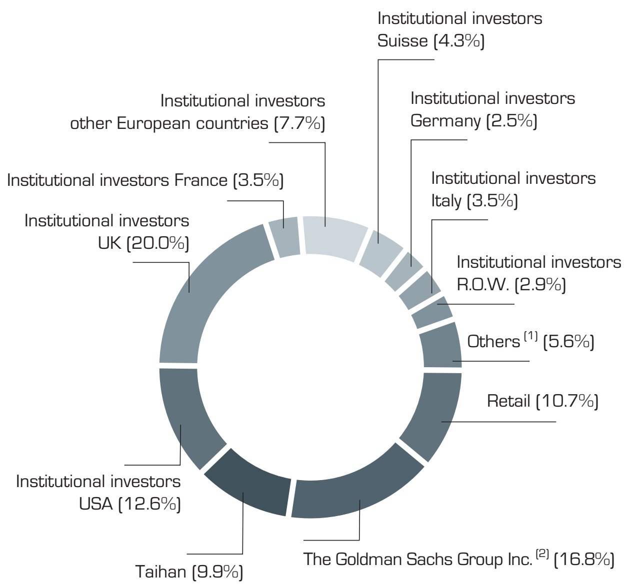
At 31 December 2009, Prysmian S.p.A. had share capital comprising 181,235,039 shares with a par value of Euro 0.10 each. The ownership structure at 31 December 2009 was as follows:

INVESTORS



Source Consob

OWNERSHIP STRUCTURE BY TYPE AND GEOGRAPHICAL AREA



Source Thomson Reuters

(1) Includes 3,028,500 in treasury shares.
(2) Investment held through Prysmian Lux II S.à.r.l. (16.24%) and Goldman Sachs International (0.56%).

(1) Includes 3,028,500 in treasury shares.
(2) Investment held through Prysmian Lux II S.à.r.l. (16.24%) and Goldman Sachs International (0.56%).

FINANCIAL CALENDAR

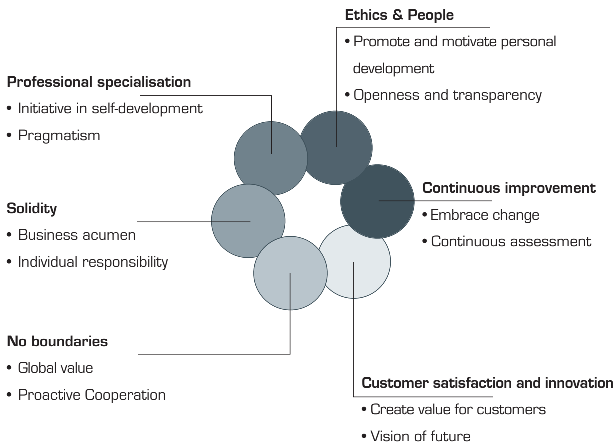
3 March 2010	Board of Directors Group Annual Report and draft Annual Report of Prysmian S.p.A.
13, 14 or 15 April 2010	**Shareholders' Meeting to approve Annual Report**
13 May 2010	First-Quarter Report at 31 March 2010
3 August 2010	Half-Year Report at 30 June 2010
10 November 2010	Third-Quarter Report at 30 September 2010

HUMAN RESOURCES

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

PRYSMIAN VALUES

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



PRYSMIAN PERSONNEL

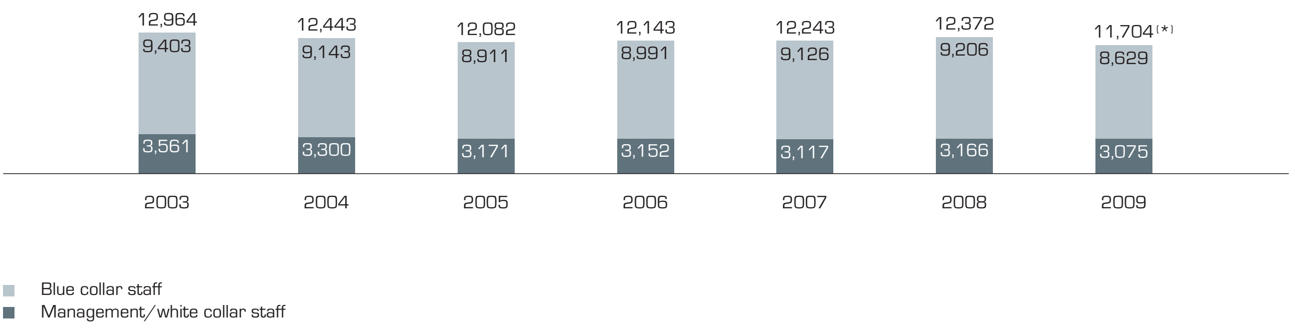
The Prysmian Group had a total of 11,704 employees at 31 December 2009, comprising 3,075 management/white collar staff and 8,629 blue collar staff, of whom 633 under fixed-term contracts (353 temporary workers and 280 agency workers). The headcount can be broken down as follows:

	Management/white collar staff	Blue collar staff	Total
EMEA [1]	1,808	6,014	7,822
North America	187	356	543
South America	274	978	1,252
Asia [2] Pacific	445	1,200	1,645
HQ Milan	361	81	442
Total	**3,075**	**8,629**	**11,704**

Of particular note is the figure for graduates, who account for more than 50% of total management and white collar staff; in addition, 18% of management and 19% of white collar staff have less than 2 years of service in the Group and also come from industries outside the energy and telecommunication sectors.

[1] EMEA = Europe, Middle East and Africa.
[2] Malaysia 40%.
Acquisition of Rybinsk Elektrokabel (Russia) included from December 2009.

MANAGEMENT/WHITE COLLAR STAFF BLUE COLLAR STAFF



In December 2009 Prysmian acquired Rybinsk Elektrokabel, one of Russia's most dynamic producers of electric cables, allowing it to strengthen its presence on this high-potential market with a total workforce of 364.

INVESTING IN TRAINING TO HAVE EXCELLENT RESOURCES

Technical and managerial skills are a key success factor for supporting Prysmian's strategies. In order to create an adequate training and development plan, Prysmian's Human Resources strategy focuses on strengthening individual skills in order to best manage organisational and business needs.
In 2009 Prysmian not only continued its leadership development programme but also focused on:
Development of Talent policy: our *Talent Management* policy promotes awareness that everyone has specific talents that can be used to achieve the company mission and also teaches managers to manage talent, where applicable.

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

It is also fundamental for Prysmian to develop Critical Know-How internally, with its owners being in possession of the essential knowledge and skills for continuously improving product quality, expanding markets, managing customers and winning new business.

The Personnel Department therefore operates closely with the business with the aim of always having the right people in the right job. Prysmian has developed internal systems for the mapping of skills and evaluating potential so as to identify key people, who can support the achievement of strategic objectives by holding key positions thanks to their ability, aspirations and commitment.

Leadership Development: the *Developing Leadership Programme* aims to strengthen the leadership skills of young talents and senior management internationally, through assessment, classroom training and workshop sessions.

Managerial Development: a series of courses for senior managers, line managers and staff aims to strengthen managerial skills at all levels within the

(*) Acquisition of Rybinsk Elektrokabel (Russia) included in December 2009.

Group, skills such as people management, self management, finance basics, intercultural orientation and communication skills.

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

In fact, 12 young engineers from all over the world completed the Process Kaizen Engineering course in 2009: the course ended with an assessment, an individual development plan and the assignment of operational responsibility in their respective countries.

Prysmian also devotes attention to the recruitment of young staff, offering once again in 2009 its now established training programme for newly-qualified engineers.

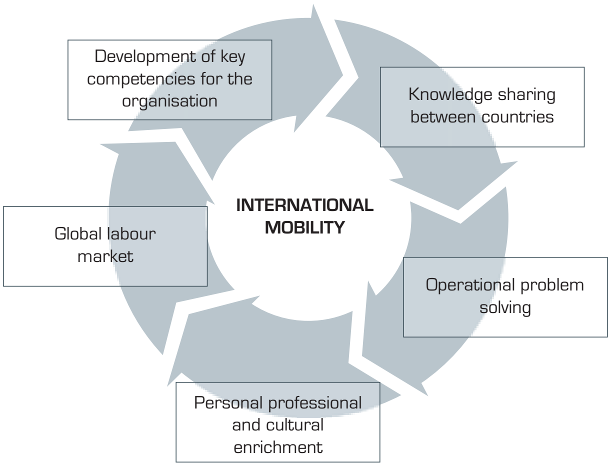
This programme, a 6-month Masters in Engineering Procurement & Installation, starts after an initial selection and assessment process and focuses on Sales, Engineering and Project Management: the training process involves both lessons in the classroom and sessions in workshops at our plants. This masters programme also serves to create and expand a relationship network between our young recruits.

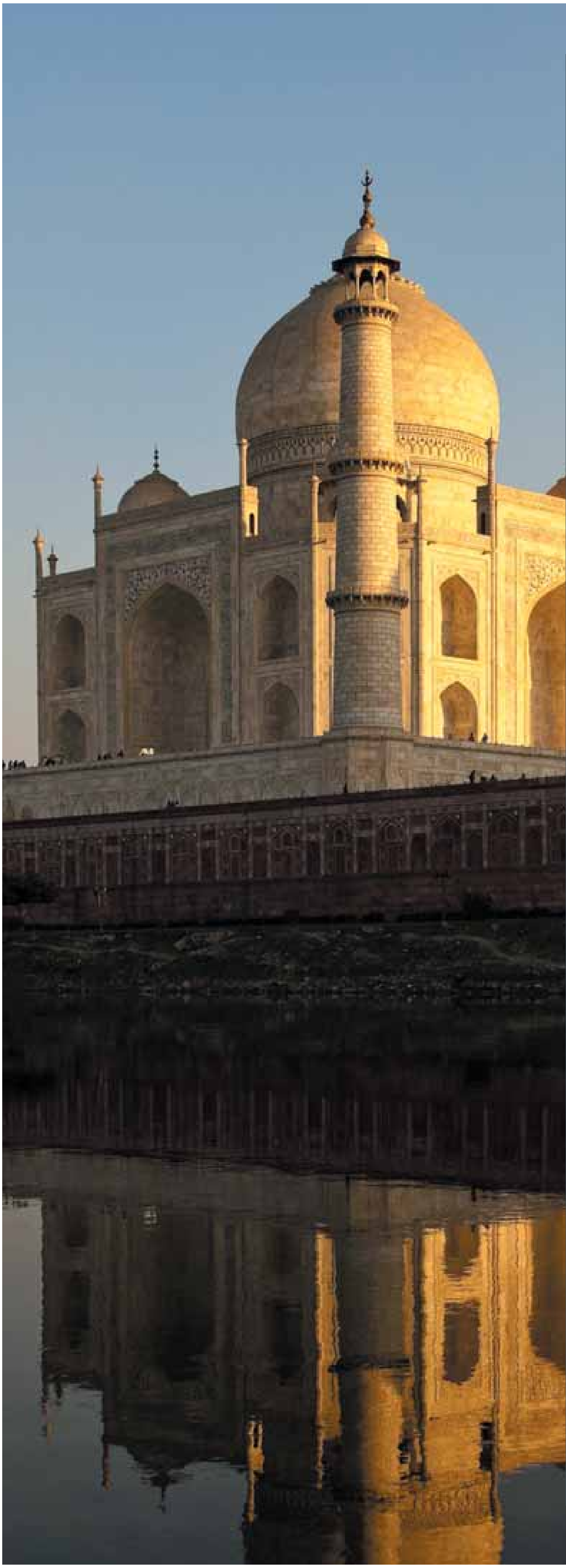
Training in Italian Decree 231: The Group's Italian companies have carried on, once more in 2009, with this special training programme, involving classroom teaching of the principles set out in this decree and illustration of the Organisational Models adopted by the individual companies.

Prysmian maintained its commitment to training in 2009, holding a global average of 1.5 training days per person for white collar staff and 1.2 days per person for blue collar staff.

INTERNATIONAL MOBILITY

International mobility continues to be one of the prime ways of managing and developing the organisation and its key people. In fact, the associated benefits are fundamental both for the business and for the individual's own personal development, also involving a process of professional and cultural enrichment that facilitates the sharing of knowledge between countries.





EXPANSION IN FAST GROWING COUNTRIES: ACQUISITIONS IN RUSSIA AND INDIA

Major steps forward were taken in 2009 in the Group's strategy of expanding in countries offering high growth potential, particularly for high-tech and high value-added business areas.

In December 2009 Prysmian announced the acquisition in Russia of 100% of Rybinsk Elektrokabel, one of the most dynamic local electric cable manufacturers, as the first step in a wider plan for expansion in this country. "Rybinsk's assets represent an ideal platform from which we intend to develop further investments, with the objective of building local production capacity in high-tech business areas such as High Voltage and Industrial cables. The target is to triple the turnover currently achieved in Russia in the next three years", explained Valerio Battista, Prysmian's Chief Executive Officer. The start up of local production will represent an undoubted competitive advantage, allowing the Group to strengthen its presence in a market with strong potential and guarantee customers better service.

In January 2010 Prysmian completed the acquisition of a majority interest in the Ravin Cables Group, negotiation of which started in 2009. Ravin is one of India's most competitive cable manufacturers, with a range including low and medium voltage cables and a market that also extends to Africa and the Middle East. The acquisition also gives Prysmian manufacturing capacity in the Middle East, where Ravin is present with Power Plus Cable Co. LLC, a joint venture with the government of the Arab Emirate of Fujairah. In fact, Power Plus Cable has a modern plant that is already able to produce High Voltage cable.

INITIATIVES IN 2009

With a view to continuously improving the effectiveness of its organisation, Prysmian has continued and started projects for revising structures and processes both centrally and in the Group's different businesses.

The key focus has been on:

- Reorganisation, through assessment projects both of staff functions and of those working in core areas; this has resulted in efficiency gains (rationalising of structures, process revision and revised resource mix), with consequent benefits for fixed costs.
- Development and maintenance of Key Performance Indicators, with which to carry out constant internal benchmarking between structures working within the various group companies, by identifying best practice and areas for improvement.
- Support for change, by deciding the organisational changes needed to facilitate introduction of the Group's new IT platform.

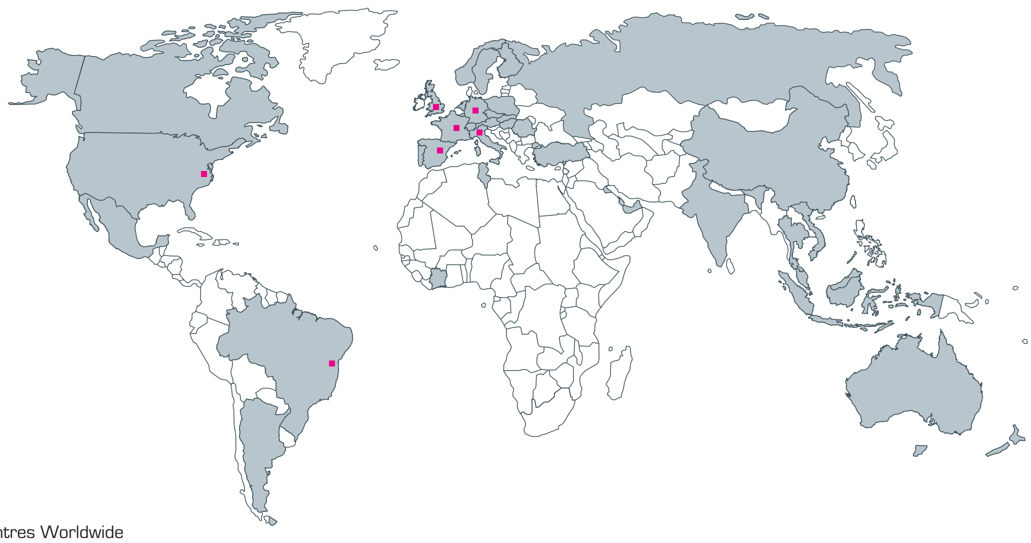
INDUSTRIAL RELATIONS

Prysmian has used every type of flexible employment arrangement available in the various countries for managing the crisis in order to adjust its organisation to the new market reality.
We were nevertheless forced to reduce the overall workforce by 8.3%.

RESEARCH AND DEVELOPMENT

Prysmian has always placed great strategic importance on Research & Development with a view to providing its customers with innovative solutions at competitive costs. The Group has: 7 Research & Development centres (Italy, France, UK, Germany, Spain, United States, and Brazil) with headquarters in Milan; strong cooperation relationships with major universities and research centres (including the Bruno Kessler Foundation in Trento, the "Politecnico" in Milan, Genoa University and Pavia University); more than 400 skilled professionals, and more than 3,000 patents granted or filed.

Research & Development spending in 2009 amounted to approximately Euro 43.2 million, slightly down on the prior year expenditure of Euro 45.3 million. The slight drop in spending is mainly due to the company's greater focus on higher value-added products, where technological innovation represents a significant competitive advantage and a barrier to entry for potential new players.



7 R&D Centres Worldwide
400 R&D Professionals
3.000 Patents Granted and Filed

The main achievements in 2009 included:

- In the field of high and extra high voltage cables, continued development of extra high voltage direct current cables with certification of the first 300 kV submarine cable, production of which has started at the Arco Felice plant; also certified were the first 220 kV cables produced at the new Abbeville plant in the United States and the 500 kV cables produced at the Baoying plant in China for use in local projects.
- Certification of the new P-Laser cable, for the entire range of medium voltage products up to 30 kV, developed at the Pignataro plant in Italy with new technology involving less energy consumption and less environmental pollution. The different mix of materials and faster processes mean that the new technology is more industrially efficient and cable quality better, thereby ensuring a more efficient, competitive service for customers thanks to shorter production and installation times. The first prototypes were also produced during the year of

high voltage P-Laser cables for both direct and alternating current.

- Development of new Third Generation Afumex cables (A3G), using insulating materials that comply with the safety requirements of the new European Building Directive.
- New "Intelligent Protolon" system, designed for applications in the field of port logistics; this system allows network managers to keep the state of cable wear and tear under constant review and hence promptly replace it thus avoiding stoppages and related repair costs.
- In the area of optical cables, development of a new range of high fibre density cables that can contain up to 96 fibres with external diameters of 6 mm and up to 720 fibres with diameters of 16 mm. The development of these cables was possible thanks to the use of latest-generation micro-modules.

INTELLECTUAL PROPERTY RIGHTS

Protecting its portfolio of patents and trademarks is a key part of the Group's business, particularly due to its strategy of growth in high technology market segments. The Group's intense research and development activities have increased the number of patents in the field of high and extra high voltage underground and submarine cables as well as in the strategic businesses of cables for industrial applications and telecommunications.

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

At 31 December 2009, the Prysmian Group owned 3,025 patents and patent applications throughout the world (of which 1,696 relating to the Energy segment and 1,329 relating to the Telecom segment), covering 456 inventions (of which 237 in the Energy segment and 219 in the Telecom segment). Of these, 361 are patent applications or patents filed in one or more European countries and 373 are patent applications or patents in the USA.

At the end of 2009, the Prysmian Group also owned 2,230 trademarks for products or product lines, whose main purpose is product identification on the basis of specific features or production processes.


GIULIO VERNE
NAPOLI

THE NEW SUBMARINE POWER LINK BETWEEN SICILY AND ITALIAN PENINSULA

The Group confirmed its world leadership in 2009 in the High Voltage submarine cables and systems business, after winning a new contract as part of a strategic project for the development of the entire Italian power grid. Terna, the national Transmission System Operator, has commissioned Prysmian to supply a cable system for the new High Voltage link between Sicily and Italian peninsula.

The contract, worth Euro 300 million, is for the supply of a complete cable system, comprising the engineering, supply, installation and protection of two alternate current cable circuits. The link, with a transmission capacity of 2,000 MW, will enhance the current system installed by the former Pirelli Cavi in 1984 and will run more than 260 km both underground and underwater, with the submarine part handled by Prymian's own cabling-laying vessel, the Giulio Verne. The link and all of the related works will make the Sicilian power grid's connection with the mainland's more secure by making energy exchanges easier, with clear benefits in terms of reducing constraints on electricity market operators and of stimulating competition. The project is also particularly important as it will foster the development of power generation from local renewable sources.

In recent years the Group has been involved in some of the most important submarine power link projects in the world, such as Neptune and Transbay in the USA, Spain-to-Majorca and SAPEI in Europe, Doha Bay and GCCIA in the Middle East, Basslink in Australia, as well as several submarine links for offshore wind farms in Northern Europe.

PRYSMIAN FOR THE ENVIRONMENT

Management of its business on an environmentally sustainable basis is not just an ethical commitment for the Group but a key factor in its very business competitiveness. As part of its activities, Prysmian constantly endeavours to implement management and production processes that help improve environmental sustainability and occupational safety, in accordance with the guidelines of its HSE policy. These guidelines, approved and supported by the Chief Executive Officer, find their practical application in various areas, including certifications, investments and product innovation.

At group level, the Environmental and Safety Committee (ESC) is responsible for obtaining through Health, Safety and Environment (HSE) department, the information needed to analyse and assess the activities and systems adopted for the Group's environmental and health and safety management, in order to define objectives, modifications and improvements.

ISO 14001 and OHSAS 18001 certifications

The ISO 14001 certification of the Environmental Management System (EMS), combined with the OHSAS 18001 certification for occupational health and safety management, results in an integrated environmental/safety system that is able to control and reduce the environmental impact of processes and also ensure high standards of worker safety.

At the end of 2009, all the plants already certified ISO 14001 (about 80% of the operating units) had maintained their certification status. The certification programme was reconfirmed with the goal of extending the certification of the EMS to take account of any new acquisitions, disposals or changes in the sub-division of existing operating units. As far as the OHSAS 18001 standard is concerned, the objective, established by the ESC at group level, of certifying all the Italian operating units is currently in the process of being implemented. More than 25% of Prysmian plants throughout the world now have this certification, including the operating units certified during 2009.

Environmental investments

Environmental investments are fundamentally important for a management process based on continuous improvement, accident prevention and maintenance of adequate environmental standards. In Prysmian, these investments are the result of:

- implementation of the improvement objectives recommended by the Environmental Management System (EMS) in compliance, amongst others, with the requirements of ISO 14001;
- everyday operational management (eg. maintenance of filtration systems, waste disposal, environmental analysis costs etc);
- compliance with new laws or specific requests by the Authorities.

"Environmental/Safety" investments amounted to around Euro 3 million in 2009.

Product innovation

In recent years Prysmian's Research & Development department has studied, and then created numerous innovative products and processes, which have represented progress in terms not only of technology but also of lower environmental impact than the solutions being replaced. Some examples are:

- Prysmian has extended the use of cross-linked polyethylene extruded insulation (XLPE) to high voltage submarine cables for direct current connections, for which only layered insulation (paper, or paper and polypropylene) was used up until now. This product's environmental benefit lies in the absence of oil fluid needed for cables with insulating layers.
- During 2009 Prysmian completed the market launch of its eco-sustainable medium voltage cable known as P-Laser. This product has an innovative high performance insulating system (HPTE) that uses fully

recyclable thermoplastic materials, and is able to replace commonly used medium voltage cross-linked polyethylene insulated (XLPE) cables.
- Prysmian has developed the "Drylam" range of products for installation in production systems, such as in the oil industry, where cables are exposed to attack by chemical substances like hydrocarbons, solvents, acids and bases. This solution uses several layers of metal and technopolymers as protection, resulting in the complete elimination of lead for this purpose.
- In recent years the Prysmian R&D department has developed systems for shielding the magnetic field emitted by the current circulating in cable conductors. Different kinds of system have been developed (steel tubes and channels, passive cable rings etc) according to the characteristics of the place where the cable is being laid and to the different levels of shielding required. Prysmian has a series of patents allowing it to retain its technological leadership in this sector with ability to lay underground cables in any kind of electrosmog-free situation envisaged, even by the strictest national and international standards.
- In the area of telecommunication products, Prysmian has developed a "micromodule" optic fibre cable, that uses a considerably smaller quantity of materials than typical loose-tube products. Compared with the latter, micromodule cables save 34 kg of polybutyleneterephtalate (PBT) per kilometre of cable, use less fibreglass, eliminate glass thread and use less polyethylene for the liner. A 144-fibre cable weighs 110 kg per kilometre, compared with 190 kg for the equivalent loose-tube cable, and so uses a smaller quantity of raw materials with a consequently lower environmental impact of production.

Training and sharing of experience

Environment and Safety training programmes continued in 2009 according to the needs of the various operating units. Training activities were particularly intensified at those plants that obtained OHSAS 18001 certification for their Safety Management System, or which will obtain it soon, with the purpose of satisfying this standard's requirements. Training was both of an operational nature, directed at those employees who have to follow precise instructions in the performance of their duties in order to minimise the respective risks, and of a management nature, aimed at improving management practice (for example, courses for internal auditors) and therefore directed at persons with responsibility for environmental/safety matters.

Health and preventive medicine

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

- it has renewed an agreement with a clinic at which employees of Prysmian's Milan office can enjoy services at particularly beneficial rates;
- once again in 2009, it offered all employees the opportunity of having a free flu vaccination in their workplace.

In addition, as part of internal procedures for safeguarding occupational health, the Group issued specific operational guidelines to follow for preventing the spread of AH1N1 influenza.

A MORE EFFICIENT AND ORGANISED GROUP

INDUSTRIAL ACTIVITIES

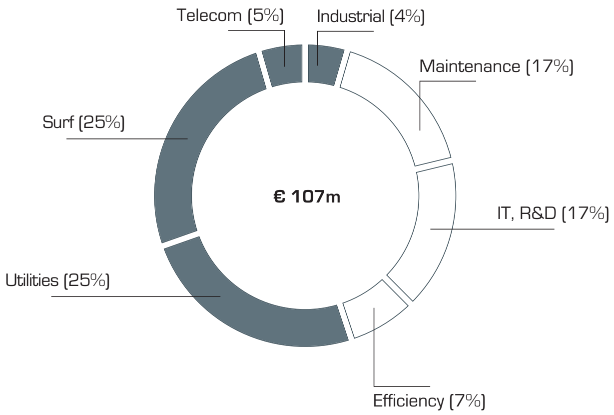
The Group's manufacturing operations are carried out through a highly decentralised model, involving 56 plants in 24 different countries(*). The wide geographical distribution of its plants is a strategic factor, allowing the Group to react to changing market demand in relatively short time. In recent years, the Group has reorganised its manufacturing operations so as to: (i) focus production on higher value-added products, while at the same time maintaining a suitably diversified geographical presence to minimise distribution costs for other products; (ii) concentrate the manufacture of certain products in certain plants to take advantage of economies of scale, by increasing manufacturing efficiency and reducing fixed costs and net capital employed. As part of this strategy, during 2009 Prysmian finished building its first plant in the United States to manufacture high and extra-high voltage cables and in China it increased production capacity of 500 kV cables.

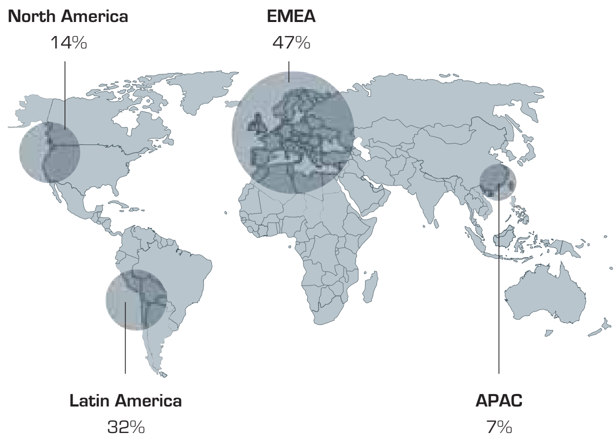
Gross investments in property, plant and equipment amounted to Euro 107 million in 2009, largely stable compared with Euro 116 million in 2008. Investments for increasing production capacity accounted for 59% of the total. In keeping with Group strategy, the increase in production capacity primarily referred to the Utilities and Industrial businesses areas (in the Energy segment) and to enhancing production of optical fibre and cables (in the Telecom segment). Of particular strategic importance is the investment in progress in Brazil to expand the plant in Vila Velha to manufacture flexible pipes for subsea oil extraction; the first machinery was successfully installed during the year and the first flexible pipe prototype was presented at the Houston trade fair in May. Work is expected to be completed in 2010 and will allow Prysmian to take a major step forward in expanding its business with the Oil Gas & Petrochemicals industry, confirming the Group's strategic commitment to investing in value-added businesses that are high-margin, high-tech and require specialist know-how.

Lastly, production capacity and headcount were rationalised in every country in order to achieve a rapid adjustment to the significantly lower level of sales. This produced a significant reduction in fixed costs as well as a more efficient management of working capital by keeping inventories of raw materials and finished goods to a minimum. The "Improving Factory Reliability" project was started for this purpose in 2008 and already began to produce important results in 2009, allowing faster inventory turnover and improved customer service thanks to more reliable, more timely order completion.

(*) The plants in India and the United Arab Emirates have become part of the Prysmian Group after the acquisition of a majority interest in the Indian company Ravin Cables Group, under an operation that started in 2009 and ended in January 2010.

The following charts show how the Group's investments in 2009 were split by type and geographical area:





Capacity increase

In addition to the above investment projects, the increase in production capacity was attributable to the following specific investments in:

- completion of the capacity expansion at the Arco Felice plant (Italy) for the production of high voltage and extra high voltage submarine cables for both direct and alternating current applications;
- completion, in the second half of the year, of the new plant in Romania for optical cable production, which will considerably reduce production costs relative to the facilities currently operating in Western Europe.

Structural maintenance capex accounted for 17% of total investments. This referred to buildings (such as the relocation of the factory in Jacarei to Santa Catarina) or complete production lines in order to comply with current laws or to relocate production.

A significant part of the investments (10% of the total) was devoted to implementing the SAP Consolidation project, which will standardise the information system used throughout the Group over the next four years. Lastly, 7% of the total investment went on making material usage and product layout more efficient, resulting in a saving of around Euro 9 million in variable production costs over the course of the year.

INFORMATION SYSTEMS

The Prysmian Group's IT policy focuses on constantly seeking instruments that satisfy the needs of every company function both in terms of process efficiency and individual productivity.

Prysmian continued to invest heavily in information systems in 2009, confirming the policy adopted since the Group's birth in 2005 aimed at modernising, consolidating and rationalising its IT model.

The benefits of the new outsourcing model and of ICT reorganisation were felt in 2009 and contributed to a significant reduction in costs. The most important IT project currently in progress is the consolidation of the Group's ERP (Enterprise Resource Planning) environments.

Applications

Consolidation of the Enterprise Resource Planning (ERP) system

Prysmian has used the SAP system as its ERP platform for more than 10 years, with nearly all the Group's companies using this system in support of their principal functions.

Prysmian has decided to consolidate the Group's various SAP environments and, after making a significant investment in standardising processes and in technology upgrades, it has defined a common model for all group member companies. The German and Dutch companies adopted the new model in 2009. The consolidation project continues as planned with a target end date in 2012.

Other important projects

In addition to completing the new websites, on which work started in 2008, a significant investment was made in Business Intelligence systems. The mechanisms for controlling systems activity and data management were improved to meet strict market standards.

Infrastructure

Personal computing

After completing the segregation from Pirelli in 2008, better management of the Group's information systems has rationalised the use of hardware and software and introduced technological changes which have improved individual productivity without increasing costs.

Infrastructure consolidation

Prysmian has completed the consolidation of the SAP Data Centres, in accordance with high standards of security and reliability. The process of consolidating other IT services continues.

Having developed a particularly streamlined management model, Prysmian is now planning to drive cost savings by reducing the number of servers.

Network development

The year 2009 was one of consolidation for Prysmian's worldwide network. The global network's reliability and performance has further improved after adopting modern instruments of control and monitoring.

Prysmian continues to introduce innovative instruments that let it exploit its network to the maximum, by improving individual and Group productivity and by cutting telecommunication costs and employee travel time.

GROWING COMMITMENT IN RENEWABLE ENERGY SECTOR

The Group has further strengthened its leadership in the engineering, production and installation of cabling systems for renewable energy transmission, securing two important contracts for the development of offshore wind farms.

Prysmian has been awarded a project for the development of submarine power connections for the Ormonde Wind Farm in the Irish Sea. The original design of the plant, rated at about 150 MW, is based on a hybrid project that will generate electricity by exploiting both wind energy and gas reserves.
Prysmian will design and supply 33 Kv inter-array cable connecting the wind farm's 30 turbines to one another and to the transformation platform, and the 132 kV export cable connecting the wind farm to the mainland.

Again in the Irish Sea, Prysmian has been involved in the second phase of the Walney project to expand the existing wind farm with the construction of 51 new turbines, which will generate 183 MW in extra power. The Group has been engaged to design and supply a submarine and underground 132 kV cable system for connecting the offshore wind farm to the mainland power grid. This new project confirms the validity of Prysmian's know-how and technology in the fast growing renewable energy market.

Prysmian is currently involved in other projects to develop some of the world's largest wind farms, such as Gunfleet Sands, Greater Gabbard and Thanet in the UK, and Alpha Ventus in Germany.

QUALITY

Prysmian Group Quality Management Policy	Make customer satisfaction our priority
	Increase the value of the business by improving individual skills and efficiency and by optimising costs
	Develop a corporate culture based on clear commitment to continuous improvement: challenging objectives, continuous control and consequent corrective action
	Promote best practice within the Group ("no more secrets")
	Adopt "zero defect" and "right first time" as rules for all our activities
	Question everything and eliminate activities with no value-added
	Follow and maintain ethical standards of conduct inside and outside the company (with customers and suppliers)
	Maintain and apply ISO 9001 and related procedures
	Involve the entire organisation in quality policy and company objectives

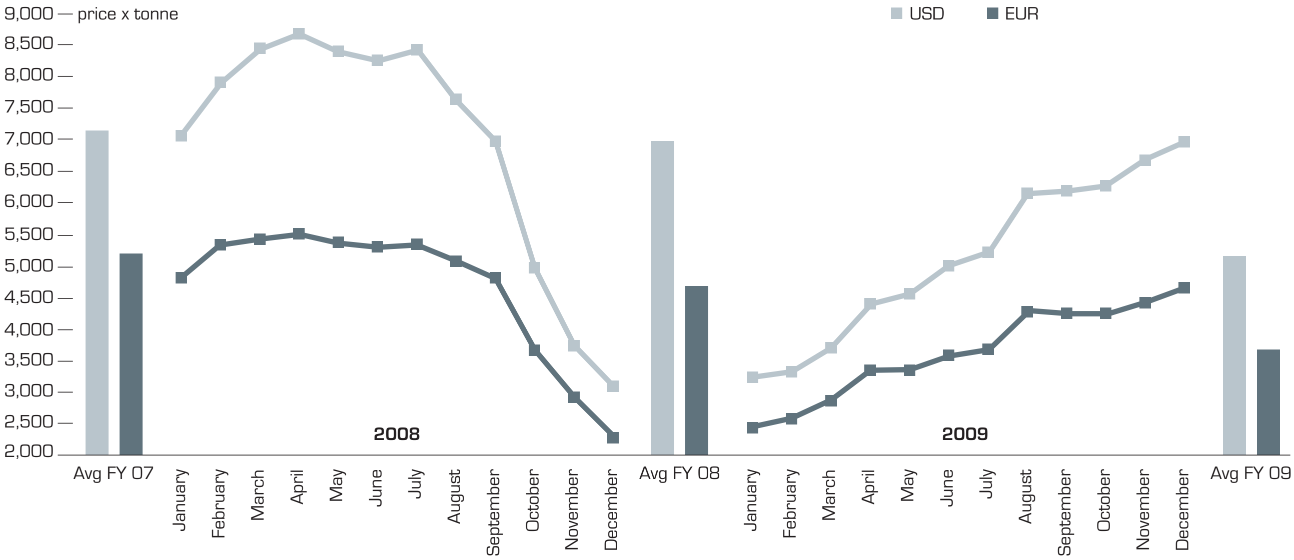
The principles contained in the Quality Management Policy represent the starting point for defining Prysmian's strategies aimed at complete customer satisfaction. The creation of a Quality Department at Group headquarters reporting directly to the Prysmian CEO has allowed the Group to give renewed attention to Quality, with the goal of improving the effectiveness/efficiency of its processes.
The department's work in 2009 concentrated on developing a system of rules for managing the Group (PQMS - Prysmian Quality Management System) and on activities for ensuring full product compliance with standards, involving steps on both the prevention and control fronts.
The year 2010 will be devoted to implementing improvement projects and better methods for achieving expected Quality standards.

SOURCING

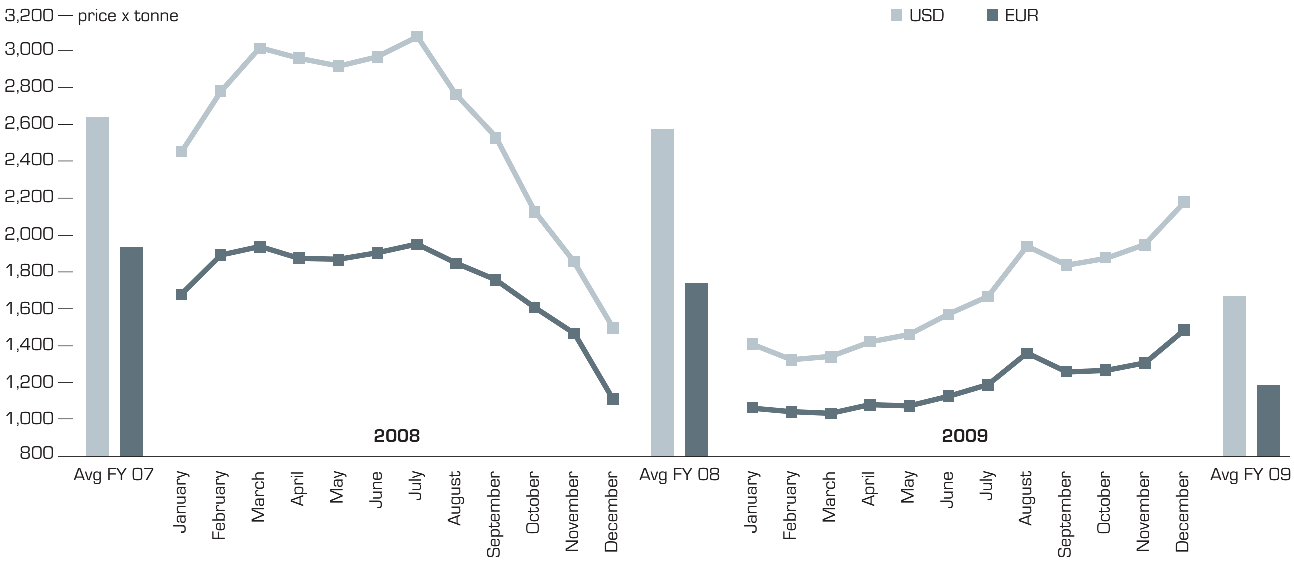
The main raw materials used by the Group in its own production processes are copper, aluminium, lead and oil derivative products, such as PVC and polyethylene.
The average prices of all the principal raw materials used by the Group were significantly lower in 2009 than in the prior year. However, as shown in the following graphs, prices climbed steadily from the lows that had been reached at the end of 2008 and start of 2009 as a consequence of the severe financial crisis and its impact on the real economy and commodity prices. In fact, in 2009 copper and aluminium were sold at an average price per tonne of Euro 3,661 (USD 5,150) and Euro 1,188 (USD 1,664) respectively compared with Euro 4,666 (USD 6,956) and Euro 1,736 (USD 2,573) in 2008, reporting a reduction of 22% for copper and 32% for aluminium (with reference to their Euro prices). Even the oil price, which affects the price of its derivatives such as PVC and polyethylene, experienced a similar reduction, falling by 36% in USD and 33% in Euro and fluctuating between a low of USD 37.40 per barrel and a high of USD 81.40.
Prysmian was able to deal with these fluctuations thanks to strict application of its hedging policies.
By constantly monitoring global supplies and adopting various cost-cutting initiatives, Prysmian was also able

to optimise the purchase of raw materials without compromising their quality. The sale price adjustment mechanisms, combined with prudent hedging, helped mitigate the effect of price fluctuations on the income statement. During the year Prysmian consolidated its relationships with its major suppliers, thus avoiding any disruption in supplies and endeavouring to benefit the Group in both the short and long term.

COPPER



ALUMINIUM



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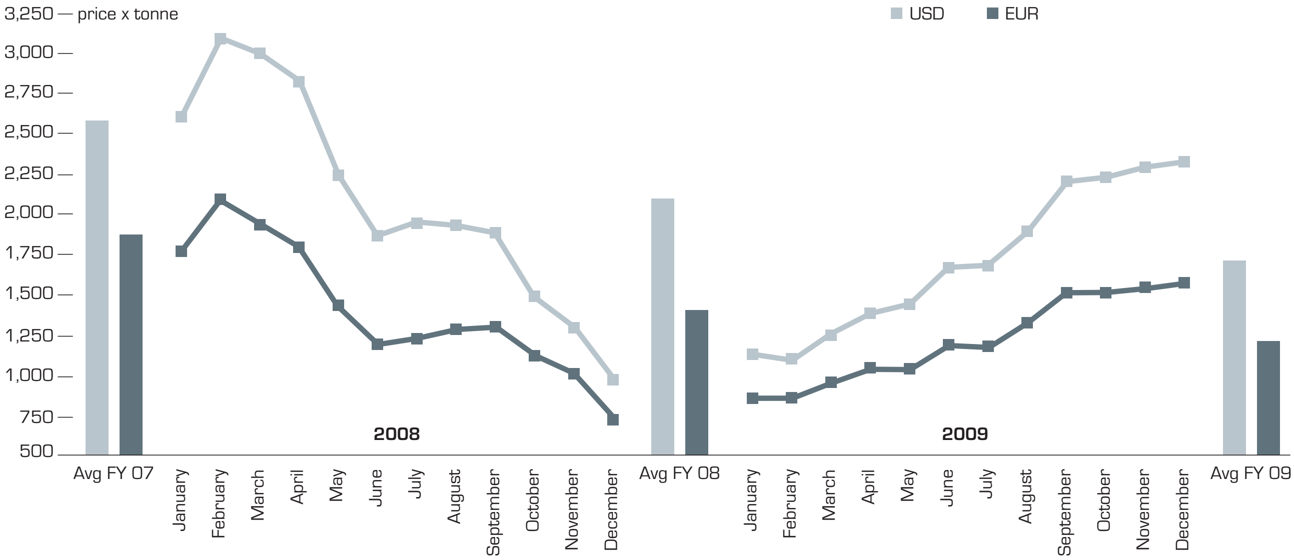
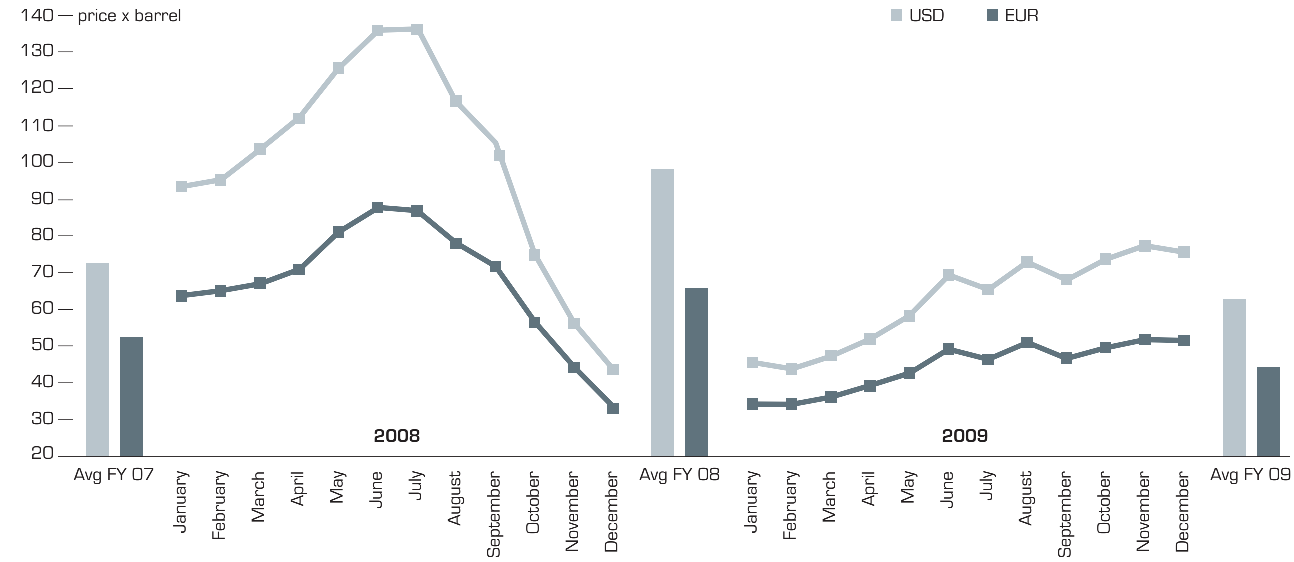


BRENT CRUDE OIL



STRONGER PRESENCE IN THE MIDDLE EAST: NEW HV CONTRACT IN QATAR

Prysmian has confirmed its role as a partner to utilities engaged in expanding electricity grids in the Middle East with a new contract in the wake of other important projects in this strategic region for the Group. This contract, worth Euro 47 million, was signed in May 2009 with Qatar General Electricity & Water Corporation and involves the development of a new Extra High Voltage power transmission system for the capital city Doha. The agreement entails the design, construction and installation of Extra High Voltage underground power cables on three 22 km circuits for a total of 66 km of 400 kV cable and related accessories. The project, which will be completed in the space of 22 months, forms part of the programme of power transmission expansion in Qatar and confirms Prysmian's established experience as a winning factor in this highly competitive, technological market segment.

Other important activities in which the Group has recently been involved in this region include: the projects for underground and submarine power transmission grids in Doha (Qatar) using High and Extra High Voltage cable; the agreement with Emirates Aluminium Company Ltd. for the supply of High Voltage cables and systems for the world's large aluminium smelter in Abu Dhabi; the Palm Island Dubai - Logo Island interconnection with submarine Medium Voltage cables; the Dubai Metro, the world largest fully automated metro project; the supply and installation of fire-resistant cables for the Emirate Palace, headquarters of Emirates Airlines in Dubai, for Masdar City (UAE), the world's first carbon-neutral city, and for the Burj Khalifa in Dubai, the tallest building ever inaugurated at the start of 2010.

LOGISTICS

The logistics department manages medium-term production allocations and planning through the Sales & Operations Planning (SOP) process acting as the link between the demand cycle (sales) and the supply cycle (operations). The Group carries out differentiated planning, depending on whether the product is classified as "make to stock" (MTS) or "make to order" (MTO). With the MTO approach, production is activated and the goods shipped only after receipt of a customer order, significantly reducing unused inventory levels and the time that the raw materials and the finished goods remain in the warehouse. In contrast, under the MTS approach, generally used for more standardised products, inventory management is geared to producing items for stock to enable the Group to respond optimally to demand within customer response times. Prysmian continues in the direction adopted in recent years of placing the utmost importance on customer service, with the ultimate objective of improving flexibility, reliability, and speed to market.

In addition to the "Customer Service Excellence" project started in previous years, Prysmian implemented the "Improving Factory Reliability" project in 2009 which has improved planning and execution of manufacturing output in terms of both mix and volumes in ever faster response times. Improved Factory Reliability has permitted every type of inventory to be rigorously controlled: raw materials, semi-finished products and finished goods; this has allowed the Group to deal efficiently and effectively with the reduction in production volumes through rapid adjustment of inventory levels. Prysmian also implemented the "SAP Consolidation" project during the year in two of its major countries, namely Germany and Holland. This project entails harmonising and standardising all IT processes worldwide. In particular, once this project is implemented in all the Group's countries of operation, the supply chain, from purchasing to physical distribution, will benefit from ever greater process integration and centralisation of decision-making and operations, allowing more efficient use of resources, greater sharing of information and a big reduction in market response times.

SIGNIFICANT EVENTS DURING THE YEAR

During 2009 the Prysmian Group faced the contraction in global demand by confirming as far as possible its strategic guidelines. The Group therefore concentrated maximum attention on high value-added businesses less exposed to economic cyclical trends and on geographical markets with greater future potential, also thanks to selective investments in production capacity increases. Even so, Prysmian had to step up tactical actions during the second half of the year in the face of aggressive competition and market uncertainty in order to retain its existing market share. Sales nonetheless experienced a 17.4% organic decrease compared with the prior year (excluding changes in group perimeter, metal prices and exchange rates). The Group also continued to pursue actions to improve industrial efficiency and customer service in order to exploit all commercial opportunities in the more standard segments.

PRINCIPAL PROJECTS ACQUIRED AND COMMERCIAL INITIATIVES

- In December 2009 Terna SPA Rete Elettrica Nazionale awarded Prysmian the contract, worth Euro 300 million, for the new submarine power link between Sicily and the Italian mainland. This project, of strategic importance for the entire national grid, involves laying under the Strait of Messina 260 km of 380 kV cable with total transmission capacity of 2,000 MW. This project is due to be completed by the end of 2013.
- On 15 December 2009, the Prysmian Group entered an agreement with Cabelte Cabos Eléctricos e Telefónicos S.A. of Portugal to develop and sell FTTH (Fibre To The Home) solutions in Portugal, as well as in Angola and Mozambique. This partnership agreement will allow synergies to be exploited between Cabelte's local production of optical fibre and optical cables and Prysmian's experience and range of optical network solutions.
- On 1 October 2009, Prysmian's German company entered a frame agreement to supply optical cables to Kabel Deutschland (KDG), Germany's largest operator of cable TV and Internet services. The contract requires Prysmian to supply the KDG network with a wide range of fibre cables, covering a segment of products containing from 12 up to 216 fibres/km.
- At the start of August, Prysmian was awarded a contract by Ormonde Energy Ltd (a Vattenfall AB owned company) worth Euro 27 million to develop submarine power cable connections for the Ormonde offshore wind farm in the Irish Sea. Prysmian will design and supply 33 kV inter-array cable to connect the 30 turbines and the 132 kV export cable to connect the wind farm to the mainland.
- At the end of June, Prysmian secured - through its Dutch subsidiary - three new contracts to upgrade and develop the integrated power transmission system between the Netherlands and Germany. The total value of this project is Euro 20 million.
- In May, Qatar General Electricity & Water Corporation (KHARAMAA) awarded Prysmian a contract worth Euro 47 million for a transmission project serving the Doha area. This project involves the design, supply and installation of 66 km of 400 kV underground cables and accessories.
- At the end of March, Prysmian was awarded a contract with FSK in Russia worth Euro 20 million for development of the high voltage grid in St. Petersburg. Prysmian will design and install a 330 kV transmission system which will include 80 km of high-tech underground cable.

MERGERS & ACQUISITIONS AND MAJOR INVESTMENTS

On 15 December 2009, Prysmian acquired 100% of Rybinsk Elektrokabel, a Russian company. The acquisition cost was approximately Euro 3 million, of which some Euro 1 million in expenses directly attributable to the acquisition. The company's financial debt was about Euro 10 million. Rybinsk Elektrokabel reported Euro 27 million in turnover in 2009 through its one production unit 350 km NE of Moscow employing 364 people. Access to a local source of production is an undisputed competitive advantage for Prysmian and will strengthen the Group's presence in this high-potential market. In fact, the major Russian players involved in upgrading and developing the country's electricity grids have investment plans worth in excess of Euro 10 billion.

The new production facility in Abbeville (South Carolina) was opened in October, having invested Euro 32 million in its construction. This plant, the first built by Prysmian in North America, will produce Extra High Voltage cables using a process based on VCV technology (Vertical Continuous Vulcanization). The plant's production capacity will give Prysmian an important competitive advantage on the North American high voltage cables and systems market: in fact, this sector expects to see heavy investment thanks to programmes promoted by the US government for modernising and developing electricity grids and for exploiting renewable energy.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	2009	2008	% change	2007
Sales	3,731	5,144	-27.5%	5,118
Adjusted EBITDA	**403**	**542**	**-25.6%**	**529**
% of sales	10.8%	10.5%		10.3%
EBITDA	**366**	**518**	**-29.3%**	**573**
% of sales	9.8%	10.1%		11.2%
Fair value change in metal derivatives	91	(68)		(7)
Amortisation, depreciation and impairment	(71)	(70)	1.6%	(65)
Operating income [(1)]	**386**	**380**	**1.6%**	**501**
% of sales	10.3%	7.4%		9.8%
Net finance income/(costs)	(52)	(97)	-46.7%	(116)
Share of income from investments accounted for using the equity method and dividends	3	3		2
Profit before taxes	**337**	**286**	**17.8%**	**387**
% of sales	9.0%	5.6%		7.6%
Taxes	(85)	(51)	64.3%	(85)
Profit/(loss) for the year	**252**	**235**	**7.5%**	**302**
% of sales	6.8%	4.6%		5.9%
Attributable to:				
Owners of the parent	248	237		300
Non-controlling interests	4	(2)		2

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

	2009	2008	% change	2007
Operating income (A)	**386**	**380**	**1.6%**	**501**
EBITDA (B)	**366**	**518**	**-29.3%**	**573**
Non-recurring expenses/(income):				
IPO costs	-	-		8
Company reorganisation	13	8		6
Shutdown of production facilities	6	3		-
Antitrust investigation legal costs	11	-		-
IT system segregation	-	1		1
Special project costs	4	3		-
Environmental remediation	3	-		-
Settlement with Pirelli & C. S.p.A.	-	-		(21)
Acquisition price adjustment of the Energy and Telecom Cables & Systems divisions from Pirelli & C. S.p.A.	-	-		(39)
Disposal of Submarine Telecoms Business	-	-		1
Badwill from Facab Lynen acquisition	-	(3)		-
Provision for tax inspections	-	12		-
Total non-recurring expenses/(income) (C)	**37**	**24**		**(44)**
Fair value change in metal derivatives (D)	(91)	68		7
Impairment of production facilities (E)	2	5		-
Adjusted operating income (A+C+D)	**334**	**477**	**-30.1%**	**464**
Adjusted EBITDA (B+C)	**403**	**542**	**-25.6%**	**529**

(1) Starting from the present report, operating income includes the fair value change in metal derivatives previously classified in net finance income/(costs). The comparative figures for 2008 and 2007 have been revised accordingly.

Group sales reported a 17.4% organic decrease in 2009 compared with 2008 (excluding changes in group perimeter, metal prices and exchange rates), analysed by segment as follows:

- Energy -17.0%;
- Telecom -20.7%.

Adjusted EBITDA amounted to Euro 403 million in the year (before net non-recurring expenses of Euro 37 million), posting a decrease of Euro 139 million (-25.6%) on 2008.

The average appreciation of the Euro in 2009 against some of the currencies in which the Group operates outside the Eurozone penalised this result by Euro 6 million. This negative impact was due to the Euro's appreciation against the British pound, the Brazilian real and the Australian dollar, that was not entirely offset by the positive effects of appreciation by the US dollar and Middle Eastern currencies on the operating margins of certain High Voltage underground and Submarine projects in progress in the Middle East.

INCOME STATEMENT

Group sales came to Euro 3,731 million at 31 December 2009, compared with Euro 5,144 million in 2008, reporting a decrease of Euro 1,413 million (-27.5%).

This reduction was in turn due to the following factors:

- benefit of Euro 16 million (+0.3%) from consolidating Facab Lynen for the whole year;
- negative exchange rate effects of Euro 107 million (-2.1%);
- decrease of Euro 428 million (-8.3%) in sale prices due to fluctuations in metal prices (copper, aluminium and lead);
- organic decrease in sales of Euro 894 million (-17.4%) due to the negative trend in volumes and prices.

The contribution margin went down from Euro 970 million at the end of 2008 to Euro 791 million at the end of December 2009, representing a decrease of Euro 179 million (-18.5%), of which Euro 19 million (-2.0%) due to negative exchange rate effects. This reduction was caused by the global contraction in demand and has confirmed the effectiveness of the Group's commercial and product segmentation strategies. In fact, the reduction in volumes was greatest in certain lower value-added areas of business (Trade & Installers, Automotive), with less effect in the higher value-added lines of business (High Voltage and Submarine), also thanks to Prysmian's large order backlog for long-term projects.

Adjusted EBITDA amounted to Euro 403 million in 2009, compared with Euro 542 million at 31 December 2008, reporting a decrease of Euro 139 million (-25.6%), of which Euro 6 million (-1.2%) due to negative exchange rate effects. In fact, the reduction in contribution margin was only partly reflected in adjusted EBITDA thanks to strict control over fixed costs.

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

(in millions of Euro)		% change
Energy	**(121)**	
Utilities	(21)	-3.9%
Trade & Installers	(72)	-13.3%
Industrial	(31)	-5.7%
Other	3	0.6%
Telecom	**(18)**	**-3.3%**

Group EBITDA amounted to Euro 366 million at 31 December 2009, compared with Euro 518 million at the end of 2008. The reduction of Euro 152 million (-29.3%) was primarily due to a decline in earnings from recurring operations.

Non-recurring expenses included in EBITDA amounted to Euro 37 million, and comprise:

- Euro 19 million in costs associated with restructuring undertaken to cut back production capacity to current levels of demand, including the costs of closing the St. Jean de Richelieu plant in Canada;
- Euro 11 million in legal costs for the antitrust investigations currently in progress;
- Euro 4 million in costs for special acquisition projects;
- Euro 3 million in environmental remediation costs.

Amortisation, depreciation and impairment amounted to Euro 71 million at 31 December 2009 (of which Euro 2 million was non-recurring and related to asset impairment), which was slightly more than in the prior year due to the significant level of intervening investments.

The fair value change in metal derivatives was a gain of Euro 91 million at 31 December 2009, compared with a Euro 68 million loss at the same date in the previous year. This reflects the steady recovery in strategic metal prices starting in July 2009 relative to average prices posted both in the first half of the year and at the end of 2008.

Group operating income, inclusive of the fair value change in metal derivatives, amounted to Euro 386 million at 31 December 2009, compared with Euro 380 million in the prior year, reporting an increase of Euro 6 million (+1.6%).

Finance income and costs reported a net negative Euro 52 million at the end of 2009, Euro 45 million down from the net negative amount of Euro 97 million posted in 2008. This was mainly due to:

- the release of Euro 9 million to income after settling a tax dispute in Brazil (non-recurring income);
- lower finance costs from exchange rate differences and currency hedges (a negative Euro 3 million in 2009 compared with a negative Euro 27 million in 2008).
- lower net finance costs of Euro 12 million due to the combined effect of (i) a reduction since March 2008 in the spread applied to the Term Loan under the New Credit Agreement, (ii) the cut in interest rates and (iii) a decrease in average debt during 2009.

Taxes amounted to Euro 85 million in 2009, representing a tax rate of 25.2%, up from 18.0% in the prior year. The higher tax rate primarily depends on the reduced utilisation of carryforward tax losses for which no deferred tax assets were recognised in previous years.

Profit for 2009 came to Euro 252 million, 7.5% higher than the corresponding figure of Euro 235 million in 2008.

Adjusted profit [1] amounted to Euro 206 million, 37.9% down from Euro 332 million in 2008.

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

EXTRA HIGH VOLTAGE CABLES FOR EUROPEAN POWER GRIDS

In 2009 the Group secured important new contracts for the development of Extra High Voltage power transmission grids in Europe.

A first agreement, signed with TenneT, the national operator of the Dutch grid, involves extending the existing 380 kV cable connection crossing two canals in the outskirts of Rotterdam. The "Nieuwe Waterweg" ("New Waterway") canal, in particular, is vital to the region's economy, as it is the primary access from the port of Rotterdam to the North Sea. A second contract, awarded by the Dutch power company Eneco and the Danish power company DONG Energy involves supplying 36.9 km of 380 kV cable for the interconnection between the Dutch grid and a new gas-fired power station under construction near Rotterdam.

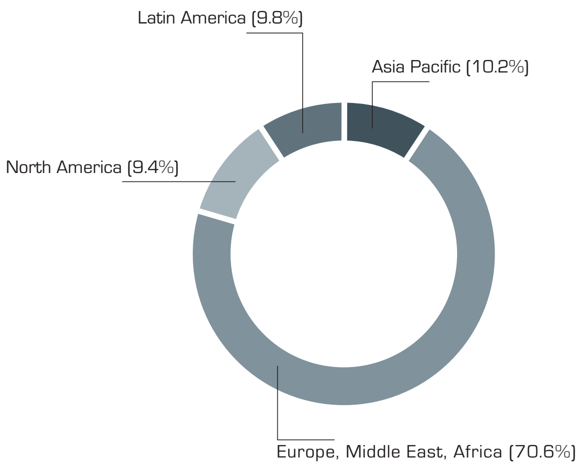
In Germany, Prysmian has been contracted by the Dutch power company NUON for the interconnection between the grid and a new gas-fired power station that NUON is building near Frankfurt. The link will be 8.4 km long and will employ a 380 kV cable system. This project has needed special design to reduce the electro-magnetic field produced, thus improving product efficiency and safety.

Also in 2009, FSK, Russia's national power grid operator, commissioned Prysmian to develop a High Voltage power grid in St. Petersburg. The 330 kV power transmission system will comprise 80 km of high-tech underground cable. The project follows other major contracts recently awarded in Russia, including the agreement to supply cable for modernising the power transmission grid in Moscow.

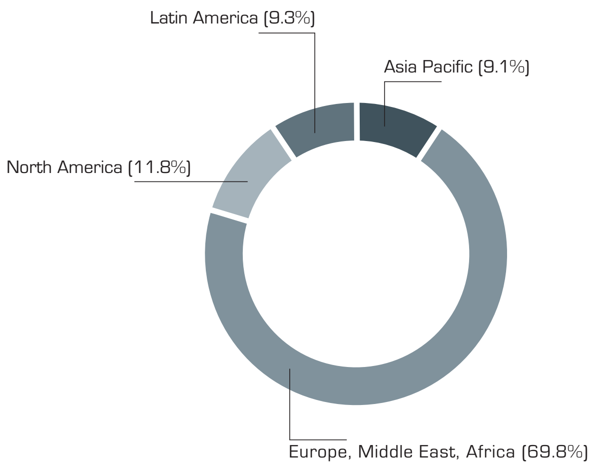
GEOGRAPHICAL PERFORMANCE

The following charts provide a comparison of sales by geographical area in 2009, 2008 and 2007:

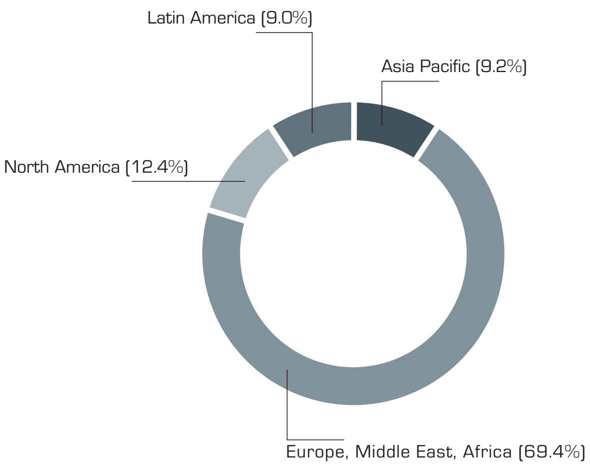
2009



2008



2007



Given the global economic downturn in the first six months and subsequent stabilisation, the geographical breakdown of sales shows a sharp reduction in sales in North America (-42.3% on the prior year), with their weight falling below 10% of the Prysmian Group's total sales.
Although sales in Europe continued to account for a constant proportion of the Group's revenues, they were Euro 958 million lower (-26.6%) due to a combination of the following factors:

- negative exchange rate effects of Euro 113 million (-3.1%) due to appreciation of the Euro against other currencies in which Prysmian's European companies operate (primarily the British pound, Romanian leu and Turkish lira);
- decrease of Euro 321 million (-8.9%) in metal prices (reflecting a reduction in metal prices in the first six months of the year coupled with the depreciation of the Euro against the US dollar relative to the prior year);
- increase of Euro 16 million (+0.4%) due to the acquisition of Facab Lynen;
- organic decrease of Euro 540 million (-15.0%), mainly arising from lower volumes in the Trade & Installers, Power Distribution lines of business and Telecom segment.

The fourth-quarter organic decrease in European sales was smaller than in the first nine months of the year thanks to a recovery in sales primarily on the French and German markets. However, these positive signs were not enough to mark a trend reversal in demand for the Group's principal businesses.

Sales in North America decreased by Euro 256 million (-42.3%) due to the combined effect of:

- depreciation of the Euro against the US dollar, producing positive exchange rate effects of Euro 22 million (+3.7%);
- decrease of Euro 34 million (-5.7%) in metal prices;
- organic decrease of Euro 244 million (-40.3%), due to general contraction in demand in all the Group's segments and the closure of a manufacturing facility in Canada.

Sales in Latin America decreased by Euro 113 million (-23.6%) compared with the prior year: this decline reflected a combined negative effect of exchange rates and metal prices of Euro 48 million (-10.2%) and an organic reduction in sales of Euro 65 million (-13.4%), attributable to the sharp downturn in demand in the Trade & Installers business area.

Sales in Asia Pacific decreased by Euro 86 million (-18.4%), reflecting not only the negative effects of metal prices and exchange rates of Euro 40 million (-8.7%) but also an organic reduction in sales of Euro 46 million (-9.7%) starting from the second quarter, especially in the Power Distribution line of business in South-East Asia, particularly in Malaysia and Indonesia.
The benefit of higher High Voltage sales in China was not enough to neutralise the decline by the other lines.

SEGMENT PERFORMANCE

ENERGY

(in millions of Euro)	2009	2008	% change	2007
Sales	3,344	4,623	-27.7%	4,618
of which to third parties	3,328	4,608	-27.8%	4,583
Adjusted EBITDA	**372**	**493**	**-24.4%**	**481**
% of sales	11.1%	10.6%		10.4%
EBITDA	**342**	**470**	**-27.1%**	**475**
% of sales	10.2%	10.1%		10.3%
Amortisation and depreciation	(63)	(58)	0.3%	(61)
Adjusted operating income	**309**	**435**	**-28.6%**	**420**
% of sales	9.3%	9.4%		9.1%
Contribution margin	**706**	**861**	**-18.0%**	**851**
% of sales	21.1%	18.6%		18.4%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	**342**	**470**	**-27.1%**	**475**
Non-recurring expenses/(income):				
Company reorganisation	12	8		-
Shutdown of production facilities	6	3		6
Antitrust investigation legal costs	8	-		-
Special project costs	1	3		-
Environmental remediation	3	-		-
Badwill from Facab Lynen acquisition	-	(3)		-
Provision for tax inspections	-	12		-
Total non-recurring expenses/(income) (B)	**30**	**23**		**6**
Impairment of production facilities (C)	1	5		-
Adjusted operating income	**309**	**435**	**-28.6%**	**420**
Adjusted EBITDA (A+B)	**372**	**493**	**-24.4%**	**481**

Sales to third parties by the Energy Cables and Systems segment went from Euro 4,608 million in 2008 to Euro 3,328 million in 2009. The reduction of Euro 1,280 million (-27.8%) was mainly due to the following factors:

- decrease of Euro 414 million (-9.0%) in sale prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 98 million (-2.1%);
- benefit of Euro 15 million (+0.3%) from consolidating Facab Lynen for the whole year;
- organic decrease in sales of Euro 783 million (-17.0%) due to the contraction in volumes, prices and mix.

Contribution margin decreased by 18.0% from Euro 861 million in 2008 to Euro 706 million in 2009.

NEW AGREEMENT TO PROMOTE FTTH IN PORTUGAL

During 2009 Prysmian entered a partnership agreement with Cabelte Cabos Eléctricos e Telefónicos, S.A. of Portugal for developing and marketing Fibre To The Home (FTTH) solutions in Portugal. The agreement brings together Cabelte's extensive local market knowledge and its optical fibre and fibre optic cable production expertise with the vast experience and broad portfolio of solutions provided by Prysmian in the field of passive optical networks.

This is a strategically important agreement for Prysmian which allows the Group to significantly strengthen its presence in one of Europe's fastest growing FTTH markets. In fact, Portugal is promoting widespread use of optical fibre in the access network with the goal of providing high speed broadband services to the majority of the country's population over the next few years. Prysmian can call on innovative systems such as VertiCasa™, Sirocco® and Quickdr@w® to provide suitable solutions to the needs of the Portuguese market.

Apart from Portugal, the partnership with Cabelte also involves extending the offer of FTTH solutions to the markets in Mozambique and Angola. Thanks to the current trend towards Fibre To The Home, Prysmian has been involved in recent years in many network upgrade projects throughout the world, in support of international players of the calibre of Verizon in the United States and major telecom operators in Latin America, Europe, the Middle East and Asia. One of the most important projects has been the cabling of the Principality of Andorra, the first country to provide a direct connection to every home and business within its territory, allowing the use of ultra high speed broadband services.

This margin declined proportionately less than sales; in fact, the reduction in volumes and pressure on prices mainly impacted the lower value-added lines of business, such as Trade & Installers and Power Distribution, not affecting higher value-added lines such as High Voltage, Submarine and Accessories.

Adjusted EBITDA came to Euro 372 million in 2009, compared with Euro 493 million at 31 December 2008, reporting a reduction of Euro 121 million (-24.4%). This decline reflects a drop in contribution margin that was only partly mitigated by the reduction in fixed costs that started to take effect in the second half of the year.

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

UTILITIES

(in millions of Euro)

	2009	2008	% change	% organic change	2007
Sales	1,598	2,029			1,895
of which to third parties	1,598	2,028	*-21.2%*	*-13.9%*	1,894
Adjusted EBITDA	**266**	**287**			**237**
% of sales	16.7%	14.2%			12.5%
Adjusted operating income	**237**	**256**			**208**
% of sales	14.7%	12.6%			11.0%

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

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

Submarine power transmission and distribution systems (Submarine)
Prysmian designs, produces and installs turnkey submarine power transmission and distribution systems. The Group has used specific technology for submarine power transmission and distribution in order to develop cables and accessories boasting exclusive proprietary

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

Power distribution cables and systems (Power Distribution)

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

Network accessories and components (Accessories)

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

MARKET OVERVIEW

Despite large differences between the various geographical areas and segments, the markets in which Prysmian's Utilities business area operated during 2009 experienced a widespread contraction in demand, already evident in the fourth quarter of 2008 and accelerating in the first half of 2009.

Demand in the High Voltage market - traditionally highly international both in terms of demand and cable manufacturers - reported signs of stabilisation, albeit at low levels, in the last six months (July - December), after experiencing a steady decline in previous quarters almost everywhere in the world in the wake of the severe financial crisis.

In the last six months of the year, the largest utilities in the sector started new projects, also due to government decisions in the major OECD countries aimed at supporting demand through infrastructure projects. However, continued uncertainty over future economic growth and the recovery in energy consumption implied a cautious investment policy by the utilities, that was particularly evident in the last quarter of 2009.

As for the Submarine cables business line, during the first half of the year the utilities concerned delayed the start of large new projects, preferring to concentrate instead on the maintenance and/or repair of submarine connections already installed. During the third quarter some of the utilities in Europe, North America and the Middle East recommenced work on defining and negotiating large infrastructure projects, whose impact on demand will be visible in the medium term. There was also a decidedly positive trend in activities and projects involving submarine cabling for offshore wind farms.

Demand in the Power Distribution business line confirmed the weakness already seen in the fourth quarter of 2008 and first half of 2009, staying at a low level in the majority of European countries (Italy and especially Germany) and in South-East Asia.

The North American market was the geographical

area reporting the largest decline of all in 2009: demand was more than 30 percentage points lower than in the same period of last year and reflected not only a reduction in energy consumption, but also the absence of government policies in support of demand which were focused on other segments instead.
South American markets, on the other hand, benefited from local grid development projects by some of the major Brazilian and Argentine utilities.

The market for network 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 was entirely driven by large High Voltage and Submarine projects; in fact, demand by Utilities was stable or slightly lower in 2009, with a focus on customised, high-tech products.
The market for medium and low voltage accessories contracted, since these products are usually used for ordinary maintenance of secondary distribution networks.

FINANCIAL PERFORMANCE
Sales to third parties by the Utilities business area amounted to Euro 1,598 million in 2009 compared with Euro 2,028 million at 31 December 2008, posting a decrease of Euro 430 million (-21.2%) due to the combined effect of the following factors:

- decrease of Euro 122 million (-6.0%) in sale prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 27 million (-1.3%);
- benefit of Euro 1 million from consolidating Facab Lynen for the whole year;
- organic decrease in sales of Euro 282 million (-13.9%) due to the reduction in volumes and mix.

A large part of the reduction came from the Power Distribution line, which posted a major contraction in volumes on the prior year. The geographical areas with the largest drops in sales were Central and Eastern Europe and the United States, where larger customers were affected not only by the absence of policies in support of the sector but also by tighter credit. In contrast, Prysmian managed to increase its sales in Argentina and Brazil thanks to grid extension projects by the principal utilities in these countries (Edenor and Cemig).

Sales by the High Voltage line of business were affected by the contraction in demand in North America and Spain, primarily in the first quarter, and by customer requests to postpone certain projects already planned in Russia.

Sales by the Accessories line of business suffered from the reduction in demand primarily in the Medium and Low Voltage lines.

Sales by the Submarine business line enjoyed positive organic growth on the prior year thanks to projects such as the Sardinia - Italian Mainland link (Sa.Pe.I), Bahrain (GCCIA), Greater Gabbard (Great Britain), Cometa (Majorca-Iberian Mainland) and Kahramaa (Qatar), as well as a series of smaller projects carried out by Prysmian on its major European markets.
Despite some positive signs on the financial markets, the unpredictability of these markets and the strategies by the principal Utilities has prompted Prysmian not to overlook even smaller business opportunities (such as those involving grid repair and maintenance). The value of the Group's order book at the end of December 2009 provides sales visibility for a period of about two years.

The contribution margin of the Utilities business area decreased by Euro 29 million (-6.4%), compared to previous year.
Excluding the negative impact of Euro 7 million due to exchange rates, the margin actually declined

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

The decrease in contribution margin was partially reflected in adjusted EBITDA, which went from Euro 287 million in 2008 to Euro 266 million at the end of December 2009.

TRADE & INSTALLERS

(in millions of Euro)

	2009	2008	% change	% organic change	2007
Sales	1,021	1,631			1,803
of which to third parties	1,020	1,629	*-37.4%*	*-21.5%*	1,802
Adjusted EBITDA	**41**	**113**			**155**
% of sales	4.0%	6.9%			8.6%
Adjusted operating income	**26**	**100**			**137**
% of sales	2.5%	6.1%			7.6%

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

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

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

MARKET OVERVIEW

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

The construction industry in Europe, North America and Australia experienced a general contraction in 2009. The downturn, already evident in the last quarter of 2008, became even steeper in the first six months of 2009, with demand stabilising in the second half of the year at a lower level.

Demand in the fourth quarter of 2009 continued being weak in almost every geographical market with a few limited signs of recovery that were still not enough to call a trend reversal.

Given this scenario and an upward stabilisation in metal prices, cable manufacturers have acted very aggressively either on prices or, indirectly, on the mix of products offered.

This is clearly aimed at maintaining market share and acceptable utilisation of manufacturing capacity.

FINANCIAL PERFORMANCE

Sales to third parties by the Trade & Installers area of business decreased by Euro 609 million (-37.4%), from

Euro 1,629 million in 2008 to Euro 1,020 million at the end of December 2009; this reduction was principally due to:

- decrease of Euro 203 million (-12.5%) in sale prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 62 million (-3.8%);
- benefit of Euro 6 million (+0.4%) due to the acquisition of Facab Lynen;
- organic decrease in sales of Euro 350 million (-21.5%), caused by the decline in volumes and augmented by the pressure on prices.

The markets in which Prysmian operates displayed signs of general contraction in 2009 relative to the last quarter of 2008. In addition to Spain, Great Britain and North America, which were already severely hit by the construction sector downturn, demand contracted in the major European markets, putting increased price pressure on finished products despite the rising price of metals, especially in the last quarter.

The reduction in volumes in the residential and non-residential construction sector in South America was partly amplified by the Group's strategy of defending profitability in a market experiencing steep price contraction.

In general, Prysmian has sought to limit the contraction in sales volumes as far as possible by intervening selectively on the product portfolio wherever possible. More aggressive price competition has created unavoidable pressure on sale prices; however, the third-quarter recovery in metal prices seems to have halted this trend.

Contribution margin suffered in 2009, falling by around Euro 93 million relative to the prior year (-40.6%).

Prysmian has nonetheless carried on pursuing the strategy started in 2008, maximising its ability to react quickly to changes in specific markets not only by increasing its penetration in high value-added products (eg. LSOH and Afumex fire-resistant cables) and non-residential applications, but also by improving customer service in terms of delivery speed and reliability. In Europe, for example, our subsidiary in Spain has reacted to a drastic reduction in demand in the low-end construction sector by increasing its presence in medium voltage cables, while in Great Britain the weaker pound and resulting decrease in competition from imports have offered better exploitation of opportunities in the building wires sector.

In North America, Prysmian's small market share has enabled us to focus on highly specialised building sectors, while in Australia we have concentrated on direct rather than intermediated channels.

Although contribution margin decreased by Euro 93 million, not all of this reduction was reflected in adjusted EBITDA, which, thanks to swift action to cut fixed costs, was Euro 72 million down from Euro 113 million in 2008 to Euro 41 million at the end of December 2009.

INDUSTRIAL

(in millions of Euro)

	2009	2008	% change	% organic change	2007
Sales	628	851			795
of which to third parties	628	850	*-26.2%*	*-16.1%*	795
Adjusted EBITDA	**62**	**93**			**84**
% of sales	9.8%	10.9%			10.6%
Adjusted operating income	**46**	**80**			**71**
% of sales	7.3%	9.4%			9.0%

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

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

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

MARKET OVERVIEW

Markets for industrial cables in 2009 were largely dependent upon trends in the relevant industrial sectors. In fact, the initial downward stabilisation in the first six months of the year and subsequent third-quarter rise in the price of oil and the principal raw materials and, above all, the uncertain trend in future consumption caused demand in the sectors of Oil & Gas, mining, shipping and port installations to ease in the first nine months of the year.

The automotive sector, already experiencing a general contraction in demand since the start of 2008, reported another downturn in the first six months of 2009 of a similar size to that in the last quarter of 2008. Weak signs of recovery were seen in the second half of 2009 partly thanks to government policies to support the automotive industry in the major Western economies.

Cables for domestic appliances (Branchement) witnessed lower volumes and pressure on prices in the first nine months of 2009 in the face of strong competition between European and Asian manufacturers.

NEW PROJECTS FOR OPTICAL CABLES IN SOUTH-EAST ASIA

In June 2009 Prysmian announced two new contracts won in Vietnam and Indonesia, in South-East Asia.

In Vietnam the Group is supplying 10,000 km of optical aerial cables for the development of a new optical fibre network throughout the country.

In Indonesia the Group has been engaged by PT. BIT Technology Nusantara to work on a pilot project to install analogue-digital converter equipment in Jakarta. The first phase of the project involves supplying around 300 km of 144 fibre cable for installation in the country's capital, followed by further installations in Surabaya, Indonesia's second city and capital of the province of East Java, and Medan, capital of the province of North Sumatra.

Prysmian has been present in South-East Asia for more than 15 years with factories in Cikampek (Indonesia) and Shah Alam (Malaysia), while its regional headquarters in Singapore is responsible for managing all ASEAN business (Association of South-East Asian Nations).

The Group has invested considerable resources in this region in recent years, expanding both production capacity and the product range and primarily focusing on high value-added solutions like cables for the oil industry, High Voltage cables and optical fibre cables. The Group has recently carried out strategically important projects in the region, such as the power distribution network in Singapore for the utility Powergrid and the High Voltage link between Java and Madura for the Indonesia utility PLN.

FINANCIAL PERFORMANCE

The Industrial business area reported Euro 628 million in sales to third parties in 2009, compared with Euro 850 million in 2008. The reduction of Euro 222 million (-26.2%) is due to the combined effect of the following factors:

- benefit of Euro 8 million (+1.0%) from consolidating Facab Lynen for the whole year;
- decrease of Euro 85 million (-10.0%) in sale prices due to a reduction in metal prices;
- negative exchange rate effects of Euro 9 million (-1.1%);
- organic decrease in sales of Euro 136 million (-16.1%).

Contribution margin was down, reflecting negative sales performance in Europe, where the main focus was on special-application products (crane cables for port installations, instrumentation cables and rolling stock cables for rail installations). The significant growth in Oil & Gas projects in Brazil and increased sales in the renewable energy sector allowed Prysmian to counteract lower volumes in the Automotive, Branchement (domestic appliances) and mining sectors.

Prysmian increased its volumes on the prior year in the OGP segment and particularly the umbilical cables sector, achieving its forecast results thanks to the resilience of demand in South America.

All of the decline in contribution margin was reflected in adjusted EBITDA and adjusted operating income.

OTHERS

(in millions of Euro)	2009	2008	2007
Sales	97	112	125
of which to third parties	82	101	92
Adjusted EBITDA	**3**	**-**	**5**
Adjusted operating income	**-**	**(1)**	**4**

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 the operating units of the Prysmian Group.

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

TELECOM

(in millions of Euro)	2009	2008	% change	2007
Sales	411	547	-24.9%	548
of which to third parties	403	536	-24.8%	535
Adjusted EBITDA	**31**	**49**	**-37.3%**	**48**
% of sales	7.6%	9.0%		8.6%
EBITDA	**30**	**49**	**-37.3%**	**47**
% of sales	7.4%	9.0%		8.5%
Amortisation and depreciation	(6)	(4)	92.3%	(4)
Adjusted operating income	**25**	**45**	**-46.6%**	**44**
% of sales	6.1%	8.4%		7.9%
Contribution margin	**85**	**109**	**-22.0%**	**109**
% of sales	20.7%	19.9%		20.0%

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	**30**	**49**	**-37.3%**	**47**
Non-recurring expenses/(income):				
Company reorganisation	1	-		-
Disposal of Submarine Telecoms Business	-	-		1
Total non-recurring expenses/(income) (B)	**1**	**-**		**1**
Impairment of production facilities (C)	1	-		-
Adjusted operating income	**25**	**45**	**-46.6%**	**44**
Adjusted EBITDA (A+B)	**31**	**49**	**-37.3%**	**48**

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

Optical fibres

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

Optical cables

Optical fibres are used in the production of a vast range

SHIPBOARD CABLES FOR WORLD'S LARGEST CRUISE VESSELS

With around 5,000 km of special power and telecommunication cables, Prysmian has cabled the "Oasis of the Seas", the largest cruise ship in the world owned by Royal Caribbean Cruises Ltd. and launched in Florida in November 2009. Prysmian has also obtained a further contract from the shipbuilding group of STX Europe to supply all the cables for installation on the "Allure of the Seas", the sister ship to the "Oasis of the Seas" currently being built at the Turku shipyard in Finland. The new agreement, which represents the second phase of the GENESIS Cruise Vessels project, covers the supply of power and telecommunication cables.

With a length of 360 metres, a breadth of 47 metres, 16 decks and gross tonnage of 220,000, the GENESIS cruise ships each have a capacity of 5,400 passengers and over 3,000 crew. "Oasis of the Seas", which started sailing in December 2009, and "Allure of the Seas", which will set to sea in the summer of 2010, are 40% bigger than the "Freedom of the Seas" fleet, also owned by Royal Caribbean, which now operates the largest cruise liners afloat.

Most of the cables needed for both ships are manufactured at Prysmian's Pikkala plant in Finland, as well as at plants in Italy and Germany. Prysmian manufactures marine cables in 7 different countries (Italy, Germany, Spain, Finland, Turkey, China and Brazil) and offers a complete range of standard and fire resistant cables, including medium and low voltage power cables and cables for control signal transmission and for telecommunications.

Courtesy of RCCL

of optical cables, from single fibre constructions through to cables containing 1,728 fibres. Optical cables are now used in a variety of demanding environments. They can be pulled (or blown) into ducts, buried directly underground or suspended on overhead systems such as telegraph poles or electricity pylons. Cables are also installed in road and rail tunnels and within various buildings where they must satisfy specific fire-resistant requirements.

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

Copper cables

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

Accessories

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

FTTH (Fibre To The Home)

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

MARKET OVERVIEW

The global optical fibre cables market grew by 17% relative to 2008. The latest CRU bulletin in December 2009 estimated that the size of the global market increased in 2009 but with large regional differences. The growth in rapidly developing markets (mainly China) during 2009 partially made up for the contraction in volumes in North America and Europe.

The Access/Broadband/FTTx market was relatively active in 2009, although the low maturity of these products implies a different evolution in demand by geographical area.

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

FINANCIAL PERFORMANCE

Sales to third parties by the Telecom segment were

Euro 133 million lower (-24.8%), going from Euro 536 million in 2008 to Euro 403 million in 2009.

This change was mainly due to the combined effect of the following factors:

- benefit of Euro 1 million (+0.1%) from consolidating Facab Lynen for the whole year;
- decrease of Euro 14 million (-2.6%) in sale prices following a reduction in metal prices;
- negative exchange rate effects of Euro 9 million (-1.6%);
- organic decrease in sales of Euro 111 million (-20.7%).

The negative organic growth in sales in 2009 primarily reflects the temporary postponement by the principal operators of major investment projects involving copper cables, in contrast with the large number of projects by the same customers in 2008. Demand for optical fibre cables was generally resilient, with higher sales in China (new contracts with local operators) making up for the reduction in demand in North America and Australia.

Prysmian has launched several projects in the field of optical fibres, including:

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

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

Sales of copper cables experienced a downturn after the larger investment projects were temporarily suspended.

Although contribution margin decreased by Euro 24 million, not all of this reduction was reflected in adjusted EBITDA, which, thanks to swift action to cut fixed costs, was Euro 18 million lower, down from Euro 49 million in 2008 to Euro 31 million at the end of 2009.

GROUP STATEMENT OF FINANCIAL POSITION

(in millions of Euro)	31 December 2009	31 December 2008	Change	31 December 2007
Net fixed assets	958	882	76	881
Net working capital	479	370	109	536
Provisions	(123)	(87)	(36)	(135)
Net capital employed	**1,314**	**1,165**	**149**	**1,282**
Employee benefit obligations	142	125	17	112
Total equity	698	463	235	454
of which attributable to non-controlling interests	21	16	5	21
Net financial position	474	577	(103)	716
Total equity and sources of funds	**1,314**	**1,165**	**149**	**1,282**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Net fixed assets were Euro 76 million higher than at 31 December 2008, mainly due to the combined effect of:

- Euro 107 million in investments;
- Euro 71 million in depreciation, amortisation and impairment charges for the year;
- consolidation of Euro 12 million in fixed assets belonging to the newly acquired Rybinsk Elektrokabel;
- exchange rate appreciation by the Brazilian real, British pound and Australian dollar.

Net working capital was Euro 109 million higher than at 31 December 2008 (Euro 14 million higher excluding the decrease in liabilities for the fair value change in derivatives); this increase mainly reflects the growth in working capital employed in High Voltage and Submarine projects. This increase was partly offset by a reduction in inventories, resulting from the Group's actions to adjust their level for lower operating volumes and from the trend in strategic metal prices, which lowered the value of metal contained in the Group's net working capital relative to December 2008.

The change in provisions since 31 December 2008 mainly reflects movements in the deferred tax provision.

The net financial position was down by Euro 103 million relative to 31 December 2008, reflecting the following factors:

- net cash inflow from operating activities in 2009;
- negative impact of the growing financial needs of long-term projects;
- payment of Euro 74 million in dividends by Prysmian S.p.A.;
- net operating investments of Euro 106 million;
- payment of Euro 46 million in net finance costs;
- change of Euro 10 million following acquisition of Rybinsk Elektrokabel, a company in Russia.


PURGE
PRC

EQUITY

The following table reconciles the Group's equity at 31 December 2009 and profit for 2009 with the corresponding figures reported by the Parent Company Prysmian S.p.A.:

(in millions of Euro)

	Equity 31 December 2009	Profit/(loss) for 2009	Equity 31 December 2008	Profit/(loss) for 2008
Parent Company Financial Statements	**227**	**49**	**249**	**130**
Elimination of carrying amount of consolidated companies from Prysmian S.p.A. financial statements and related dividends	(305)	(43)	(262)	(118)
Recognition of equity and profit/(loss) of consolidated companies	792	253	488	232
Elimination of intercompany profits and losses included in inventories and other consolidation adjustments	(16)	(7)	(9)	(9)
Non-controlling interests	(21)	(4)	(19)	2
Consolidated Financial Statements	**677**	**248**	**447**	**237**

NET WORKING CAPITAL

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

(in millions of Euro)

	31 December 2009	31 December 2008	Change	31 December 2007
Inventories	443	514	(71)	582
Trade receivables	622	734	(112)	833
Trade payables	(561)	(650)	89	(738)
Other receivables (payables)	(25)	(228)	203	(141)
Net working capital	**479**	**370**	**109**	**536**

Net working capital amounted to Euro 479 million at 31 December 2009 (12.8% of sales or 12.5% net of the fair value change in derivatives), compared with Euro 370 million at 31 December 2008 (7.2% of sales or 8.8% net of the fair value change in derivatives).

This change was affected by the following factors:

- increase of around Euro 80 million since December 2008 in net working capital employed in High Voltage and Submarine projects;
- cancellation of liabilities reflecting the fair value of derivatives and increase in the related receivables of Euro 95 million since December 2008;
- trend in strategic metal prices, causing a reduction in the value of metal included in the Group's net working capital relative to December 2008;
- reduction in inventories since December 2008 thanks to the Group's actions to limit the commitment of financial resources as far as possible in view of the lower level of demand.

NET FINANCIAL POSITION

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

(in millions of Euro)

	31 December 2009	31 December 2008	Change	31 December 2007
Long-term financial payables				
Credit agreement	864	967	(103)	990
Bank fees	(4)	(6)	2	(8)
Other financial payables	29	31	(2)	11
Total long-term financial payables	**889**	**992**	**(103)**	**993**
Short-term financial payables				
Credit agreement	100	34	66	5
Securitization	-	99	(99)	-
Other financial payables	72	66	6	63
Total short-term financial payables	**172**	**199**	**(27)**	**68**
Total financial liabilities	**1,061**	**1,191**	**(130)**	**1,061**
Long-term financial receivables	7	14	(7)	22
Long-term bank fees	4	7	(3)	10
Short-term financial receivables	39	60	(21)	18
Short-term bank fees	3	3	-	3
Financial assets held for trading	42	38	4	40
Cash and cash equivalents	492	492	-	252
Total financial assets	**587**	**614**	**(27)**	**345**
Net financial position	**474**	**577**	**(103)**	**716**

STATEMENT OF CASH FLOWS

(in millions of Euro)

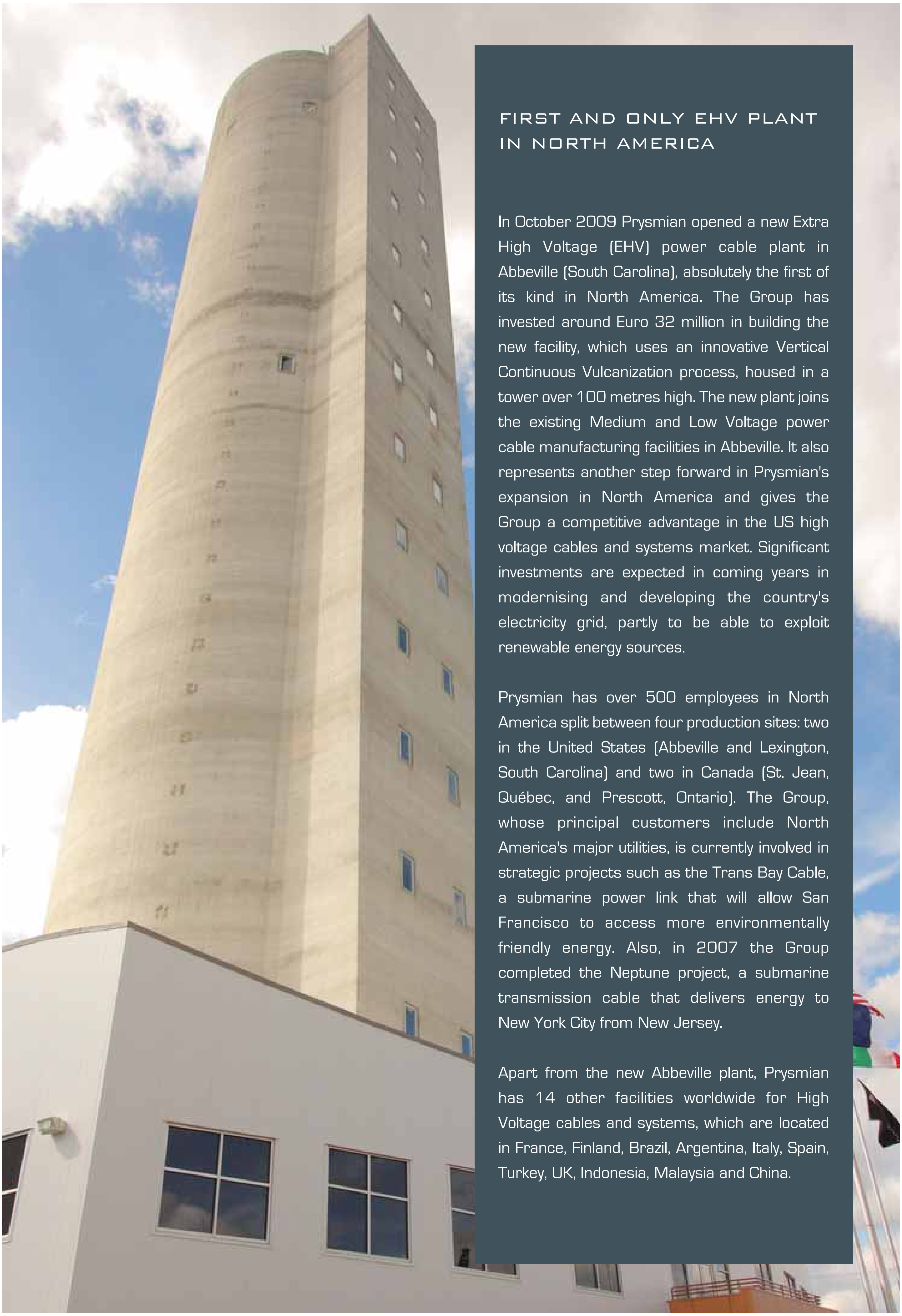
	31 December 2009	31 December 2008	Change	31 December 2007
EBITDA	**366**	**518**	**(152)**	**573**
Acquisition price adjustment and other settlements	-	-	-	(60)
Badwill from Facab Lynen acquisition	-	(3)	3	-
Share-based compensation	1	2	(1)	6
Changes in provisions (including employee benefit obligations)	(12)	2	(14)	(6)
(Gains)/losses on disposal of property, plant and equipment and intangible assets	-	-	-	(1)
Net cash flow provided by operating activities (before changes in net working capital)	**355**	**519**	**(164)**	**512**
Changes in net working capital	36	66	(30)	(60)
Taxes paid	(62)	(83)	21	(86)
Net cash flow provided by operating activities	**329**	**502**	**(173)**	**366**
Acquisition price adjustment and other settlements	-	16	(16)	45
Acquisitions	(3)	(1)	(2)	(3)
Net cash flow used in operational investing activities	(106)	(115)	9	(83)
Net cash flow used in financial investing activities [1]	9	6	3	3
Free cash flow (unlevered)	**229**	**408**	**(179)**	**328**
Net finance costs	(46)	(88)	42	(83)
Free cash flow (levered)	**183**	**320**	**(137)**	**245**
Capital contributions and other changes in equity	5	2	3	(2)
Dividends paid	(75)	(76)	1	-
Purchase of treasury shares	-	(30)	30	-
Repayment of shareholders' loan	-	-	-	(28)
Net cash flow provided/(used) in the year	**113**	**216**	**(103)**	**215**
Net financial position at the beginning of the year	**(577)**	**(716)**	**139**	**(879)**
Net cash flow provided/(used) in the year	113	216	(103)	215
Other changes	(10)	(77)	67	(52)
Net financial position at the end of the year	**(474)**	**(577)**	**103**	**(716)**

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 355 million in 2009.

This cash flow was additionally improved by the decrease of Euro 36 million in net working capital described earlier. Therefore, after deducting Euro 62 million in taxes paid, net cash flow from operating activities in the period was a positive Euro 329 million.

Net investments in 2009 amounted to Euro 106 million, Euro 9 million less than in 2008. Investments in the year are primarily related to the construction of the new plant in Brazil, which will design and supply high-tech flexible pipes for use in offshore oil drilling under a four-year agreement with the oil company Petrobras, to the construction of a new plant in North America for Extra High Voltage cables, to the

[1] This does not include cash flow relating to "Financial assets held for trading", classified in the net financial position.



FIRST AND ONLY EHV PLANT IN NORTH AMERICA

In October 2009 Prysmian opened a new Extra High Voltage (EHV) power cable plant in Abbeville (South Carolina), absolutely the first of its kind in North America. The Group has invested around Euro 32 million in building the new facility, which uses an innovative Vertical Continuous Vulcanization process, housed in a tower over 100 metres high. The new plant joins the existing Medium and Low Voltage power cable manufacturing facilities in Abbeville. It also represents another step forward in Prysmian's expansion in North America and gives the Group a competitive advantage in the US high voltage cables and systems market. Significant investments are expected in coming years in modernising and developing the country's electricity grid, partly to be able to exploit renewable energy sources.

Prysmian has over 500 employees in North America split between four production sites: two in the United States (Abbeville and Lexington, South Carolina) and two in Canada (St. Jean, Québec, and Prescott, Ontario). The Group, whose principal customers include North America's major utilities, is currently involved in strategic projects such as the Trans Bay Cable, a submarine power link that will allow San Francisco to access more environmentally friendly energy. Also, in 2007 the Group completed the Neptune project, a submarine transmission cable that delivers energy to New York City from New Jersey.

Apart from the new Abbeville plant, Prysmian has 14 other facilities worldwide for High Voltage cables and systems, which are located in France, Finland, Brazil, Argentina, Italy, Spain, Turkey, UK, Indonesia, Malaysia and China.

expansion of production capacity at the High Voltage cable plant in China and to investments in improving industrial efficiency.

Net finance costs recognised in the income statement came to Euro 52 million inclusive of non-monetary items; excluding these items, net monetary finance costs reflected in the statement of cash flows amounted to Euro 46 million (Euro 88 million at 31 December 2008).

CORPORATE GOVERNANCE

Introduction

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

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

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

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

After due evaluation, the Company's Board of Directors has confirmed that the Company is not subject to management and coordination by any other company, including by the companies which directly or indirectly control it or by the companies which are required to consolidate the Company's results in their financial statements. This is because none of the following indicators providing evidence that the Company is managed and coordinated by another company are present: the preparation of Group business, strategic, financial and budget plans, the issue of guidelines relating to financial and credit policy, the centralisation of functions such as treasury, administration, finance and control, the establishment of Group growth strategies, strategic and market positioning of the Group and of individual companies, especially when these policies may influence and determine actual implementation by Company management.

The main aims of the corporate governance structure are:

- to guarantee Prysmian S.p.A. shareholders an appropriate level of supervision over the more important strategic decisions of the Group;
- to organise a multilevel decision-making structure to enable appropriate involvement of shareholders and of the Board of Directors in the more important strategic decisions of the Group, with everyday management delegated to managers;
- to require management to closely observe governance procedures and to determine the due consequences in the event of non-compliance.

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

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

GOVERNANCE STRUCTURE

SHAREHOLDERS' MEETING

INDEPENDENT AUDITORS
PricewaterhouseCoopers SpA

BOARD OF STATUTORY AUDITORS
M. Garzia, P. Burlando, L. Guerra

BOARD OF DIRECTORS
Executive directors: (1) V. Battista, AD and DG (2) P. F. Facchini, CFO (3) F. I. Romeo
Non-executive directors: (4) P. Zannoni, P (5) H. Lepic (6) M. Ogrinz (7) M. Titi Cappelli
Independent: (8) W. Clark (9) G. Del Ninno (10) F. Labruna (11) U. G. W. Stark

MONITORING BOARD pursuant to Leg. Decree 231/01
P. F. Lazzati
M. Milano
T. Leather

MANAGER RESPONSIBLE FOR PREPARING CORPORATE ACCOUNTING DOCUMENTS
P. F. Facchini

MANAGER IN CHARGE OF INTERNAL CONTROL
T. Leather

INTERNAL CONTROL COMMITTEE
(all independent directors)
W. Clark
G. Del Ninno
U. G. W. Stark

STRATEGIC COMMITTEE
V. Battista
H. Lepic
M. Ogrinz

COMPENSATION AND NOMINATIONS COMMITTEE
H. Lepic
G. Del Ninno
U. G. W. Stark

ANTITRUST COMMITEE
H. Lepic
F. Labruna
U. G. W. Stark

Company organisational structure

The traditional administration and control model has been adopted, comprising the Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors. The corporate governance system is based on the core role of the Board of Directors (as the most senior body delegated to manage the Company in the interests of shareholders), on the transparency of decision-making processes, on an effective internal control system, on strict regulations concerning possible conflicts of interest and on suitable standards of conduct for related party transactions.
Prysmian has implemented this system by preparing and adopting codes, standards, rules and procedures which govern and regulate the conduct of activities by all the Company's organisational and operating structures.

The Board of Directors has the broadest possible powers of ordinary and extraordinary administration, except for those powers which by law are the exclusive prerogative of the Shareholders' Meeting. The Board of Statutory Auditors oversees compliance with the law and the memorandum of association and observance of the principles of correct administration in the conduct of corporate activities and controls the adequacy of the Company's organisational structure, internal control system and administrative and accounting system.
The independent audit of the financial statements is entrusted to a specialised company registered with Consob, and specifically appointed by the Shareholders' Meeting.

Board of Directors

Pursuant to art. 14 of the By-laws, the Company is managed by a Board of Directors consisting of no fewer than seven and no more than thirteen members, chosen also from among non-shareholders. Directors may be re-elected.

In compliance with the provisions of Legislative Decree 58/98, the Company has adopted a slate voting system for the appointment of directors in order to allow, where possible, minority shareholders to present and elect candidates to the office of Director. The appointment of the Board of Directors takes place on the basis of slates presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights at the Ordinary Shareholders' Meeting, or such lower percentage established by legal or regulatory provisions. Consob Resolution 17148 of 27 January 2010 has set the minimum share capital holding required to present candidate slates at 2% for 2010.

The Company is currently managed by a Board of Directors consisting of eleven Directors, appointed during the Company's Ordinary Shareholders' Meeting of 9 April 2009, and who will serve until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2011. During the Shareholders' Meeting of 9 April 2009, a resolution was adopted to revoke the mandate given to the Directors at the Shareholders' Meeting on 28 February 2007. The meeting then determined that the new Board of Directors should have 12 members and appointed the first 12 candidates on the slate filed by the shareholder Prysmian (Lux) II S.à r.l., being the only candidate slate presented.
In January 2010, following the death of the Director, Francesco Paolo Mattioli, the Board of Directors decided to refer any decision concerning a replacement to the Shareholders' Meeting.

CONTINUED INVESTMENT IN BRAZIL FOR STRENGTHENING POSITION IN OIL&GAS SECTOR

In keeping with the plan to enter higher tech businesses, the four-year technical co-operation project started in 2008 with the Brazilian oil major Petrobras continued its course in 2009. Prysmian has confirmed its investment plans for Brazil by finalizing its commitment to diversification and expansion into products for the Oil, Gas & Petrochemicals sector through entry into the flexible pipes market.

The strategic agreement with the Brazilian company requires Prysmian to design and supply flexible pipes for offshore oil drilling. To enter this new market the Group has earmarked some USD 125 million for the construction of a new plant, in addition of some USD 40 million in R&D expenditure. The start of flexible pipe production will allow Prysmian to offer a complete range of SURF (Subsea Umbilical, Riser and Flowline) products and services to OG&P sector operators. The new plant, which is expected to start production in 2010, will complement the existing umbilicals facility in Vila Velha and will employ an extra 100 staff on top of the thousand already present in Brazil.

In fact, it was in the sector of special umbilical cables for linking offshore wellheads to oil platforms that Prysmian won a series of contracts with Petrobras in 2009 for the supply of 84.5 km of high-tech cable. These contracts, worth a total of approximately USD 42 million, involve supplying six different types and configurations of umbilical systems for installation in the four Campos and Espirito Santo offshore oil and gas fields by the end of 2010.

The Board of Directors therefore consists of the following directors:

Name	Office held	Role
Paolo Zannoni	Chairman	Non-executive director
Valerio Battista	Chief Executive Officer and General Manager	Executive director
Pier Francesco Facchini	Director - CFO	Executive director
Wesley Clark	Director	Independent non-executive director
Giulio Del Ninno	Director	Independent non-executive director
Fabio Labruna	Director	Independent non-executive director
Hugues Lepic	Director	Non-executive director
Michael Ogrinz	Director	Non-executive director
Fabio Ignazio Romeo	Director	Executive director
Udo Günter Werner Stark	Director	Independent non-executive director
Michele Titi Cappelli	Director	Non-executive director

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

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

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

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

Pursuant to art. 19 of the By-laws, the Board of Directors, after consulting with the Board of Statutory Auditors, has appointed Pier Francesco Facchini, the Chief Financial Officer, as the manager responsible for preparing corporate accounting documents.

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

- Internal Control Committee, with powers to advise and make proposals to the Board of Directors including in relation to fulfilling the duties relating to management of the internal control system.
- Compensation and Nominations Committee, with powers to advise and make proposals to the Board of Directors regarding, inter alia, determination of the remuneration of the directors and top management of Prysmian S.p.A., the appointment/replacement of independent directors, and the size and composition of the Board itself.
- Strategic Committee, with powers to advise and make proposals to the Board of Directors regarding, inter alia, planning the Company and Group's strategic decisions, as well as preliminarily assessing the strategic options available to enhance the Group's position and its business plans.
- Antitrust Committee, set up to provide the Company's management with support in dealing with the allegations against some of the Prysmian Group's companies of agreements or practices in the submarine and underground high voltage electrical cables market.

Board of Statutory Auditors

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

The current Board of Statutory Auditors - appointed by the Company's Ordinary Shareholders' Meeting held on 28 February 2007 and subsequently re-established by the Ordinary Shareholders' Meeting held on 9 April 2009 following the resignations of Paolo Francesco Lazzati as a standing statutory auditor and Alessandro Ceriani as an alternate statutory auditor - will serve until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2009 and consists of the following members:

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

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

The appointment of the Statutory Auditors takes place on the basis of lists presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights, or such lower percentage established by legal or regulatory provisions. Consob Resolution 17148 of 27 January 2010 has set the minimum share capital holding required to present candidate lists at 2% for 2010. These lists must be filed at the registered offices at least fifteen days before the date set for the Shareholders' Meeting in first call. Each list must be accompanied by statements in which the individual candidates accept their candidacy and by the

candidates' curriculum vitae.

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

Organisational model (Legislative Decree 231/2001)

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

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

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

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

(a) Code of Ethics. This sets out the general principles (transparency, integrity and fairness) which underpin the conduct of business and which are also relevant for the purposes of Legislative Decree 231/2001; it also indicates the goals and values which characterise the Company's operations. This document is published on the Prysmian website www.prysmian.com in the Investor relations/ Corporate governance section and on the Group's intranet in the Compliance section.
For the purposes of its widest possible distribution, the Code of Ethics has been translated into 13 languages and displayed at every one of the Group's member companies.
Like the contents of the other four Compliance Policies, those of the Code of Ethics have also been publicised through specific training programmes.

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

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

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

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


GIULIO VERNE
GIULIO VERNE

For the purposes of promoting knowledge about the "Model", the Company has not only published its contents on the company intranet and displayed them in the Group's principal Italian offices, but has also provided intense classroom training on this subject.

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

The risk management and internal control systems in relation to the financial reporting process

1) Introduction

Internal Controls related to managing financial reporting risks have been established and form part of the overall internal control system. Such controls have the objective to guarantee the reliability, accuracy, completeness and timeliness of the financial reporting.

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

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

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

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

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

2) Main features of the system in relation to the financial reporting process

Prysmian maintains a system of administrative and accounting procedures to ensure a reliable system of internal control over financial reporting. Policies, procedures and operating instructions are used by the Prysmian Group to ensure an efficient flow of information from the Prysmian affiliates. These include the Prysmian Accounting Manual (rules for the use and application of accounting standards), the Administrative Process Manual, the Procedure for the processing and dissemination of the financial reporting and procedures for the preparation of the consolidated financial statements and periodic financial reports (including the chart of accounts, consolidation procedure and related party transaction procedure). The Prysmian Headquarters is responsible for communicating all the documentation to Prysmian affiliates and all policies, procedures and accounting manuals are available to all Prysmian affiliates via the company's intranet site.

Local affiliates also establish local policies and procedures, these must be consistent with the guidelines established by the Prysmian group.

The COSO framework was used for identifying the key risks and accordingly the required key controls that need to be established to ensure the internal control system is operating effectively. A scoping exercise was performed that confirmed critical business processes and sub processes for the Prysmian Group.

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

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

The Chief Executive Officers and Chief Financial Officers of each Prysmian Subsidiary (Operating Company) and the Directors of the relevant central functions are responsible for maintaining an adequate internal control system which includes ensuring that the key controls identified as part of initial scoping exercise continue to operate effectively. These officers are required to submit an attestation every six months confirming that the internal control system is operating effectively. This attestation is distributed to the Chief Financial Officer ("Dirigente Preposto" in charge) of the Prysmian Group and to the Director of Internal Audit. To support this attestation the officers must also confirm that testing has been performed to substantiate the conclusions and evidence supporting these conclusions must be retained and available for independent review. To achieve this Prysmian requires each operating company to submit a detailed "Internal Control Questionnaire (ICQ). The ICQ documents the key controls for each critical business process, provides a description of how the control operates within the operating company and further describes what testing was performed during the reporting

period to confirm the adequacy of the control. The ICQ's must be updated every 6 months and are completed by the business process owner.

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

STOCK OPTION PLANS

On 30 November 2006, the Extraordinary Shareholders' Meeting of the Company approved an incentive scheme based on stock options ("the Plan"), reserved for employees of Prysmian Group companies, together with the Regulations which govern its operation. At the same time, the Shareholders' Meeting approved a share capital increase against payment, to be carried out in several, distinct stages, for the purposes of the above Plan, up to a maximum amount of Euro 310,000.00.

In compliance with the terms of the Plan Regulations, options were granted gratis to 99 employees of the Company and other Prysmian Group companies to subscribe to 2,963,250 of the Company's ordinary shares. Each option carries the right to subscribe to one share of par value Euro 0.10, at a price of Euro 4.65 per share. The unit price was determined by the Company's Board of Directors on the basis of the market value of the issuer's share capital at the date of the Plan's approval by the Company's Board of Directors. The value was determined on the basis of the issuer's economic and financial results at 30 September 2006 and took account of (i) the dilution produced by the grant of the options themselves, as well as (ii) the illiquidity of the presumed market value of the issuer's share capital at that date.

The purpose of adopting the stock option plan is to align the interests of beneficiaries with the growth in shareholders' wealth.

At 31 December 2009, there were 89 Plan beneficiaries, all of whom employees of the Company and the Prysmian Group. This figure takes account of those persons identified by the Extraordinary Shareholders' Meeting of 30 November 2006 ("Original Beneficiaries"), those Original Beneficiaries whose options have lapsed and Pier Francesco Facchini, the Director and Chief Financial Officer, identified by the Board of Directors on 16 January 2007 as an additional beneficiary of the Plan. At 31 December 2009, a total of 1,235,039 options had been exercised, involving the issue of a corresponding number of new ordinary shares of the Company, while 1,560,436 options were still outstanding.

In accordance with the Plan Regulations, no further options can be granted because 31 January 2007 was the final date set by the Extraordinary Shareholders' Meeting of 30 November 2006 by which the Board of Directors could identify further Plan beneficiaries in addition to the Original Beneficiaries.

The options will vest in four equal annual instalments on the anniversary of the date they were granted (4 December 2006).

Vested options can only be exercised during the so-called "Exercise periods" following the respective vesting date. Pursuant to the Plan Regulations, the "Exercise period" is defined as each period of thirty days starting from the day after the date the approval of the annual financial statements or half-year report of Prysmian S.p.A. is publicly announced. In any case, no option can be exercised following expiry of the "Exercise period" calculated in relation to the approval of the financial statements for the year ended 31 December 2010.

For further information regarding the Plan, please refer to the prospectus prepared pursuant to art. 84-bis of the Consob Issuer Regulations, which can be found on the Company's website www.prysmian.com in the Investor relations/Corporate governance section.

NEW VCV TOWER IN CHINA AND FIRST 500 KV LINK

China has been confirmed as a strategic market for the Group's development. With the aim of taking up important business opportunities in the growing sector of Extra High Voltage cables and systems, Prysmian continued in 2009 with its plans for modernising and increasing production capacity at its Baoying plant, with the construction of a new tower for the manufacture of cables with VCV (Vertical Continuous Vulcanization) technology, one of the most advanced in the industry.

In 2009 the Group also won its first Extra High Voltage contract in China for a 500 kV link for China State Grid. Prysmian will supply an underground cable system, marking its ability to offer the Chinese market locally developed technology. The system will serve to link the underground and surface terminals of the Xiangshuijian hydroelectric power station, located between Nanjing and Shanghai and which has a total capacity of 1,000 MW. This project is particularly strategic because it opens up for Prysmian the market for products with a higher technology content.

China represents approximately 20% of the worldwide cable market, with higher-than-average growth expectations. The Chinese government recently announced the construction of approximately 26,000 km of new power lines, with the Group ready to seize these development opportunities, thanks to its local investments both in technology and products as well as in developing production capacity and human resources. Headquartered in Beijing, with 5 manufacturing plants located in Tianjin (special cables for industrial applications), Baoying (Extra High Voltage cables and systems), Wuxi (optical fibre and copper cables for TLC) and Shanghai (network components), Prysmian ranks as one of the top Italian companies operating in China.

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

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

Name	Shares in	Number shares held at end of prior year	Number shares purchased	Number shares sold	Number shares held at end of current year
Battista Valerio	Prysmian S.p.A.	718,607	-	-	718,607
Pier Francesco Facchini	Prysmian S.p.A.	-	185,000	(185,000)	-
Key management personnel	Prysmian S.p.A.	101,928 (*)	-	-	101,928 (*)

In addition, it is reported that some directors of Prysmian S.p.A. and some managers of Group companies hold shares in Prysmian (Lux) S.à r.l., which indirectly holds 16.24% of the shares in Prysmian S.p.A. through Prysmian (Lux) II S.à r.l..

GOING CONCERN

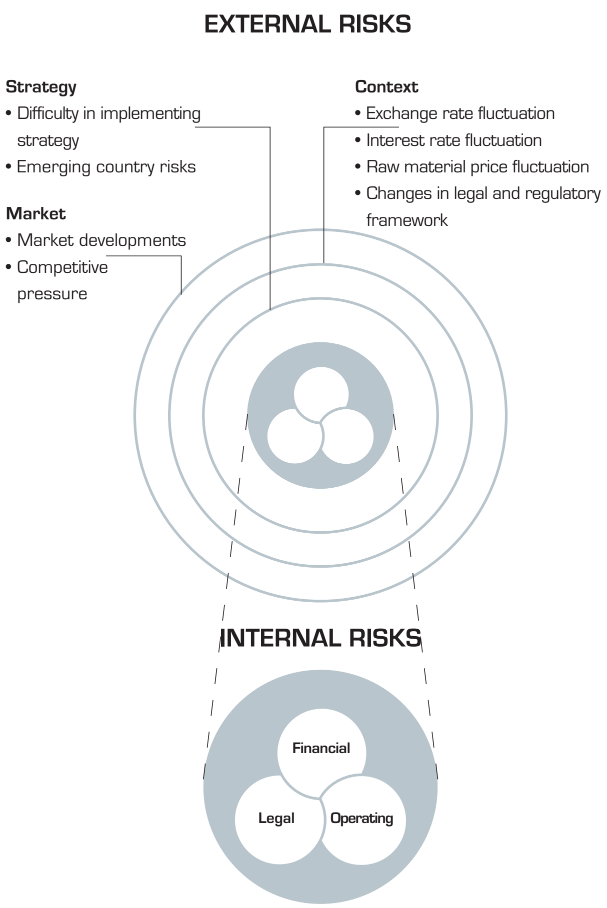
As stated in the Notes to the consolidated financial statements (Section B.1 Basis of preparation), there are no financial, operating or other kind of indicators that might cast doubt on Prysmian's inability to meet its obligations in the next 12 months. Its going concern status is therefore not in doubt.
The earlier chapters of this report provide a detailed account of the Group's activities and its economic and financial performance in 2009. In particular, the "Letter to shareholders" and the account of "Significant events during the year" describe the strategies that the Group has adopted or intends to adopt to ensure its development.
The next chapter on "Risk factors" describes the risks and uncertainties facing the Group in the course of its business and the strategies adopted to mitigate such risks. Financial risks are discussed in detail in the Notes to the financial statements in Section C. Financial risk management.
The Group's liquidity reserves at 31 December 2009 are reported within this section as amounting to Euro 1,277 million, comprising cash and cash equivalents, financial assets held for trading and unused committed credit lines. Note 12 to the consolidated financial statements (Borrowings from banks and other lenders) contains the amortisation plan of the Credit Agreement (a variable rate term loan facility with a residual value of Euro 970 million at 31 December 2009), which shows that the Group must repay two instalments of Euro 50 million each in May and November 2010. The Group does not foresee any difficulty in making these repayments.
The Group's estimates and projections take account of possible changes that could reasonably occur in its

(*) The shares in question belong to a single person who, up until 30 June 2009, qualified as one of the people covered by the Company's Internal Dealing Code. Since then this person no longer falls under the Internal Dealing reporting obligations.

business performance and demonstrate Prysmian's ability to operate with the current level of debt. As described in the Subsequent events section of this Report, the Group has already agreed a new loan with a syndicate of banks which will come into force when the existing agreement expires.

RISK FACTORS

The Group adopts specific procedures to manage the risk factors which may influence the results of its business. These procedures are the result of corporate policy which has always sought to maximise value for shareholders by taking every action needed to prevent the risks inherent in the Group's business. The Board of Directors accordingly voted on 24 January 2006 to adopt a model of organisation, management and control ("Organisational Model"), designed to prevent the commission of the crimes envisaged by Legislative Decree 231/01. In order to reflect the intervening organisational changes since first adopting the Organisational Model, and changes in the above law, the Company's Board of Directors voted on 27 August 2008 to adopt a revised Organisational Model. The revised model has been prepared on the basis of recent pronouncements by the legal and academic profession and the Guidelines of Confindustria (Italian Confederation of Industry) and satisfies the requirement of having a constantly updated system of corporate governance.
The Company's corporate governance structure is based on the recommendations and rules contained in the "Self-regulatory Code of the Italian Stock Exchange for Listed Companies", which the Company has adopted. The chapter of this report on "Corporate governance" provides information on the structure adopted and the related responsibilities and outlines the contents of the documents that comprise the new Organisational Model.
Based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2009, the Company believes that, barring any extraordinary events, there are no significant uncertainties, such as to raise substantial doubts as to the business's ability to continue as a going concern. Risk factors may be divided into external and internal risks as described below.



EXTERNAL RISKS

MARKET RISKS

Risks associated with developments on the Group's markets

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

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

Demand continued to weaken in 2009 relative to the prior year; this weakness affected all of the Group's business lines except for Power Transmission and certain applications in the Industrial area such as oil and renewable energy. Despite these circumstances, Prysmian achieved satisfying results both in terms of profits and cash flow; however, if there is another significant downturn in demand in coming quarters in the Trade & Installers, Power Distribution (partly linked with trends in the construction market), Industrial and Telecom businesses, combined with a slowdown in order intake in the underground High Voltage cables business line, the Group cannot rule out that the consequent steep reduction in business will not have a major impact on its activities, results of operations and statement of financial position.

Risks associated with competitive pressure

Competitive pressure caused by lower demand primarily in the Trade & Installers area of business, but also in the Power Distribution line, although to a much lesser extent, is likely to translate into price pressure.

Many of the products offered by the Group in these areas are based on industry standards and are largely interchangeable with similar products offered by its main competitors, in which case price is an important factor. Although the competitive scenario for this business may vary by country or geographical area, one constant is the large number of competitors, which include those capable of competing on a global scale and smaller ones whose presence, in an individual country or geographical area or single line of business, may be comparable to that of the principal players.

In addition, the price of some of the Group's products, particularly optical fibre cables, has experienced downward price pressure in the past due to excess production capacity in the optical fibres market.

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

FIRST ECO-FRIENDLY CABLE FOR UTILITIES GONE TO MARKET

2009 was the year that saw the final market launch of the P-Laser eco-sustainable power distribution cable, developed using innovative technology for the utilities sector. After years of research, P-Laser entered its marketing phase, with production recently reaching the one thousand kilometre mark.

P-Laser cable represents an important opportunity for utilities as they pay ever more attention to the eco-sustainability of their growth strategies. P-Laser has a high performance revolutionary insulating system that uses fully recyclable thermoplastic materials, and is able to replace commonly used Medium Voltage cross-linked polyethylene insulated cables. In addition, the new Prysmian-developed technology optimises the production process since the cable can be made on a single, uninterrupted production line, considerably reducing the space required and above all the amount of electricity used. In efficiency terms, P-Laser allows the dispatch of higher network overloads that currently possible. This is particularly important especially in the event of emergencies, grid congestion and "N-1" conditions, or of disconnection because of malfunction or maintenance of an adjoining line.

Prysmian has received certification for the P-Laser cable from IMQ, Italy's certification body, and product approval from both ENEL and Acea, which after an experimental phase have included the product in their related internal specifications. P-Laser has been developed in Prysmian's R&D labs and is patent protected.

CONTEXT RISKS

Exchange rate risk

The Group operates worldwide and is therefore exposed to exchange rate risk in the various currencies in which it operates (principally the US dollar, British pound, Brazilian real and Australian dollar). Exchange rate risk arises from trade transactions which have not yet occurred, and from foreign currency assets and liabilities which have already been recorded in the financial statements. To manage exchange rate risk arising from future trade transactions and the recording of foreign currency assets and liabilities, most of the Group companies use forward contracts taken out by Group Treasury.
Exchange rate risk occurs when future transactions or assets and liabilities that have already been recorded in the statement of financial position are denominated in a currency other than the functional currency of the company which undertakes the transaction.
Group Treasury manages the positions in each currency by taking out forward contracts with third parties.
However, since Prysmian prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statements of subsidiaries, originally expressed in a foreign currency, could affect the Group's performance and its results of operations and statement of financial position.

Interest rate risk

The interest rate risk to which the Group is exposed is mainly on long-term financial payables. These payables carry both fixed and variable rates.
Fixed rate payables expose the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts since it considers this risk to be immaterial.
Variable rate payables expose the Group to a risk arising from rate volatility (cash flow risk). The Group uses interest rate swaps (IRS) to hedge this risk, which transform variable rates into fixed ones, thus reducing the rate volatility risk. Under such IRS contracts, the Group agrees with the other parties to swap on specific dates the difference between the contracted fixed rates and the variable rate calculated on the loan's notional value. During 2009 the sharp fall in interest rates resulting from the current economic recession allowed the Group to enter IRS contracts that mitigated its interest rate risk until the end of 2014.

Risks associated with fluctuations in raw material prices

All raw materials, especially oil derivatives, experienced particularly significant price fluctuations in 2009, which are expected to continue in coming months. The Group neutralises the impact of possible rises in the price of copper and its other principal raw materials through automatic sale price adjustment mechanisms or through hedging activities; the exception is oil derivative products (polyethylene, plastifying PVC, rubber and other chemical products), whose risk cannot be offset through hedging. Hedging activities for certain products (mainly in the Trade & Installers business area) take place through the periodic updating of price lists (since it is not possible to use automatic sale price adjustment mechanisms). This is because of established commercial practice and/or the structural characteristics of the markets concerned. In such cases, it is possible that, in the current market context, the Company will be unable to quickly pass on the impact of fluctuations in raw material prices to sale prices. In particular, in the case of oil derivatives, changes in purchase price systematically take place under contract later than changes in the oil price.
More in general, depending on the size and speed of

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

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

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

High

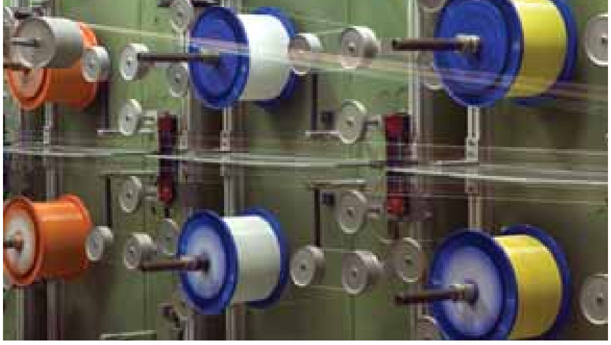
Low

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

Risks relating to changes in the legal and regulatory framework

The Group, as a manufacturer and distributor of cables, is subject to numerous legal and regulatory provisions in the various countries where it operates, as well as technical regulations, both national and international, which are applicable to companies operating in the same sector and to products manufactured and marketed by the Group. Provisions regarding environmental protection are particularly important in this regard.

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



STRATEGIC RISKS

Risks in implementing Group strategy
The Group's ability to improve its profitability depends, among other things, on its success in implementing its business strategy. Group strategy is based, among other things, on increasing the proportion of sales from high value-added products; on developing its industrial structure to support its strategy and on continuously improving the structure of variable costs; on improving logistics and customer service; and on constantly researching and developing new products and processes.
Although the Group intends to achieve its strategy, largely through internal growth but not excluding external lines, it is not possible to guarantee that this strategy will be achieved in the planned timeframe. The Group expects to finance its strategy primarily with cash flows generated from operating activities, although it cannot rule out recourse to external sources of financing.

Risks associated with activities in developing countries
The Group operates and has production facilities and/or companies in Asia and Latin America. The Group's activities in these countries are exposed to different risks linked to local regulatory and legal systems, the imposition of tariffs or taxes, political and economic instability, and exchange rate risks.
Significant changes in the macroeconomic, political, tax or legislative environment in such countries could have a negative impact on the Group's activities, results of operations, assets and liabilities and financial position.

INTERNAL RISKS

FINANCIAL RISKS

The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's financial performance. Some types of risk are mitigated by using financial instruments (including derivatives).
Risk management is centralised with the Group Finance Department which identifies, assesses and hedges financial risks in close cooperation with the Group's operating units.
The Group Finance, Administration and Control Department provides written guidelines on monitoring risk management, as well as for specific areas such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative instruments, and how to invest excess liquidity. These financial instruments are used only to hedge risks and not for speculative purposes.

Risks associated with sources of finance
The effects of the recent major instability in the global banking system could represent a potential risk factor in terms of obtaining financial resources and the associated cost.
The Company believes this is not a risk faced thanks to the five-year financing agreement (New Credit Agreement) signed on 18 April 2007 and expiring in May 2012. Under this agreement, the lenders have made available a total of Euro 1,700 million in credit facilities to Prysmian SpA and some of its subsidiaries,

analysed as follows:

Tranche	Maximum amount [1]
Term Loan Facility	1,000,000,000
Revolving Credit Facility	400,000,000
Bonding Facility	300,000,000

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

(i) LIBOR or EURIBOR, depending on the currency;
(ii) an annual spread determined on the basis of the ratio between consolidated net financial position and consolidated EBITDA. The latest figures for this ratio have allowed the spreads effective from March 2008 to be retained (0.40% per annum on the Term Loan and Revolving Credit Facility).

The first instalment under the loan repayment plan was made on 30 November 2009 for Euro 30 million.
Based on unused committed credit lines and available cash, the Group's financial resources exceeded Euro 1 billion at the end of December 2009 (including the undrawn portion of the credit facility of Euro 350 million serving the securitization programme expiring in July 2012). The section on "Subsequent events" contains more information in this regard.

Credit risk

The Group does not have significant concentrations of credit risk. It nonetheless has procedures for ensuring that sales of products and services are made to customers of proven reliability.

Liquidity risk

The Group's working capital requirements increase significantly during the first half of the year when it commences production in anticipation of the arrival of orders, with a consequent temporary increase in net financial debt.
Prudent management of the liquidity risk arising from the Group's normal operations involves the maintenance of adequate levels of cash and cash equivalents and short-term securities as well as the availability of funds obtainable from an adequate amount of committed credit lines. Due to the dynamic nature of the business in which the Group operates, the Group Finance Department favours flexible arrangements for sourcing funds in the form of committed credit lines.

LEGAL RISKS

Product liability

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

Risks associated with intellectual property rights

Although the Group believes it has adopted an adequate system for protecting its own intellectual property rights, it is not possible to rule out that it could face

[1] Figures in Euro.

difficulties in defending such rights.
Intellectual property rights owned by third parties could hinder or limit the Group's ability to introduce new products to the market. In addition, it is not possible to rule out the Group could be involved in legal proceedings regarding intellectual property rights. Such circumstances could have a negative impact on the Group's activities, results of operations and statement of financial position.
In addition, Prysmian has a licence granted by Corning Incorporated to its subsidiary Fibre Ottiche Sud S.r.l. ("FOS") for the production of optical fibre using ODV technology. This licence will expire during 2010 and the parties are currently in the process of renegotiating its extension. If the negotiations should fail, the terms of the existing licence agreement permit "FOS" to continue producing optical fibres using ODV technology even after the licence expires. However, it will not be able to benefit from any future innovations in this technology. The Company cannot rule out that, if the licence agreement fails to be renewed in time and the Group is unable to use alternative technology, this will not have a long-term negative impact on the activities of the Telecom segment.

Risks relating to legal proceedings

It is not possible to rule out that the Group could be required to meet liabilities that are not covered by its provisions for risks and which are linked to the negative outcome of legal cases, with a consequently negative impact on the Group's activities, results of operations and statement of financial position.
Towards the end of January 2009, the European Commission, the US Department of Justice and the Japanese antitrust authority started an investigation into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive agreements in the Underground and Submarine High Voltage Cable business areas. More recently the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission have started similar investigations.
The Japanese investigation has been closed without any charge against Prysmian. The other investigations are still at a preliminary stage and the Group is fully collaborating with the relevant authorities.
In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi Energia S.r.l. and two other companies have violated antitrust rules in connection with an underground high voltage cable project which was awarded in 2003. However, Prysmian Cavi e Sistemi Energia S.r.l. has not yet been officially served with a claim.
In the event of a proven breach of applicable legislation, the financial penalties imposed by the competent authorities could be significant in relation to the economic and financial situation of the Group. Among other things, the sanction system under European law provides for financial penalties that could reach a maximum of 10% of Group turnover.

OPERATING RISKS

Risks associated with delivery dates and product quality

Some supply and/or installation contracts signed by the Group include penalties for Group companies if the agreed delivery date or qualitative standards are not met. The application of such penalties, the obligation to compensate any damages as well as the impact of any delayed delivery on the Group cost structure, could adversely affect the Group's activities, results of operations, assets and liabilities and financial position. Although over the past three years, Group companies have not been involved in claims for damages of this kind, it is not possible to guarantee that in the future the Group will always manage to fully and promptly meet such commitments.

Risks relating to the operation of industrial facilities

Being an industrial group, Prysmian is exposed to the risk of stoppage of production at one or more of its facilities, due, for example, to machinery breakdown, cancellation of or challenge to permits and licences by the competent public authorities, strikes or shortage of labour, natural disasters, major disruptions in the supply of raw materials or energy, sabotage or terrorist attacks.

Activity at the Canadian plant of St. Jean experienced a prolonged stoppage in 2009 due to strikes by the workforce; it is not possible to rule out further stoppages in the future and, if the cost of such stoppages should exceed the Group's current insurance coverage, its activities, results of operations and statement of financial position could be negatively affected.

In order to avert such operating risks, Prysmian's Risk Management office reviews risk at all Group companies for the purpose of identifying and quantifying operating risks and establishing and managing policies for transferring and financing such risks. In particular, it periodically reviews the level of insurance coverage, premiums paid, losses incurred and the damages recovered by the Group. A plan for preventing such risks is prepared for every Group company, indicating the key areas of control.

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

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

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

At 31 December 2009, 98% of plants were classified as "Excellent HPR", "Good HPR" or "Good non HPR", while only one plant was classified as "Fair" and none as "Poor".

In addition, activities relating to the submarine cables business line are closely dependent on certain specific assets, such as the Arco Felice plant in the province of Naples and the "Giulio Verne" cable-laying ship. The Group believes that a prolonged stoppage in the operation of these assets could have a negative impact on its activities, results of operations and statement of financial position.

Risks associated with the supply and availability of raw materials

Copper is the principal raw material used by the Group

CONTINUED COMMITMENT TO PROMOTE LOW-EMISSION FIRE RESISTANT CABLES

The Group carried on working in 2009, both with European and national authorities, for the development of regulations to implement the Construction Products Directive (CPD) involving the compulsory adoption of Low Fire-Hazard cables in places with the greatest fire hazards. One of the properties of these cables, of which Prysmian is a pioneer, is that of restricting the propagation of fire and of emitting very small quantities of acidic and corrosive smoke and gas in the event of fire.

Also thanks to the contribution of Prysmian, whose experts are involved in all the international standard-setting groups and active in Europacable, the European cable manufacturers association, specific regulations are being defined for the adoption of standards on the use of safer cables, with the goal of making their use compulsory especially in buildings where safety is most needed.

Every year tens of thousands of people in the world die because of fire, with most of these deaths caused by exposure to toxic smoke and gas. Cables can contribute to improving building safety: safer cables can help prevent a fire from spreading from one room to the next, produce a lower quantity of dense smoke and harmful emissions, and allow emergency exits to be located more easily. Fire resistant cables also assure continuous operation of the power supply and of signalling systems during a fire.

Prysmian has installed its Fire Resistant, Low Fire-Hazard cables in some of the world's most prestigious buildings, such as the Guggenheim Museum in Bilbao, the Burj Khalifa in Dubai, the Colon Theatre in Buenos Aires, Hamburg airport and the Wimbledon tennis stadium.

for its manufacturing processes. The other raw materials used are aluminium, lead and steel, as well as different plastic components and resins.
The Group has always been able to obtain sufficient supplies of copper to meet its production needs and considers itself not dependent on any one supplier. As far as possible, the Group seeks to diversify its sources of supply. The Group procures most of its resins and plastic materials from the major world suppliers, signing supply contracts normally for a year with monthly deliveries, and satisfies the remainder of its needs by producing such materials directly within some of its plants.
With particular reference to optical fibre, the Group believes it has sufficient production capacity to meet its needs for the production of optical fibre cables and for sales of such material to third parties. Nonetheless, for commercial and strategic reasons, the Group has decided to adopt a policy of sourcing part of its optical fibre from third-party manufacturers.

Risks associated with IT systems

Prysmian has embarked on a major upgrade to its IT systems in support of the Group's strategic development. The changes include replacing certain important company systems with more up-to-date, functional ones.
The Group is aware of the risks associated with such projects, primarily in connection with possible inaccuracies in the data uploaded. However, the Group believes that it has taken every necessary step to limit such risks through testing, training, and preparatory work, as well as through appropriate contracts with the suppliers of the replacement technology.

OTHER INFORMATION

Transactions with parents, subsidiaries and associates

Related party transactions do not qualify as either atypical or unusual but fall into the normal course of business by Group companies. Such transactions take place under market terms and conditions, according to the type of goods and services provided.
Information on related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 33 to the consolidated financial statements at 31 December 2009.

Atypical and/or unusual transactions

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, no atypical and/or unusual transactions were carried out during 2009.

Secondary offices and key corporate information

The list of secondary offices and key corporate information of the legal entities making up the Group can be found in Attachment A of the Notes to the consolidated financial statements.

Financial risk management

The management of financial risks is discussed in the Notes to the consolidated financial statements, in Section C. Financial risk management.

SUBSEQUENT EVENTS

On 19 January 2010, the Prysmian Group acquired, through its subsidiary Prysmian Cavi e Sistemi Energia Srl, a controlling stake of 51% in the Indian group of Ravin Cables for an overall investment of some Euro 26 million.

With turnover of around Euro 45 million in the financial year April 2008 - March 2009 and EBITDA of Euro 4.4 million, Ravin is one of India's most competitive cable manufacturers with a range that includes low and medium voltage cables and a market that also extends to Africa and the Middle East. Apart from its principal manufacturing facility in Pune, near Mumbai, Ravin is also present in the Arab Emirate of Fujairah with the company Power Plus Cable Co LLC, a joint venture with the local government and over which it has charge of operational management. Power Plus is already equipped to produce high voltage cable. The group's two facilities in India and the Arab Emirates employ a total of 355 people.

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

This is a "forward start agreement" negotiated in advance of its period of use, under which the lenders will provide Prysmian S.p.A. and some of its subsidiaries (the same as in the existing Credit Agreement) loans and credit facilities for a total of Euro 1,070,000 thousand, split as follows:

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

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

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

The Bonding Facility is not covered by the new agreement.

The Forward Start Credit Agreement confirms the non-financial covenants and two financial parameters required under the existing Credit Agreement (see Note 32 of the Explanatory Notes at 31 December 2009), while it does not require any security to be given.

The syndication process, started at the end of November 2009 for Euro 800 million, closed with a large oversubscription.

On 4 February 2010, Taihan Electric Wire Co., LTD. ("Taihan") announced that it had completed the sale of 17,820,000 shares in Prysmian S.p.A., corresponding to around 9.9% of its share capital and representing Taihan's entire holding in the Prysmian Group.

On 28 January 2010, Taihan announced that it had settled in cash all the swap contracts with underlying Prysmian S.p.A. shares and that it had been informally informed by the other parties to these contracts that all the underlying Prysmian shares had already been placed on the market.

BUSINESS OUTLOOK

The economic context in 2009 confirmed the weakness already experienced during the previous year and which became considerably worse from September 2008 due to the crisis affecting certain international financial institutions. Following intervention by national governments and central banks, the fall in demand and in industrial output stabilised in the second part of 2009 at record lows for recent years.

Given this economic scenario, in 2010 the Group expects demand stabilization, at the minimum levels reached in 2009, for the Trade & Installers and Power Distribution businesses and for certain products in the Industrial segment more exposed to cyclical trends, with a possible gradual recovery towards the end of the year. On the other hand orders for power transmission projects and for optical fibre cables are expected to recover during the year.

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

PRYSMIAN ENHANCES R&D WITH FONDAZIONE BRUNO KESSLER

Prysmian has started to collaborate with Fondazione Bruno Kessler (FBK), an Italian research institute and one of the most active nationally and worldwide, to develop R&D activities in four strategic fields: nanotechnology, optical fibres, microsystems and new materials for the production of power and TLC cables.

The agreement involves an innovative relationship between a private company and a public-sector research institute. In fact, it is a long-term partnership that aims to develop know-how and working methods and consolidate them over time, thus reducing start-up periods for individual projects and the related costs. The agreement is also innovative due to the sharing of entrepreneurial risk. FBK will finance the research costs, while Prysmian will pay the institute a percentage of the sales of the products developed by the research activities.

This partnership forms part of a consolidated tradition of collaborating with major world-leading universities and research centres, amongst which the Polytechnic in Milan, the Polytechnic in Bologna and the University of Genoa in Italy, the University of Barcelona in Spain, the University of Sao Paolo in Brazil and the University of Delft in Holland. Prysmian's major emphasis on research allows it to augment its competitive advantage and offer its customers the most innovative solutions to make power transmission and distribution networks more efficient, including those for renewable energy, and to speed up development of TLC networks in the world.

ALTERNATIVE PERFORMANCE INDICATORS

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

The alternative indicators used for reviewing the income statement include:

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

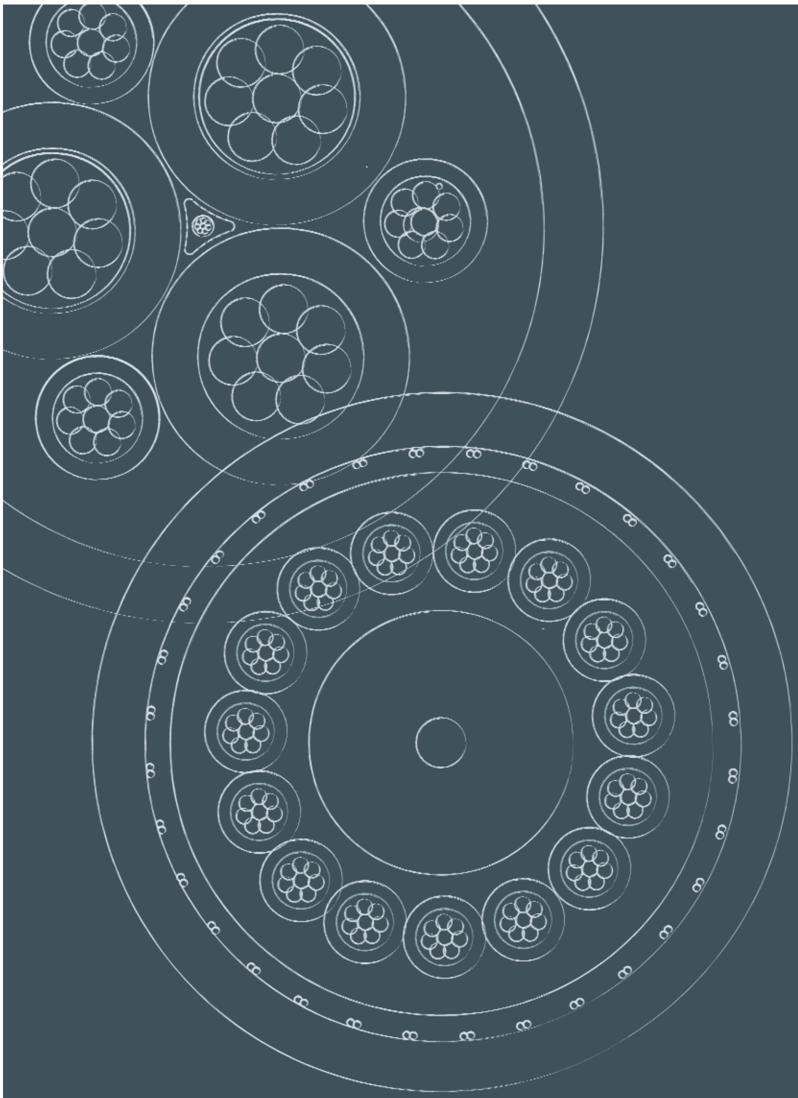
- **Net capital employed:** sum of Fixed assets, Net working capital and Provisions.
- **Employee benefit obligations and Total equity:** these indicators correspond to Employee benefit obligations and Total equity reported in the statement of financial position.
- **Net financial position:** sum of 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
  - Financial assets held for trading
  - Cash and cash equivalents

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

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

Milan, 3 March 2010

On Behalf of the Board of Directors, the Chairman
Paolo Zannoni



CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2009	Of which related parties (Note 33)	31 December 2008	Of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	1	872		806	
Intangible assets	2	43		31	
Investments in associates	3	9		9	
Available-for-sale financial assets	4	6		10	
Derivatives	8	9		21	
Deferred tax assets	16	47		44	
Trade receivables	5	-		2	
Other receivables	5	28		26	
Total non-current assets		**1,014**		**949**	
Current assets					
Inventories	6	443		514	
Trade receivables	5	622	2	732	2
Other receivables	5	359		301	
Financial assets held for trading	7	42		38	
Derivatives	8	44		46	
Cash and cash equivalents	9	492		492	
Total current assets		**2,002**		**2,123**	
Assets held for sale	10	28		26	
Total assets		**3,044**		**3,098**	
Equity attributable to the Group:		**677**		**447**	
Share capital	11	18		18	
Reserves	11	411		192	
Profit/(loss) for the year		248		237	
Equity attributable to non-controlling interests:		**21**		**16**	
Share capital and reserves		17		18	
Profit/(loss) for the year		4		(2)	
Total equity		**698**		**463**	
Non-current liabilities					
Borrowings from banks and other lenders	12	884		969	
Other payables	13	13		30	
Provisions for risks and charges	14	41		34	
Derivatives	8	7		33	1
Deferred tax liabilities	16	67		30	
Employee benefit obligations	15	142		125	
Total non-current liabilities		**1,154**		**1,221**	
Current liabilities					
Borrowings from banks and other lenders	12	152	1	189	
Trade payables	13	561	2	650	2
Other payables	13	326	2	346	2
Derivatives	8	46	3	120	
Provisions for risks and charges	14	62		67	
Current tax payables		45		42	
Total current liabilities		**1,192**		**1,414**	
Total liabilities		**2,346**		**2,635**	
Total equity and liabilities		**3,044**		**3,098**	

INCOME STATEMENT

(in millions of Euro)

	Note	2009	Of which related parties (Note 33)	2008	Of which related parties (Note 33)
Sales of goods and services	17	3,731	13	5,144	17
Change in inventories of work in progress, semi-finished and finished goods	18	(50)		(51)	
Other income	19	32		39	
of which non-recurring other income	*36*	-		*3*	
Raw materials and consumables used	20	(2,060)		(3,127)	
Fair value change in metal derivatives		91		(68)	
Personnel costs	21	(517)		(551)	
of which non-recurring personnel costs	*36*	*(17)*		*(11)*	
Amortisation, depreciation and impairment	22	(71)		(70)	
of which non-recurring amortisation, depreciation and impairment	*36*	*(2)*		*(5)*	
Other expenses	23	(770)	(5)	(936)	(4)
of which non-recurring other expenses	*36*	*(20)*		*(16)*	
Operating income		**386**		**380**	
Finance costs	24	(292)	(2)	(475)	
of which non-recurring finance costs	*36*	-		*(3)*	
Finance income	25	240		378	5
of which non-recurring finance income	*36*	*9*		-	
Share of income from investments in associates and dividends from other companies	26	3		3	
Profit before taxes		**337**		**286**	
Taxes	27	(85)		(51)	
Profit/(loss) for the year		**252**		**235**	
Attributable to:					
Owners of the parent		248		237	
Non-controlling interests		4		(2)	
Basic earnings/(loss) per share (in Euro)		**1.40**		**1.32**	
Diluted earnings/(loss) per share (in Euro)		**1.39**		**1.31**	

STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	Note	2009	2008
Profit/(loss) for the year		**252**	**235**
Fair value gains/(losses) on available-for-sale financial assets - gross of tax	4	3	(1)
Fair value gains/(losses) on available-for-sale financial assets - tax effect	16	(1)	-
Fair value gains/(losses) on cash flow hedges - gross of tax	8	6	(45)
Fair value gains/(losses) on cash flow hedges - tax effect	16	(1)	13
Actuarial gains/(losses) on employee benefits - gross of tax	15	(13)	(2)
Actuarial gains/(losses) on employee benefits - tax effect	16	2	1
Currency translation differences		56	(89)
Total post-tax other comprehensive income/(loss) for the year		**52**	**(123)**
Total comprehensive income/(loss) for the year		**304**	**112**
Attributable to:			
Owners of the parent		300	115
Non-controlling interests		4	(3)

STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Fair value gains and losses on available-for-sale financial assets	Actuarial gains/(losses) on employee benefits	Cash flow hedges	Currency translation reserve	Other reserves	Profit/(loss) for the year	Non-controlling interests	Total
	Note 11	Note 4	Note 15	Note 8	Note 11	Note 11	Note 11	Note 11	
Balance at 31 December 2007	**18**	**2**	**11**	**(5)**	**(26)**	**133**	**300**	**21**	**454**
Allocation of prior year profit	-	-	-	-	-	300	(300)	-	-
Capital contributions	-	-	-	-	-	2	-	-	2
Dividend payment	-	-	-	-	-	(75)	-	(1)	(76)
Buy-back of shares	-	-	-	-	-	(30)	-	-	(30)
Share-based compensation	-	-	-	-	-	2	-	-	2
Change in scope of consolidation	-	-	-	-	-	-	-	(1)	(1)
Total comprehensive income/(loss) for the year	-	(1)	(1)	(32)	(88)	-	237	(3)	112
Balance at 31 December 2008	**18**	**1**	**10**	**(37)**	**(114)**	**332**	**237**	**16**	**463**
Allocation of prior year profit	-	-	-	-	-	237	(237)	-	-
Capital contributions	-	-	-	-	-	3	-	2	5
Dividend payment	-	-	-	-	-	(74)	-	(1)	(75)
Share-based compensation	-	-	-	-	-	1	-	-	1
Total comprehensive income/(loss) for the year	-	2	(11)	5	56	-	248	4	304
Balance at 31 December 2009	**18**	**3**	**(1)**	**(32)**	**(58)**	**499**	**248**	**21**	**698**

STATEMENT OF CASH FLOWS

(in millions of Euro)

	2009	Of which related parties (Note 33)	2008	Of which related parties (Note 33)
Profit before taxes	337		286	
Depreciation and impairment of property, plant and equipment	66		66	
Amortisation and impairment of intangible assets	5		4	
Badwill from acquisition of Facab Lynen Gmbh & Co. Kg.	-		(3)	
Share of income from investments in associates and joint ventures	(3)		(3)	
Share-based compensation	1		2	
Fair value change in metal derivatives	(91)		68	
Net finance costs	52	(2)	97	
Changes in inventories	88		56	
Changes in trade receivables and payables	23		17	(2)
Changes in other receivables and payables	(90)	2	(5)	
Changes in receivables/payables for derivatives	15		(2)	
Taxes paid	(62)		(83)	
Utilisation of provisions (including employee benefit obligations)	(58)		(44)	
Increases in provisions (including employee benefit obligations)	46		46	
A. Net cash flow provided by/(used in) operating activities	**329**		**502**	
Price adjustment and other indemnification relating to the acquisition of the Energy and Telecom Cables & Systems divisions from Pirelli & C. S.p.A.	-		16	
Facab Lynen Gmbh & Co. Kg acquisition	-		(1)	
Rybinsk Elektrokabel acquisition	(3)		-	
Investments in property, plant and equipment	(91)		(103)	
Disposals of property, plant and equipment	1		1	
Investments in intangible assets	(16)		(13)	
Investments in financial assets held for trading	-		(7)	
Disposals of financial assets held for trading	5		1	
Disposals of available-for-sale financial assets [(1)]	6		3	
Dividends received	3		3	
B. Net cash flow provided by/(used in) investing activities	**(95)**		**(100)**	
Capital contributions and other changes in equity	5		2	
Dividends paid	(75)	(24)	(76)	(24)
Purchase of treasury shares	-		(30)	
Finance costs paid [(2)]	(277)		(461)	
Finance income received [(3)]	231		373	
Changes in net financial payables	(124)	1	41	
C. Net cash flow provided by/(used in) financing activities	**(240)**		**(151)**	
D. Currency translation gains/(losses) on cash and cash equivalents	**6**		**(11)**	
E. Total cash flow provided/(used) in the year (A+B+C+D)	**-**		**240**	
F. Net cash and cash equivalents at the beginning of the year	**492**		**252**	
G. Net cash and cash equivalents at the end of the year (E+F)	**492**		**492**	

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

(1) "Disposal of available-for-sale financial assets" of Euro 6 million in 2009 refers to the early repayment of a convertible bond issued by Essex Italy S.p.A.
(2) Interest expense paid in 2009 amounts to Euro 32 million (Euro 61 million in 2008).
(3) Interest income collected in 2009 amounts to Euro 7 million (Euro 9 million in 2008).

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).

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.

At 31 December 2009, Prysmian (Lux) S.à r.l., with registered office in Luxembourg, held 16.24% (30.2% at 31 December 2008) of the Company through its subsidiary Prysmian (Lux) II S.à r.l., also based in Luxembourg.

As from 8 October 2008, Prysmian S.p.A. started to buy back its own shares under a programme approved by the Company's shareholders initially on 15 April 2008 and later renewed on 9 April 2009. At 31 December 2009 Prysmian S.p.A. held 3,028,500 treasury shares worth Euro 30 million, all of which had been purchased in 2008.

All the amounts shown in the tables in the following Notes are expressed in millions of Euro, unless otherwise stated. The consolidated financial statements contained herein were approved by the Board of Directors on 3 March 2010.

B. ACCOUNTING POLICIES AND STANDARDS

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

B.1 BASIS OF PREPARATION

These financial statements have been prepared on a going concern basis, with the directors having assessed that there are no financial, operating or other kind of indicators that might provide evidence of the Group's inability to meet its obligations in the foreseeable future (and particularly in the next 12 months). Risks and uncertainties relating to the business are described in the Directors' report. These Notes contain a description of how the Group manages financial and capital risks, including liquidity risks, which can be found in sections C. Financial risk management and C.1 Capital risk management.

In application of Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by article 5 of European Regulation 1606/2002 on international accounting standards", the Company has prepared its consolidated financial statements in accordance with the international accounting and financial reporting standards (hereafter also "IFRS") adopted by the European Union.
The term "IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").
IFRS have been applied consistently to all the periods presented in this document. The consolidated financial statements have, therefore, been prepared in accordance with IFRS and related best practice; any future guidelines and new interpretations will be reflected over coming years, in accordance with the recommendations of the relevant accounting standards.

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

Starting from the quarterly report at 30 September 2009, the fair value change in metal derivatives has been reclassified so that it is now included in operating income; it was previously classified in finance income and costs. The figures for 2008 have been restated accordingly for the sake of consistent comparison. Operating income was Euro 448 million in 2008 but after making above reclassification it has become Euro 380 million.

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

B.2 BASIS OF CONSOLIDATION

The financial statements consolidated for Group subsidiaries have been prepared for the year ended 31 December 2008 and the year ended 31 December 2009. They have been adjusted, where necessary, to bring them into line with Group accounting polices and standards. The year-end date of all the financial statements of companies included in the scope of consolidation is 31 December.

Subsidiaries

The Group consolidated financial statements include the financial statements of Prysmian S.p.A. (the Parent Company) and the subsidiaries over which the Company exercises direct or indirect control. Subsidiaries are consolidated from the date control is acquired to the date such control ceases. Control is determined when the Company directly or indirectly owns the majority of the voting rights or has the ability to exercise dominant influence, which is the power to determine, also indirectly, by virtue of contractual or legal agreements, the financial and operating decisions of the entities, and to obtain the resulting benefits, regardless of shareholding rights.

When determining control, the existence of potential voting rights exercisable at the reporting date is also taken into consideration.

Subsidiaries are consolidated on a line-by-line basis. The criteria adopted for line-by-line consolidation are as follows:

- assets and liabilities, expenses and income of consolidated entities are aggregated line-by-line and non-controlling interests are given, where applicable, the relevant portion of equity and profit for the period. These amounts are reported separately on the face of the consolidated statement of financial position and income statement;
- gains and losses, including the relevant tax effect, from transactions carried out between companies consolidated on a line-by-line basis and which have not yet been realised with third parties, are eliminated; unrealised losses are not eliminated if there is evidence that the asset being transferred is impaired. The following are also eliminated: intercompany payables and receivables, intercompany expenses and income, and intercompany finance income and costs;
- business combinations [1] through which control of an entity is acquired are recorded using the purchase method of accounting. The acquisition cost is measured as the fair value of the assets given, the liabilities incurred or assumed at the acquisition date and the equity instruments issued plus costs directly attributable to the acquisition. The assets, liabilities

[1] These comments reflect the accounting treatment envisaged by the versions of IFRS 3 and IAS 27 adopted by Prysmian up until 31 December 2009. Prysmian will adopt the new IFRS 3R as from 1 January 2010, with a resulting change in some of the accounting treatments used for the purchase and sale of equity investments.

and contingent liabilities acquired are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after the identification and measurement of the net assets acquired has been reassessed;

- if non-controlling interests are acquired in entities which are already under the Group's control, the Group records any difference between the acquisition cost and the related share of net assets acquired directly in equity;
- gains and losses from disposal of investments in subsidiaries are recognised in the income statement at an amount equal to the difference between the sale price and the share of net assets disposed of.

Associates

Associates are those entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recorded at cost. The equity method is as follows:

- the book value of these investments reflects the value of equity as adjusted, where necessary, to reflect the application of IFRS; it includes the higher values attributed to the assets and liabilities and any goodwill, which were identified on acquisition;
- the Group's share of profits or losses is recognised from the date the significant influence is acquired until the date it ceases. If in the event of losses, the company valued under this method has negative equity, the book value of the investment is cancelled and, where the Group is committed to fulfilling legal or constructive obligations of the investee company, or in any case to covering its losses, any Group surplus is recorded in a specific provision; changes in the equity of companies valued under the equity method which are not reflected in the income statement, are recognised directly in equity;
- unrealised gains generated on transactions between the Parent Company/subsidiaries and companies accounted for using the equity method, are eliminated to the extent of the Group's interest in the investee company; unrealised losses are also eliminated unless they represent impairment.

Joint ventures

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

The proportionate consolidation method adopted by the Company requires the Company's share of the assets and liabilities under the joint venture to be combined with the corresponding items in its own financial statements on a line-by-line basis. The Group's consolidated income statement includes its share of the joint venture's income and expenses, aggregated on a line-by-line basis. The procedures described above for the consolidation of subsidiaries also apply to proportionate consolidation.

Special purpose entities

During 2007 the Group defined and adopted a trade receivables securitization programme for a number of Group companies. The accounting policies adopted by the Group to present the impact of this programme on the consolidated financial statements at 31 December 2009 are described below.

The securitization programme involves the weekly transfer (daily up until 31 January 2008) of a significant portion of trade receivables by some of the Group's operating companies in France, Germany, Italy, Spain, the United Kingdom and the United States. This programme started on 30 January 2007 and will end on 31 July 2012.

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

Translation of foreign company financial statements

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

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

- assets and liabilities are converted using the exchange rates applicable at the end of the reporting period;
- revenues and expenses are converted at the average rate for the period/year;
- the "currency translation reserve" includes both the translation differences generated by translating income statement items at a different exchange rate from the period-end rate and the differences generated by translating opening equity amounts at a different exchange rate from the period-end rate;
- goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the period-end exchange rate.

Whenever the foreign entity operates in a hyperinflationary economy, revenues and expenses are stated at the current exchange rate at the reporting date. All amounts in the income statement are restated by applying the change in the general price index between the date when income and expenses were initially recorded in the financial statements and the reporting date. Corresponding figures for the previous reporting period/year are restated by applying a general price index so that the comparative financial statements are presented in terms of the current exchange rate at the end of the reporting period/year. At 31 December 2009, none of the consolidated companies operated in hyperinflationary economies.

The exchange rates applied are as follows:

	Closing rate at		Average rate	
	31 December 2009	31 December 2008	2009	2008
Europe				
British Pound	0.888	0.953	0.891	0.794
Swiss Franc	1.484	1.485	1.510	1.587
Hungarian Forint	270.420	266.700	280.420	251.534
Norwegian Krone	8.300	9.750	8.728	8.226
Swedish Krona	10.252	10.870	10.619	9.618
Romanian Leu	4.236	4.023	4.240	3.684
Turkish Lira	2.171	2.151	2.161	1.906
Polish Zloty	4.105	4.154	4.328	3.513
Russian Rouble	43.154	41.283	44.146	36.301
North America				
US Dollar	1.441	1.392	1.395	1.470
Canadian Dollar	1.513	1.700	1.586	1.560
South America				
Brazilian Real	2.508	3.252	2.780	2.702
Argentine Peso	5.474	4.806	5.203	4.649
Chilean Peso	730.384	885.817	778.567	771.217
Oceania				
Australian Dollar	1.601	2.027	1.773	1.742
New Zealand Dollar	1.980	2.419	2.213	2.078
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	1.897	1.832	1.880	1.810
Asia				
Chinese Renminbi (Yuan)	9.835	9.496	9.526	10.219
Hong Kong Dollar	11.171	10.786	10.810	11.450
Singapore Dollar	2.019	2.004	2.024	2.076
Indonesian Rupiah	13,626.130	15,239.120	14,445.519	14,169.633
Malaysian Ringgit	4.933	4.805	4.907	4.890
Saudi Riyal	5.403	5.222	5.230	5.513

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 the companies over which it exercises direct or indirect control, which are consolidated from the date when control is obtained until the date when such control ceases.

The following changes in the scope of consolidation took place during 2009:

ACQUISITIONS

- On 15 December 2009, Prysmian (Dutch) Holdings B.V. and Prysmian Cavi e Sistemi Energia S.r.l. acquired 99% and 1% respectively of the share capital in the limited liability company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel" which owns all of the shares in the following limited liability companies:
  - Rybinskelektrokabel;
  - Torgoviy Dom Rybinskelektrokabel;
  - NPP Rybinskelektrokabel.

NEW COMPANY FORMATIONS

- Prysmian Powerlink Saudi L.L.C. was set up in Saudi Arabia on 29 December 2009. This company is owned by Prysmian Powerlink S.r.l. (95%) and third parties (5%).

LIQUIDATIONS

- GSCP Athena (U.K.) Holdings Limited (United Kingdom) completed its winding-up process and consequent closure on 12 May 2009;
- Cuomo Cable Company L.L.C. (United Arab Emirates) was closed down on 26 July 2009;
- Prysmian Special Cables B.V. completed its winding-up process and consequent closure on 17 December 2009;
- Prysmian Cable Overseas B.V. completed its winding-up process and consequent closure on 17 December 2009.

MERGERS BY ABSORPTION

- Prysmian Geschaeftsfuehrungsgesellschaft GmbH completed its merger into Prysmian Kabel und Systeme GmbH (Germany) on 29 September 2009;
- Prysmian EYT S.A. completed its merger into Prysmian Instalaciones Chile S.A on 30 December 2009;
- Prysmian Cavi e Sistemi Telecom Italia S.r.l completed its merger into Prysmian Cavi e Sistemi Energia Italia S.r.l. on 31 December 2009;

  As a result, Prysmian Cavi e Sistemi Energia Italia S.r.l. has changed its name to Prysmian Cavi e Sistemi Italia S.r.l..

Attachment A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2009.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2009

The following accounting standards, amendments and interpretations have been adopted by Prysmian as from 1 January 2009.

Revision of IAS 1 - Presentation of Financial Statements

This revision requires all changes arising from transactions with shareholders (owners) to be presented in a statement of changes in equity. All transactions with third parties must be presented in a single statement of comprehensive income or in two separate statements comprising an income statement and a statement displaying the components of other comprehensive income. Such components include income and expenses that are not recognised in profit or loss for the period as required or allowed by IFRSs, such as changes in the cash flow hedge reserve, changes in the currency translation reserve, gains/losses on available-for-sale financial assets and actuarial gains/losses arising from the application of

IAS 19. Prysmian has applied this standard retrospectively from 1 January 2009, with all changes arising from transactions with non-shareholders presented in two separate statements: an income statement and a statement of comprehensive income. The Group presented the statement of changes in equity as part of its financial statements for the first time in the First-Quarter Report 2009.

Revision of IAS 23 - Borrowing Costs
This revision has eliminated the option under which companies could immediately expense borrowing costs relating to assets that took a substantial period of time to get ready for their intended use or sale. This standard has been applied prospectively to borrowing costs relating to assets capitalised as from 1 January 2009. The revision of this standard has not had a material impact on the financial statements at 31 December 2009.

IFRS 8 - Operating Segments
The new accounting standard requires segment reporting to be based on the components used by management for making operating decisions and operating segments to be identified on the basis of internal reporting which is regularly reviewed by management. The adoption of this standard has had no effect on the valuation and measurement of the contents of the financial statements, while the presentation of segment information has been altered to reflect internal reports used by management.

Amendment to IFRS 2 - Share-based Payment: vesting conditions and cancellations
The amendment establishes that: a) for the purposes of valuing share-based payments, only service and performance-related conditions may be treated as vesting conditions; b) all cancellations, whether by the company or by other parties, must receive the same accounting treatment. This amendment was applicable prospectively from 1 January 2009. Its application has not had any impact on the financial statements at 31 December 2009 because the existing stock option plans contain only service and performance-related vesting conditions and no cancellations were made during the period.

Improvement to IAS 19 - Employee Benefits
The improvement clarifies the definition of past service cost/income and establishes that, in the event of plan curtailment, the effect of the reduction recognised immediately in profit or loss must comprise only the curtailment in benefits relating to future periods, while the effect of any reduction for past service is treated as a negative past service cost. The improvement has also amended the definition of return on plan assets, establishing that this is determined after deducting any administration costs that are not already included in the value of the obligation, and has also clarified the definition of short-term and long-term benefits. These changes applied prospectively to plan amendments on or after 1 January 2009; there has been no impact on the Company's financial statements at 31 December 2009 since no amendments were made to employee benefit plans in this period.

Improvement to IAS 20 - Accounting for Government Grants and Disclosure of Public Assistance
The improvement establishes that the benefit of a government loan at a below-market rate of interest must be treated like a government grant and must therefore follow the recognition rules contained in IAS 20. This amendment was applicable prospectively from 1 January 2009; its application has not had any effect on the financial statements at 31 December 2009.

Amendment to IFRS 7 - Financial Instruments: Disclosures
The amendment improves the disclosure requirements about fair value measurements and enhances existing disclosure principles relating to the liquidity risk associated with financial instruments by requiring that

additional information be disclosed about the methods and assumptions used for determining the fair value of each class of financial asset and liability. The reporting entity must classify its financial assets and liabilities carried at fair value according to a hierarchy that reflects the way that the input is obtained for measuring fair value. The amendment is applicable from 1 January 2009 and the Company has made the necessary disclosures in section C. Financial risk management.

Amendments to IFRIC 9 - Reassessment of Embedded Derivatives and to IAS 39 - Financial Instruments: Recognition and Measurement
These amendments allow reporting entities to reclassify particular financial instruments out of the "financial assets at fair value through profit or loss" category in specific circumstances. These amendments clarify that the reporting entity must assess whether the embedded derivatives should be separated from the host contract and accounted for as financial instruments when the entity first becomes a party to the contract or subsequently if there is a change in the terms of the contract that significantly modifies the cash flows of the contract itself. If the reporting entity is unable to measure the embedded financial instrument, the contract must continue to be classified as a "financial asset at fair value through profit or loss". The amendments, applicable retrospectively from 31 December 2009, have not had any impact on the financial statements.

The following standards and interpretations are also applicable from 1 January 2009 but address situations and circumstances which are either not relevant or not material to the Group:

- Amendment to IAS 32 - Financial Instruments: Presentation and to IAS 1 - Presentation of Financial Statements: puttable financial instruments and instruments with obligations arising on liquidation;
- Improvement to IAS 16 - Property, Plant and Equipment;
- Improvements to IAS 28 - Investments in Associates and to IAS 31 - Interests in Joint Ventures;
- Improvement to IAS 29 - Financial Reporting in Hyperinflationary Economies;
- Improvement to IAS 36 - Impairment of Assets;
- Improvement to IAS 38 - Intangible Assets;
- Improvement to IAS 39 - Financial Instruments: Recognition and Measurement;
- Improvement to IAS 40 - Investment Property;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 15 - Agreements for the Construction of Real Estate;
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, which has eliminated the possibility of applying hedge accounting to hedges of foreign exchange differences arising between the functional currency of a foreign operation and the presentation currency of the consolidated financial statements;
- IFRIC 18 - Transfers of Assets from Customers;
- Amendment to IFRS 4 – Insurance Contracts: Nature and extent of risks arising from insurance contracts.

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

On 10 January 2008, the IASB issued an updated version of *IFRS 3 - Business Combinations, and amended IAS 27 - Consolidated and Separate Financial Statements.* The new standards must be applied prospectively from 1 January 2010.
The main changes to IFRS 3 include:
a) in the case of step acquisitions, elimination of the obligation to value an acquired entity's identifiable assets and liabilities at fair value for every subsequent acquisition. In this case goodwill is determined as the difference between the value of the previously-held

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

As part of the IASB's Annual Improvements 2008, the amendment to *IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations* establishes that when an entity is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary must be classified as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. The amendment must be applied prospectively from 1 January 2010.

The same Annual Improvements 2008 amended *IAS 10 - Events after the reporting period* to clarify that, if dividends are declared after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period, but are disclosed in the notes in accordance with IAS 1.

On 31 July 2008, the IASB issued an amendment to *IAS 39 - Financial Instruments: Recognition and Measurement*, which must be applied retrospectively from 1 January 2010. The amendment provides clarification on how inflation in financial instruments and option contracts should be treated if the instruments in question are used for hedging.

On 16 April 2009, the IASB published *Improvements to IFRSs* , a collection of amendments to twelve IFRSs, some of which involve changes in the presentation, recognition and measurement of the contents of financial statements while others involve only terminology and editing changes. Most of the amendments will be applicable from 1 January 2010. At the current reporting date, the European Union had not yet completed the endorsement process needed for their application.

On 18 June 2009, the IASB published an amendment to *IFRS 2 - Share-based Payment* which clarifies the scope of application of IFRS 2 and the accounting treatment of share-based payments in the separate financial statements of entities belonging to the same group. At the current reporting date, the European Union had not yet completed the endorsement process needed for its application.

On 8 October 2009, the IASB published an amendment to *IAS 32 - Financial Instruments: Presentation* concerning the classification of rights issues. This amendment clarifies how such rights should be treated if they are denominated in a currency other than the functional currency of the issuer. This amendment must be applied from 1 January 2011.

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

On 12 November 2009, the IASB issued the first part of a new accounting standard *IFRS 9 - Financial Instruments*, which will replace *IAS 39 - Financial Instruments: Recognition and Measurement*. This initial publication relates to 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 the contractual characteristics and related cash flows of the instruments in question.
At the current reporting date, the European Union had not yet completed the endorsement process needed for its application, due from 1 January 2013.

On 26 November 2009, the IFRIC issued the interpretation *IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments* which addresses situations in which a creditor agrees to accept equity instruments from a debtor to settle its financial liability.
On the same date the IFRIC issued an amendment to the interpretation IFRIC 14 to define the treatment of liabilities relating to pension funds when an entity is subject to minimum funding requirements for defined benefit plans and makes an early payment of contributions to cover those requirements.

On 27 November 2008, the IFRIC issued the interpretation *IFRIC 17 - Distributions of Non-cash Assets to Owners*. This interpretation clarifies that distributions of non-cash assets must be measured at the fair value of the net assets to be distributed at the time when it becomes mandatory to recognise the related liability to shareholders. This interpretation must be applied from 1 January 2010.

The following standards and interpretations, applicable from 1 January 2010 but not yet endorsed by the European Union, address situations and circumstances which are not pertinent to the Prysmian Group:

- New version of *IFRS 1 - First-time Adoption of International Financial Reporting Standards*, which removes certain transition provisions no longer deemed to be necessary and contains a number of minor editorial changes;
- *IFRS 1 - Additional exemptions for first-time adopters* with the purpose of clarifying the retrospective application of certain IFRSs so that the entities involved will not face undue cost or effort in the transition process;
- *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 Standard for Small and Medium-sized Entities.*

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

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

B.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at the cost of

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

Ordinary and/or cyclical maintenance and repair costs are directly charged to the income statement when they are incurred. Costs regarding the expansion, modernisation or improvement of facilities owned or used by third parties are capitalised only if they meet the requirements to be separately classified as an asset or as part of an asset. Such costs are capitalised using the component approach, whereby each component with a separately assessable useful life and related value must be treated individually.

Depreciation is charged on a straight-line, monthly basis using rates which enable the assets to be depreciated until the end of their useful lives. When assets consist of different identifiable components, whose useful lives differ significantly from each other, each component is depreciated separately by applying the component approach.

The useful indicative lives estimated by the Group for the various categories of property, plant and equipment are as follows:

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

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

Property, plant and equipment acquired through finance leases, where the risks and rewards of the assets are substantially transferred to the Group, are accounted for as Group assets at their fair value or, if lower, at the present value of the minimum lease payments, including any sum to be paid for exercise of the purchase option. The corresponding lease liability is recorded under financial payables. The assets are depreciated by applying the method and rates previously indicated for "Property, plant and equipment", unless the duration of the lease is less than the useful life as represented by such rates and ownership of the leased asset is not reasonably certain to be transferred at the natural expiry of the lease; in this case the depreciation period will be represented by the term of the lease. Any capital gains realised on the disposal of assets which are leased back under finance leases are recorded under deferred income and released to the income statement over the term of the lease.

Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are treated as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

B.7 INTANGIBLE ASSETS

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

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortised, but is reviewed at least annually for impairment (impairment test). This test is carried out with reference to the cash-generating unit ("CGU") to which goodwill is allocated. Reductions in the value of goodwill are recognised if the recoverable amount of goodwill is less than its carrying amount. Recoverable amount is defined as the higher of the fair value of the CGU, less costs to sell, and its value in use (see Section B.8 for more details on how value in use is calculated). An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

If the impairment loss resulting from the test is greater than the value of goodwill allocated to the CGU, the residual difference is allocated to the assets in the CGU in proportion to their book value.

The minimum limit for this allocation is the highest of:

- the fair value of the asset, less costs to sell;
- the value in use, as described above;
- zero.

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

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

(c) Computer software

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

(d) Research and development costs

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

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

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

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

Property, plant and equipment and intangible assets are analysed at each reporting date for any evidence of

impairment. If such evidence is identified, the recoverable amount of these assets is estimated and any impairment loss relative to book value is charged to the income statement. The recoverable amount is the higher of the fair value of the asset, less costs to sell, and its value in use, where the latter is the present value of the estimated future cash flows of the asset. The realisable value of an asset which does not generate largely independent cash flows is determined in relation to the cash-generating unit to which the asset belongs. In calculating an asset's value in use, the expected future cash flows are discounted using a discount rate reflecting current market assessments of the time value of money, in relation to the period of the investment and the specific risks associated with the asset. An impairment loss is recognised in the income statement when the asset's carrying amount exceeds its recoverable amount. If the reasons for impairment cease to exist, the asset's book value is restored with the resulting increase recognised through the income statement; however, the book value may not exceed the net carrying amount that this asset would have had if no impairment had been recognised and the asset had been amortised instead. In the case of the Prysmian Group, the smallest CGU of the Energy segment can be identified on the basis of location of the registered office of the operating units (country) [2], whilst for the Telecom segment, the smallest CGU is represented by the segment itself.

B.9 FINANCIAL ASSETS

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

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

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

Financial assets at fair value through profit or loss
Financial assets classified in this category are represented by securities held for trading, having been acquired with the purpose of selling them in the short term. Derivatives are treated as securities held for trading, unless they are designated as hedging instruments and are therefore classified under "Derivatives".
Financial assets at fair value through profit or loss are initially recorded at fair value and the related transaction costs are expensed immediately to the income statement.
Subsequently, financial assets at fair value through profit or loss are measured at fair value. Assets in this category are classified as current assets (except for Derivatives falling due after more than 12 months). Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are reported in the income statement as "Finance income" and "Finance costs", in the period in which they arise. This does not apply to metal derivatives, whose changes in fair value are reported in "Fair value change in metal derivatives".
Any dividends from financial assets at fair value through profit or loss are recognised as revenue when the Group's right to receive payment is established and are classified in the income statement under "Share of income from investments in associates and dividends from other companies".

(a) Loans and receivables
Loans and receivables are non-derivative financial instruments with fixed or determinable payments that

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

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

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

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

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

The Group assesses at every reporting date if there is objective evidence of impairment of the financial assets. In the case of investments classified as available-for-sale financial assets, a reduction in the fair value of the investment below the initial cost is treated as an indicator of impairment. Should such evidence exist, the accumulated loss relating to the available-for-sale financial assets - calculated as the difference between their acquisition cost and fair value at the reporting date, net of any impairment losses previously recognised in the income statement - is transferred from equity and reported in the income statement as "Finance costs". Such losses are realised and therefore cannot be subsequently reversed.

For debt securities, the related yields are recognised using the amortised cost method and are recorded in the income statement as "Finance income", together with the impact of exchange rate changes, while changes in exchange rates relating to investments classified as available-for-sale financial assets are recognised in the specific equity reserve.

B.10 DERIVATIVES

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

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

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

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

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

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

income statement where it is classified on the basis described above.

At 31 December 2009, the Group had designated derivatives to hedge the following risks:

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

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

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

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

	Contracts revenues/(Costs)	**Finance income/(Costs)**
Exchange rate risks on contracts	■	
Interest rate risk		■
Exchange rate risks on intercompany financial transactions		■

B.11 TRADE AND OTHER RECEIVABLES

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

Objective evidence includes events such as:

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

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

B.12 INVENTORIES

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

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

B.13 CONTRACT WORK-IN-PROGRESS

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

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

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

The Group records as a liability the gross amount due to customers for all contract work-in-progress for which the billing of the work in progress exceeds the costs incurred including recognised profits (less recognised losses). These liabilities are reported as other liabilities.

B.14 CASH AND CASH EQUIVALENTS

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

B.15 TRADE AND OTHER PAYABLES

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

B.16 BORROWINGS FROM BANKS AND OTHER LENDERS

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

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

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

B.17 EMPLOYEE BENEFITS

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

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

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

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

Other post-employment obligations

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

Termination benefits

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

Share-based payments

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

(a) Stock options

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

(b) Equity-settled share-based payment transactions

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

B.18 PROVISIONS FOR RISKS AND CHARGES

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

Risks for which the emergence of a liability is less than probable but not remote are indicated in the disclosures about commitments and risks and no provision is recognised.
Any contingent liabilities accounted for separately when allocating the cost of a business combination, are valued at the higher of the amount obtained using the method described above for provisions for risks and charges and the present value of the liability as initially determined.

B.19 REVENUE RECOGNITION

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

Revenue is recognised as follows:

(a) Sales of goods
Revenue from the sale of goods is recognised when the risks and rewards of the goods are transferred to the customer; this usually occurs when the goods have been delivered to the customer, the customer has accepted them and in addition the collection of the related receivable is reasonably assured.

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

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

B.20 GOVERNMENT GRANTS

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

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

(b) Grants related to income
Grants other than those relating to capital investment are accounted for in the income statement as "Other income".

B.21 COST RECOGNITION

Costs are recognised when they relate to assets and services acquired or consumed during the year or on an accrual basis.

B.22 TAXATION

Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at the end of the reporting period.
Deferred taxes are calculated on all the differences which emerge between the taxable base of an asset or liability and the related book value, except for goodwill and those differences arising from investments in

subsidiaries, where the timing of the reversal of these differences is controlled by the Group and it is likely that they will not be reversed in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable profit will be available against which they can be recovered. Deferred taxes are determined using the tax rates which are expected to be applicable in the years in which the differences will be realised or extinguished, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

B.23 EARNINGS PER SHARE

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

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

B.24 TREASURY SHARES

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

C. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's results. Some types of risk are mitigated through the use of derivatives.
The main financial risks are centrally coordinated and monitored by the Group Finance Department and by the Purchasing Department as far as price risk is concerned, in close cooperation with the Group's operating units. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the above risks and on using financial instruments (derivatives and non-derivatives).

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

[a] Exchange rate risk

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

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

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

In 2009, trade and financial flows exposed to these exchange rates accounted for around 94.3% of the total exposure to exchange rate risk arising from trade and financial transactions (92.3% in 2008).
The Group is also exposed to significant exchange rate risks on the following exchange rates: Arab Emirates Dirham/Euro, Euro/Singapore Dollar, Euro/New Zealand Dollar, Malaysian Ringitt/US Dollar; none of the above exposures, when considered individually, accounted for more than 1.1% of the overall exposure to transactional exchange rate risk (1.9% in 2008).

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

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

These hedges are arranged using derivative contracts.

The following sensitivity analysis shows the effects on profit of a 5% and 10% increase/decrease in exchange rates relative to the exchange rates applicable at 31 December 2009 and 31 December 2008.

(in millions of Euro)		2009		2008
	-5%	+5%	-5%	+5%
Euro	(0.60)	0.54	(0.40)	0.36
US Dollar	(0.62)	0.56	(3.02)	2.73
Other currencies	(0.32)	0.29	(1.12)	1.01
Total	**(1.54)**	**1.39**	**(4.54)**	**4.10**

(in millions of Euro)		2009		2008
	-10%	+10%	-10%	+10%
Euro	(1.27)	1.04	(0.84)	0.68
US Dollar	(1.31)	1.07	(6.37)	5.21
Other currencies	(0.68)	0.56	(2.37)	1.94
Total	**(3.26)**	**2.67**	**(9.58)**	**7.83**

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

The following sensitivity analysis shows the post-tax effects on equity reserves due to an increase/decrease in the fair value of designated cash flow hedges following a 5% and 10% increase/decrease in exchange rates relative to actual exchange rates at 31 December 2009 and 31 December 2008.

(in millions of Euro)				2009
	-5%	+5%	-10%	+10%
US Dollar	(1.85)	1.68	(3.91)	3.20
Other currencies	(7.33)	6.63	(15.48)	12.66
Total	**(9.18)**	**8.31**	**(19.39)**	**15.86**

(in millions of Euro)

				2008
	-5%	+5%	-10%	+10%
US Dollar	(3.95)	3.58	(8.34)	6.83
Other currencies	(6.40)	5.79	(13.52)	11.06
Total	**(10.35)**	**9.37**	**(21.86)**	**17.89**

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

[b] Interest rate risk

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

Fixed rate payables expose the Group to a fair value risk. The Group does not operate any particular edging policies in relation to the risk arising from such contracts.

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

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

The following sensitivity analysis shows th effects on consolidated profit of an increase/decrease of 25 basis points in interest rates relative to the interest rates at 31 December 2009 and 31 December 2008, assuming that all other variables remain equal.

The potential effects shown below refer to net liabilities representing the most significant part of Group debt at the reporting date and are determined by calculating the effect on net finance costs relating to such liabilities following a change in annual interest rates. The net liabilities considered for *sensitivity analysis* include variable rate financial receivables and payables, cash and cash equivalents and derivatives whose value is influenced by rate volatility.

(in millions of Euro)

		2009		2008
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	(0.38)	0.38	(0.33)	0.33
US Dollar	0.08	(0.08)	0.12	(0.12)
British Pound	(0.06)	0.06	(0.01)	0.01
Other currencies	(0.14)	0.14	(0.11)	0.11
Total	**(0.51)**	**0.51**	**(0.33)**	**0.33**

The above analysis reports marginal variances because a significant part of the variable rate financial liabilities are hedged by interest rate swaps.

At 31 December 2009, the increase/decrease in the fair value of derivatives designated as cash flow hedges arising from an increase/decrease of 25 basis points in interest rates relative to the year-end rates would have had the following impact on other equity reserves:
- an increase of Euro 2.90 million and a decrease of Euro 2.94 million for hedges in Euro;
- an increase of Euro 0.17 million and a decrease of Euro 0.18 million for hedges in US dollars.

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

At 31 December 2008, the increase/decrease in the fair value of derivatives designated as cash flow hedges would have had the following impact on other equity reserves:
- an increase of Euro 1.46 million and a decrease of Euro 1.47 million for hedges in Euro;
- an increase of Euro 0.13 million and a decrease of Euro 0.13 million for hedges in US dollars.

At 31 December 2008, the overall effect on equity of the above changes would have been to increase it by Euro 1.59 million, or to decrease it by Euro 1.60 million.

[c] Price risk

The Group is exposed to price risk in relation to purchases and sales of strategic metals, whose purchase price is subject to market volatility. The main raw materials used by the Group in its own production processes consist of strategic metals such as copper, aluminium and lead. The cost of purchasing such strategic materials accounted for approximately 60% of the Group's total production costs in 2009 (68% in 2008).

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

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

The following sensitivity analysis shows the effect on profit and consolidated equity of a 10% increase/decrease in the price of the strategic materials relative to the prices at 31 December 2009 and 31 December 2008, assuming that all other variables remain equal.

(in millions of Euro)

		2009		2008
	-10%	+10%	-10%	+10%
LME	(3.98)	3.98	(6.27)	6.27
COMEX	0.78	(0.78)	(0.07)	0.07
SFE	(1.21)	1.21	(0.49)	0.49
Total	**(4.40)**	**4.40**	**(6.83)**	**6.83**

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

[d] Credit risk

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

Credit risk associated with customers is managed by the individual subsidiaries and monitored centrally by the Group Finance Department. The Group does not have significant concentrations of credit risk. It nonetheless has procedures designed to ensure that sales of products and services are made to reliable customers, taking account of their financial position, track record and other factors. Credit limits for major customers are set according to limits approved by management in the individual countries on the basis of internal and external assessments. The use of credit limits is periodically monitored at local level.

The Group has taken out insurance against part of its trade receivables to cover any losses, net of a 10% retention, relating to amounts which become unrecoverable following the effective or legal insolvency of customers, or relating to manufacturing costs incurred for undelivered products following the effective or legal insolvency of customers.

As for credit risk relating to the management of financial and cash resources, this risk is monitored by the Group Finance Department, which implements procedures aimed at ensuring that Group companies deal with independent, high standing, reliable counterparties. In fact, at 31 December 2009 (like at 31 December 2008) almost all the Group's financial and cash resources were held with investment grade counterparties. Credit limits relating to the principal financial counterparties are based on internal and external assessments, with limits defined by the Group Finance Department.

[e] Liquidity risk

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

Total liquidity reserves at the reporting date are as follows:

(in millions of Euro)	31 December 2009	31 December 2008
Cash and cash equivalents	492	492
Financial assets held for trading	42	38
Unused committed lines of credit	743	615
Total	**1,277**	**1,145**

Unused committed lines of credit at 31 December 2009 comprise Euro 350 million for the securitization programme (Euro 251 million in 2008) and Euro 393 million for the Revolving Credit Facility (Euro 364 million in 2008).

It should be noted that the line serving the securitization programme can be used, if needed, only to the extent of the trade receivables that qualify for securitization.

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

(in millions of Euro)				31 December 2009
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	163	212	685	3
Finance lease obligations	2	1	1	-
Debts guaranteed by securitized receivables	-	-	-	-
Derivatives	46	2	5	-
Trade and other payables	887	-	1	12
Total	**1,098**	**215**	**692**	**15**

(in millions of Euro)				31 December 2008
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	132	139	913	1
Finance lease obligations	1	1	2	-
Debts guaranteed by securitized receivables	99	-	-	-
Derivatives	120	17	16	-
Trade and other payables	996	-	1	29
Total	**1,348**	**157**	**932**	**30**

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

(in millions of Euro)						31 December 2009
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities /assets	Hedging derivatives
Available-for-sale financial assets	-	-	6	-	-	-
Trade receivables	-	-	-	-	622	-
Other receivables	-	-	-	-	387	-
Financial assets held for trading	42	-	-	-	-	-
Derivatives (assets)	42	-	-	-	-	11
Cash and cash equivalents	-	492	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,036	-
Trade payables	-	-	-	-	561	-
Other payables	-	-	-	-	339	-
Derivatives (liabilities)	-	-	-	28	-	25

(in millions of Euro)						31 December 2008
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities /assets	Hedging derivatives
Available-for-sale financial assets	-	-	10	-	-	-
Trade receivables	-	-	-	-	734	-
Other receivables	-	-	-	-	327	-
Financial assets held for trading	38	-	-	-	-	-
Derivatives (assets)	61	-	-	-	-	6
Cash and cash equivalents	-	492	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,158	-
Trade payables	-	-	-	-	650	-
Other payables	-	-	-	-	376	-
Derivatives (liabilities)	-	-	-	115	-	38

C.1 CAPITAL RISK MANAGEMENT

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

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

The gearing ratios at 31 December 2009 and 31 December 2008 are shown below:

(in millions of Euro)	2009	2008
Net financial position	474	577
Equity	698	463
Total capital	1,172	1,040
Gearing ratio	**40.45%**	**55.51%**

The change in the gearing ratio primarily reflects the major improvement in the net financial position, mostly thanks to cash flow provided by operating activities.

C.2 FAIR VALUE

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

Financial instruments can be classified according to the following fair value hierarchy:

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

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

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

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

Financial assets classified in level 3 fair value reported no movements in 2009.

Given the short-term nature of trade receivables and payables, their book values, net of any allowance for doubtful accounts, are treated as a good approximation of fair value.

D. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to apply accounting standards and methods which, sometimes, rely on difficult and subjective valuations and estimates based on experience and assumptions which are considered reasonable and realistic according to the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial osition, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. The final amount of items reported on the basis of estimates and assumptions may differ from that in the financial statements which record the estimated effects of the event's occurrence, owing to the uncertain nature of the assumptions and conditions on which the estimates were based.

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

(a) Provisions for risks and charges

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

significant impact on the current estimates made by management to prepare the Group consolidated financial statements.

(b) Impairment of assets

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

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

It should be noted that at the current reporting date the Prysmian Group's assets do not include any significant amounts of Goodwill or other intangible assets with an indefinite useful life.

The Prysmian Group has nonetheless assessed at year end the existence of any indicators that its CGUs might be impaired and tested for impairment the CGUs potentially at "risk". These tests have not resulted in the recognition of any additional impairment losses on top of those recorded for certain individual groups of assets retired from the production cycle (see Note 1 for more details).

The outcome of impairment tests at 31 December 2009 does not imply that the results will not differ in the future, especially if the business environment should become worse than is currently foreseeable.

(c) Depreciation and amortisation

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

(d) Revenue recognition for construction contracts

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

(e) Taxes

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

(f) Inventory valuation

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

E. BUSINESS COMBINATIONS

On 15 December 2009, the Prysmian Group acquired, through its subsidiaries Prysmian (Dutch) Holdings BV and Prysmian Cavi e Sistemi Energia S.r.l., 100% of "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel", a Russian cable manufacturer.

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

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

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

(*) The fair values are provisional ones.

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

(in millions of Euro)	Pre-acquisition book value	Fair value (*)
Property, plant and equipment	8	12
Intangible assets	-	-
Investments in associates	-	-
Inventories	2	2
Trade and other receivables	2	2
Trade and other payables	(3)	(3)
Deferred taxes	1	-
Current taxes	-	-
Provisions for risks	-	-
Employee benefit obligations	-	-
Borrowings from banks and other lenders	(10)	(10)
Financial assets held for trading	-	-
Cash and cash equivalents	-	-
Net assets acquired (B)	**-**	**3**

The acquisition has given rise to a provisional amount of Euro 0.5 million in goodwill, which has been recorded in "Intangible assets".

The acquisition has had no impact on the consolidated income statement.

If the acquisition had been made on 1 January 2009, the Group's sales would have been Euro 27 million higher, while its operating income would have been about Euro 1 million lower.

F. SEGMENT INFORMATION

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

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

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

Each operating segment comprises the following sales

(*) The fair values are provisional ones.

channels and areas of business:

A) Energy segment:

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

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

All Corporate fixed costs are allocated to the Energy and Telecom segments. Revenues and costs are allocated to each operating segment by identifying all revenues and costs directly attributable to that segment and by allocating indirect costs on the basis of Corporate resources (personnel, space used, etc.) absorbed by the operating segments. The operating results of the Corporate segment at 31 December 2009 basically reflect the effects of the non-recurring items identified overleaf.

Segment assets comprise property, plant and equipment, intangible assets, available-for-sale assets, trade receivables, receivables other than loans given and tax receivables, and inventories. These assets do not include loans given, tax or fiscal receivables, derivatives, deferred tax assets, financial instruments held for trading or cash and cash equivalents.

Segment liabilities comprise trade payables, provisions for risks and charges, employee benefit obligations and payables other than loans received and tax and fiscal payables. These liabilities do not include loans received, overdrawn current accounts, tax or fiscal payables, derivatives and deferred tax liabilities.

Group operating activities are organised and managed separately based on the nature of the products and services provided. Each segment offers different products and services to different markets and is controlled by different legal entities. Sales of goods and services are analysed geographically on the basis of the location of the registered office of the company that issues the invoices, regardless of the geographic destination of the products sold. This type of reporting does not significantly differ from the breakdown of sales of goods and services by destination of the products being sold. Transfer pricing between segments is determined using the same conditions as applied between Group companies and is generally determined by applying a mark-up to production costs.

The adoption of the new standard IFRS 8 - Operating Segments has had no effect on the valuation and measurement of the contents of the financial statements, while, as described above, the presentation of segment information has been changed to be consistent with internal reports used by management. This has involved presenting more detailed information about the Energy segment.

F.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(in millions of Euro)								2009
	Energy					Telecom	Corporate/	Group
	Utilities	Trade & Installers	Industrial	Other	Total		Eliminations	total
Sales of goods and services:								
- third parties	1,598	1,020	628	82	3,328	403	-	3,731
- Group companies	-	1	-	15	16	8	(24)	-
Total sales of goods and services	**1,598**	**1,021**	**628**	**97**	**3,344**	**411**	**(24)**	**3,731**
Adjusted EBITDA (A)	**266**	**41**	**62**	**3**	**372**	**31**	**-**	**403**
% of sales	16.7%	4.0%	9.8%	-	11.1%	7.6%		10.8%
EBITDA (B)	**250**	**31**	**58**	**3**	**342**	**30**	**(6)**	**366**
% of sales	15.6%	3.0%	9.2%	-	10.2%	7.4%		9.8%
Amortisation and depreciation (C)	(29)	(15)	(16)	(3)	(63)	(6)	-	(69)
Adjusted operating income (A + C)	**237**	**26**	**46**	**-**	**309**	**25**	**-**	**334**
% of sales	14.7%	2.5%	7.3%	-	9.3%	6.1%		9.0%
Fair value change in metal derivatives (D)								91
Impairment of production facilities (E)	(1)				(1)	(1)		(2)
Operating income (B + C + D + E)								**386**
% of sales								10.3%
Share of income from investments in associates and dividends from other companies					3			3
Finance costs								(292)
Finance income								240
Taxes								(85)
Profit/(loss) for the year								**252**
Attributable to:								
Owners of the parent								248
Non-controlling interests								4

Reconciliation of EBITDA to Adjusted EBITDA

(in millions of Euro)								2009
EBITDA (A)	**250**	**31**	**58**	**3**	**342**	**30**	**(6)**	**366**
Non-recurring expenses/(income):								
Company reorganisation	2	7	3	-	12	1	-	13
Shutdown of production facilities	3	3	-	-	6	-	-	6
Antitrust investigation legal costs	8	-	-	-	8	-	3	11
Environmental remediation	3	-	-	-	3	-	-	3
Special project costs	-	-	1	-	1	-	3	4
Total non-recurring expenses/(income) (B)	**16**	**10**	**4**	**-**	**30**	**1**	**6**	**37**
Adjusted EBITDA (A+B)	**266**	**41**	**62**	**3**	**372**	**31**	**-**	**403**

(in millions of Euro)	2009			
	Energy	Telecom	Unallocated	Group total
Assets	1,945	340	749	3,035
Investments in associates	9	-	-	9
Equity	-	-	-	698
Liabilities	860	79	1,406	2,346
Investments in property, plant and equipment	85	6		91
Investments in intangible assets	15	1		16
Total investments	**100**	**7**		**107**

(in millions of Euro)								2008
	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
Sales of goods and services:								
- third parties	2,028	1,629	850	101	4,608	536	-	5,144
- Group companies	1	2	1	11	15	11	(26)	-
Total sales of goods and services	**2,029**	**1,631**	**851**	**112**	**4,623**	**547**	**(26)**	**5,144**
Adjusted EBITDA (A)	**287**	**113**	**93**	**-**	**493**	**49**	**-**	**542**
% of sales	14.2%	6.9%	10.9%	-	10.6%	9.0%		10.5%
EBITDA (B)	**284**	**105**	**81**	**-**	**470**	**49**	**(1)**	**518**
% of sales	14.0%	6.4%	9.5%	-	10.1%	9.0%		10.1%
Amortisation and depreciation (C)	(31)	(13)	(13)	(1)	(58)	(4)	(3)	(65)
Adjusted operating income (A + C)	**256**	**100**	**80**	**(1)**	**435**	**45**	**(3)**	**477**
% of sales	12.6%	6.1%	9.4%	-	9.4%	8.4%		9.3%
Fair value change in metal derivatives (D)								(68)
Impairment of production facilities (E)	(5)				(5)			(5)
Operating income (B + C + D + E)								**380**
% of sales								7.4%
Share of income from investments in associates and dividends from other companies					3			3
Finance costs								(475)
Finance income								378
Taxes								(51)
Profit/(loss) for the year								**235**
Attributable to:								
Owners of the parent								237
Non-controlling interests								(2)

Reconciliation of EBITDA to Adjusted EBITDA

(in millions of Euro) **2008**

	Energy					Telecom	Corporate/	Group
	Utilities	Trade & Installers	Industrial	Other	Total		Eliminations	total
EBITDA (A)	**284**	**105**	**81**	**-**	**470**	**49**	**(1)**	**518**
Non-recurring expenses/(income):								
IT system segregation	-	-	-	-	-	-	1	1
Shutdown of production facilities	3	-	-	-	3	-	-	3
Company reorganisation	-	-	8	-	8	-	-	8
Special project costs	-	-	3	-	3	-	-	3
Badwill from Facab Lynen acquisition	-	-	(3)	-	(3)	-	-	(3)
Provisions for tax inspections	-	8	4	-	12	-	-	12
Total non-recurring expenses/(income) (B)	**3**	**8**	**12**	**-**	**23**	**-**	**1**	**24**
Adjusted EBITDA (A+B)	**287**	**113**	**93**	**-**	**493**	**49**	**-**	**542**

(in millions of Euro) **2008**

	Energy	Telecom	Unallocated	Group total
Assets	2,018	290	781	3,089
Investments in associates	9	-	-	9
Equity	-	-	-	463
Liabilities	1,089	107	1,439	2,635
Investments in property, plant and equipment	96	7		103
Investments in intangible assets	12	1		13
Total investments	**108**	**8**		**116**

F.2 GEOGRAPHICAL AREAS

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

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

(in millions of Euro)						2008
	EMEA*	of which Italy	North America	Latin America	Asia Pacific	Total
Sales of goods and services	3,594	*840*	605	478	467	5,144
Non-current assets [1]	656	*150*	65	71	71	863

No single customer accounted for more than 10% of the Group's total sales in either 2009 or 2008.

[*] EMEA: Europe, Middle East and Africa.
[1] Comprises property, plant and equipment, intangible assets and assets held for sale.

1. PROPERTY, PLANT AND EQUIPMENT

Details of these balances and related movements are as follows:

(in millions of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2007	**206**	**333**	**243**	**9**	**18**	**29**	**838**
Movements in 2008:							
- Investments	1	8	36	3	2	53	103
- Disposals	-	(1)	(1)	-	-	-	(2)
- Business combinations	-	6	7	1	-	-	14
- Depreciation and impairment	(2)	(14)	(43)	(3)	(4)	-	(66)
- Reclassification to held for sale	(21)	(5)	-	-	-	-	(26)
- Currency translation	(19)	(15)	(10)	(1)	(1)	(5)	(51)
- Other	-	7	15	1	(7)	(20)	(4)
Total movements	**(41)**	**(14)**	**4**	**1**	**(10)**	**28**	**(32)**
Balance at 31 December 2008	**165**	**319**	**247**	**10**	**8**	**57**	**806**
Of which:							
- Historical cost	167	361	394	19	22	57	1,020
- Accumulated depreciation and impairment	(2)	(42)	(147)	(9)	(14)	-	(214)
Net book value	**165**	**319**	**247**	**10**	**8**	**57**	**806**

Balance at 31 December 2008	**165**	**319**	**247**	**10**	**8**	**57**	**806**
Movements in 2009:							
- Investments	-	3	13	1	1	73	91
- Disposals	-	-	(1)	-	-	-	(1)
- Business combinations	-	8	4	-	-	-	12
- Depreciation and impairment	-	(12)	(47)	(4)	(3)	-	(66)
- Currency translation and other differences	8	6	4	1	-	9	28
- Other	-	12	40	3	2	(55)	2
Total movements	**8**	**17**	**13**	**1**	**-**	**27**	**66**
Balance at 31 December 2009	**173**	**336**	**260**	**11**	**8**	**84**	**872**
Of which:							
- Historical cost	175	390	454	24	25	84	1,152
- Accumulated depreciation and impairment	(2)	(54)	(194)	(13)	(17)	-	(280)
Net book value	**173**	**336**	**260**	**11**	**8**	**84**	**872**

Property, plant and equipment includes an increase of Euro 12 million for the first-time consolidation of "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel", a Russian cable manufacturer.

Depreciation and impairment includes Euro 2 million in impairment of the plant and machinery at the factories in St.Jean de Richelieu (Canada), Slatina (Romania) and Tianjin (China).
Gross investments in property, plant and equipment amount to Euro 91 million in 2009, of which Euro 0.3 million in capitalised borrowing costs, capitalised at a rate of 1.402%.
Around 67% of the total value of such investments related to projects for increasing production capacity. An additional 9% of total investments was for projects to improve industrial efficiency. Another significant proportion (around 19%) related to structural work on buildings or entire production lines for compliance with current regulations or for relocation of production. The most important projects were as follows:

- expansion of the factory in Vila Velha (Brazil), which will produce flexible pipes for the oil drilling industry;
- completion of the capacity expansion at the factory in Arco Felice (Italy) for the manufacture of submarine and high and extra high voltage cables for both direct and alternating current applications;
- completion, during the second half of the year, of the new factory in Romania for optical cable production, which will result in a large saving in production costs relative to the plants currently operating in Western Europe;
- completion of the factory in the United States for the manufacture of high voltage and extra high voltage cables for the North American market.

"Buildings" include assets under finance lease with a net value of Euro 9 million at 31 December 2009, largely unchanged since 31 December 2008.
These finance leases expire between 2009 and 2012 and include purchase options.

An ongoing tax inspection has caused a lien to be placed on land worth Euro 1 million.

During 2008 the Group reclassified the properties located in Prescott and Eastleigh (United Kingdom) as "assets held for sale", more details of which can be found in Note 10.

2. INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2007	**12**	**5**	**-**	**2**	**1**	**1**	**21**
Movements in 2008:							
- Investments	-	-	-	1	-	2	3
- Internally generated intangible assets	-	-	-	-	-	10	10
- Disposals	-	-	-	-	-	-	-
- Business combinations	-	-	-	-	-	-	-
- Amortisation	(1)	(1)	-	(2)	-	-	(4)
- Currency translation	-	-	-	-	-	-	-
- Other	-	-	-	-	1	-	1
Total movements	**(1)**	**(1)**	**-**	**(1)**	**1**	**12**	**10**
Balance at 31 December 2008	**11**	**4**	**-**	**1**	**2**	**13**	**31**
Of which:							
- Historical cost	15	47	5	9	23	13	112
- Accumulated amortisation and impairment	(4)	(43)	(5)	(8)	(21)	-	(81)
Net book value	**11**	**4**	**-**	**1**	**2**	**13**	**31**

(in millions of Euro)

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

Gross investments in intangible assets amount to Euro 16 million in 2009, and principally relate to development of the SAP Consolidation project, which aims to harmonise the information system in all the Group's operations by 2012. At 31 December 2009 the new system had been implemented and was fully operational in Germany and Holland.

3. INVESTMENTS IN ASSOCIATES

These are detailed as follows:

(in millions of Euro)	2009	2008
Opening balances	**9**	**9**
Movements:		
- Currency translation differences	-	(1)
- Share of profit/ (loss)	3	3
- Dividends and other movements	(3)	(2)
Total movements	**-**	**-**
Closing balance	**9**	**9**

"Dividends and other movements", which are a negative Euro 3 million at 31 December 2009, largely refer to dividends distributed by associates.

Details of investments in associates:

(in millions of Euro)	31 December 2009	31 December 2008
Rodco Ltd	2.26	2.10
Kabeltrommel Gmbh & Co.K.G.	5.91	5.70
Eksa Sp.Zo.o	1.10	1.31
Sikonec Gmbh	0.15	0.15
Total investments in associates	**9.42**	**9.26**

(in millions of Euro)

	Rodco Ltd	Kabeltrommel Gmbh & Co.K.G.		Sikonec Gmbh	Eksa Sp.Zo.o
Country	UK		Germany	Germany	Poland
% owned	40.00%	28.68%	1.00%	50.00%	20.05%
Direct owner	Prysmian Cables & Systems Limited	Prysmian Kabel und Systeme GmbH	Bergmann Kabel und Leitungen Gmbh	Bergmann Kabel und Leitungen Gmbh	Prysmian Energia Holding S.r.l.
Financial information at 31 December 2009 (in millions of Euro) [(1)]**:**					
Assets	6		n.a.	n.a.	n.a.
Liabilities	-		n.a.	n.a.	n.a.
Equity	6		n.a.	n.a.	n.a.
Sales	-		n.a.	n.a.	n.a.
Profit (loss)	-		-	n.a.	n.a.
Financial information at 31 December 2008 (in millions of Euro):					
Assets	5		32	1	7
Liabilities	-		18	-	2
Equity	5		14	1	5
Sales	-		22	4	27
Profit/(loss)	-		-	-	2

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Movements in this balance are detailed as follows:

(in millions of Euro)

	31 December 2009	31 December 2008
Opening balance	**10**	**13**
- Currency translation differences	-	-
- Fair value gains	2	-
- Fair value losses	-	(1)
- Disposals	(6)	(2)
Total movements	**(4)**	**(3)**
Closing balance	**6**	**10**

[(1)] Financial information at 31 December 2009 is based on provisional figures because associates publish their annual financial statements after the Group consolidated financial statements are published.

Available-for-sale financial assets comprise:

(in millions of Euro)

	Type of financial asset	% owned by Group	31 December 2009	31 December 2008
Essex Italy S.p.A. (ex Invex S.p.A.)	convertible bond	n.a.	-	5.89
Tunisie Cables S.A.	unlisted shares	7.55%	0.91	0.91
American Superconductor	listed shares	0.44%	4.08	1.69
Cesi Motta S.p.A.	unlisted shares	6.48%	0.59	0.59
Líneas de Transmisión del Litoral S.A.	unlisted shares	5.50%	0.08	0.43
Voltimum S.A.	unlisted shares	13.71%	0.27	0.27
Other securities			0.35	0.43
Total			**6.28**	**10.21**

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

(in millions of Euro)

	31 December 2009	31 December 2008
Euro	1	7
US Dollar	4	2
Tunisian Dinar	1	1
Total	**6**	**10**

During the year the convertible bonds issued by Essex Italy S.p.A. (formerly Invex S.p.A.) were repaid in advance of their natural maturity (1 January 2010), giving rise to Euro 6 million in cash inflows.

The American Superconductor shares are measured at fair value, based on their stockmarket price in the United States.

The shares in Cesi Motta S.p.A, Voltimum S.A and Tunisie Cables S.A. and the Other securities are recognised at cost since the related fair value cannot be measured reliably; in fact, these are unlisted financial instruments whose characteristics are not comparable with those of other securities traded on the stock market at the reporting dates.

Apart from the above reimbursement of Essex Italy bonds, the movements in available-for-sale financial assets at 31 December 2009 reflect the positive change of Euro 2 million in the fair value of the American Superconductor shares, which had reported a fair value decrease of Euro 1 million at 31 December 2008.

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)			31 December 2009
	Non-current	Current	Total
Trade receivables	-	661	661
Allowance for doubtful accounts	-	(39)	(39)
Total trade receivables	**-**	**622**	**622**
Other receivables:			
Tax receivables	11	62	73
Financial receivables	2	33	35
Prepaid finance costs	4	3	7
Receivables from employees	2	1	3
Construction contracts	-	225	225
Others	9	35	44
Total other receivables	**28**	**359**	**387**
Total	**28**	**981**	**1,009**

(in millions of Euro)			31 December 2008
	Non-current	Current	Total
Trade receivables	2	771	773
Allowance for doubtful accounts	-	(39)	(39)
Total trade receivables	**2**	**732**	**734**
Other receivables:			
Tax receivables	9	63	72
Financial receivables	1	45	46
Prepaid finance costs	7	3	10
Receivables from employees	2	2	4
Construction contracts	-	140	140
Others	7	48	55
Total other receivables	**26**	**301**	**327**
Total	**28**	**1,033**	**1,061**

The Prysmian Group transfers a significant part of its trade receivables through the securitization programme started in 2007, as described in Section B.2. Securitized receivables amount to Euro 220 million gross at 31 December 2009 (Euro 256 million at 31 December 2008), for which Prysmian Financial Services Ireland Ltd had not drawn down any credit lines at this date, compared with a drawdown of Euro 99 million at 31 December 2008. These receivables are under a lien in favour of third-party lenders.

The gross amount of past due impaired receivables is Euro 280 million at 31 December 2009 (Euro 338 million at 31 December 2008).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2009	31 December 2008
past due between 1 and 30 days	210	261
past due between 31 and 90 days	20	38
past due between 91and 180 days	10	11
past due between 181 and 365 days	16	10
past due more than 365 days	24	18
Total	**280**	**338**

The value of trade receivables past due but not impaired is Euro 17 million at 31 December 2009 (Euro 20 million at 31 December 2008). These receivables mainly relate to customers in the Energy segment, which have been insured against the risk of any bad debts arising from the effective or legal insolvency of such customers.

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2009	31 December 2008
past due between 1 and 30 days	16	15
past due between 31 and 90 days	-	3
past due between 91and 180 days	-	-
past due between 181 and 365 days	-	2
past due more than 365 days	1	-
Total	**17**	**20**

The value of trade receivables not past due is Euro 364 million at 31 December 2009 (Euro 413 million at 31 December 2008). There are no particular problems with the quality of these receivables and there are no significant amounts that would otherwise be past due if their original due dates had not been renegotiated.

The following table breaks down trade and other receivables on the basis of the currency in which they are expressed:

(in millions of Euro)

	31 December 2009	31 December 2008
Euro	513	566
US Dollar	166	187
Brazilian Real	72	65
Chinese Renminbi (Yuan)	61	47
British Pound	45	45
Turkish Lira	28	38
Argentine Peso	16	17
Hungarian Forint	12	8
Canadian Dollar	10	16
Australian Dollar	9	14
Other currencies	77	58
Total	**1,009**	**1,061**

The allowance for doubtful accounts amounts to Euro 39 million at 31 December 2009 (Euro 39 million at the end of 2008); movements in this allowance are shown in the following table:

(in millions of Euro)

	31 December 2009	31 December 2008
Opening balance	**39**	**41**
- Increases in allowance	10	4
- Write offs	(1)	(5)
- Releases	(9)	-
- Currency translation differences	-	(1)
Total movements	**-**	**(2)**
Closing balance	**39**	**39**

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

"Prepaid finance costs" are costs relating to the Revolving Credit Facility and Bonding Facility, whose non-current portion at 31 December 2009 is Euro 2 million (Euro 3 million at 31 December 2008) and current portion Euro 1 million (Euro 1 million at 31 December 2008). This amount also includes prepaid costs relating to the securitization programme, whose non-current portion is Euro 2 million at the end of 2009 (Euro 4 million at 31 December 2008) and current portion Euro 2 million (Euro 2 million at 31 December 2008).

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

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

(in millions of Euro)	31 December 2009	31 December 2008
Construction contract revenue to date	1,331	954
Amounts invoiced	(1,163)	(866)
Net amount receivable from customers for construction contracts	**168**	**88**
of which:		
Other receivables - construction contracts	225	140
Other payables - construction contracts	(57)	(52)

The following table shows the revenues, costs and related profit margins recognised in 2009 and 2008:

(in millions of Euro)	2009	2008
Revenue	425	389
Costs	(292)	(273)
Gross margin	**133**	**116**

"Others" include Euro 2 million in advances at 31 December 2009 (Euro 7 million at 31 December 2008).

6. INVENTORIES

These are detailed as follows:

(in millions of Euro)	31 December 2009	31 December 2008
Raw materials	126	151
of which allowance for obsolete and slow-moving raw materials	*(11)*	*(12)*
Work in progress and semi-finished goods	118	137
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	*(8)*	*(8)*
Finished goods	199	226
of which allowance for obsolete and slow-moving finished goods	*(24)*	*(24)*
Total	**443**	**514**

7. FINANCIAL ASSETS HELD FOR TRADING

These are detailed as follows:

(in millions of Euro)	31 December 2009	31 December 2008
Listed securities:		
- Euro/US/UK area	-	1
- Brazilian Real area	40	33
Unlisted securities	2	4
Total	**42**	**38**

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

(in millions of Euro)	31 December 2009	31 December 2008
Opening balance	**38**	**40**
- Currency translation differences	9	(9)
- Business combinations	-	1
- Securities acquisition	-	7
- Securities disposal	(5)	(1)
Total movements	**4**	**(2)**
Total	**42**	**38**

8. DERIVATIVES

These are detailed as follows:

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

(in millions of Euro)	31 December 2008	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	1	7
Forward currency contracts on commercial transactions (cash flow hedges)	2	9
Forward currency contracts on financial transactions (cash flow hedges)	-	13
Total hedging derivatives	**3**	**29**
Forward currency contracts on commercial transactions	6	1
Forward currency contracts on financial transactions	12	3
Total other derivatives	**18**	**4**
Total non-current	**21**	**33**
Current		
Forward currency contracts on financial transactions (cash flow hedges)	-	1
Forward currency contracts on commercial transactions (cash flow hedges)	4	8
Total hedging derivatives	**4**	**9**
Forward currency contracts on commercial transactions	24	21
Forward currency contracts on financial transactions	15	9
Metal derivatives	3	81
Total other derivatives	**42**	**111**
Total current	**46**	**120**
Total	67	153

Given the low level of market interest rates, the Group entered into new forward-start interest rate swaps in September 2009 for a notional value of Euro 550 million (of which Euro 50 million in US dollars); the new swaps extend the coverage of existing contracts that expire in May and September 2010 until May 2012. The Group also entered other forward-start contracts for a notional value of Euro 300 million as a partial hedge against future variable rate interest payments in 2012-2014.

At 31 December 2009, the notional value of interest rate swaps already in place at 31 December 2008, is Euro 748 million and refers to derivatives designated as cash flow hedges; the corresponding notional value of these swaps was Euro 780 million at 31 December 2008. These financial instruments convert the variable component of interest rates on loans received into a fixed rate of between 2.9% and 4.0% for the portion in Euro and between 4.6% and 5.1% for the portion in US Dollars.

The contracts entered for the period 2010-2012 have a notional value of Euro 500 million, at a fixed rate of between 2.2% and 2.4%, and of USD 74 million, at a fixed rate of 2.4%. The contracts entered for the period 2012-2014 have a notional value of Euro 300 million, at a fixed rate of 3.7%.

The notional value of forward currency contracts is Euro 1,803 million at 31 December 2009 (Euro 1,992 million at 31 December 2008); the total notional amount at 31 December 2009 includes Euro 745 million in derivatives designated as cash flow hedges (Euro 670 million at 31 December 2008).

The notional value of commodity futures is Euro 237 million at 31 December 2009 (Euro 277 million at 31 December 2008).

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

(in millions of Euro)		2009		2008
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**(52)**	**15**	**(7)**	**2**
Changes in fair value	5	(1)	(44)	12
Releases to other finance costs/(income)	8	(2)	(10)	3
Releases to exchange gains	(7)	2	7	(2)
Releases to sales revenues	-	-	(1)	-
Releases to finance costs/(income)	-	-	3	-
Closing balance	**(46)**	**14**	**(52)**	**15**

The ineffective portion of cash flow hedges was not significant in either 2008 or 2009.

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2009	31 December 2008
Cash and cheques	3	7
Bank and postal deposits	489	485
Total	**492**	**492**

Cash and cash equivalents, deposited with leading financial institutions, are managed centrally by Group treasury companies or by subsidiaries under the supervision of the Finance Department of Prysmian S.p.A.. Cash and cash equivalents managed by Group treasury companies amount to Euro 289 million at 31 December 2009 compared with Euro 272 million at 31 December 2008.
For additional details on the change in cash and cash equivalents, please refer to Note 37.

10. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2009	31 December 2008
Land	22	21
Buildings	6	5
Total	**28**	**26**

This balance reflects the land and buildings of the factories in Prescott and Eastleigh in the United Kingdom, which were classified as held for sale after the reorganisation of Energy segment production activities in 2008. The increase since 31 December 2008 is due to changes in the exchange rate.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has increased by Euro 235 million since 31 December 2008, mainly reflecting the net effect of:

- profit for the year of Euro 252 million;
- the distribution of Euro 74 million in dividends by Prysmian S.p.A.;
- the negative post-tax change of Euro 11 million in actuarial gains on employee benefits;
- the positive post-tax change of Euro 5 million in the fair value of derivatives designated as cash flow hedges;
- the positive translation difference of Euro 56 million.

Following the exercise of options under the first and second tranches of the Stock Option Plan, share capital amounts to Euro 18,123,503.90 at 31 December 2009, corresponding to 181,235,039 shares.

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

	Outstanding shares	Treasury shares	Total ordinary shares
Balance at 31 December 2007	**180,000,000**	**-**	**180,000,000**
Capital increase (*)	546,227	-	546,227
Treasury shares	-	(3,028,500)	(3,028,500)
Balance at 31 December 2008	**180,546,227**	**(3,028,500)**	**177,517,727**

	Outstanding shares	Treasury shares	Total ordinary shares
Balance at 31 December 2008	**180,546,227**	**(3,028,500)**	**177,517,727**
Capital increase (*)	688,812	-	688,812
Treasury shares	-	-	-
Balance at 31 December 2009	**181,235,039**	**(3,028,500)**	**178,206,539**

Treasury shares

On 15 April 2008, the shareholders voted to adopt a share buy-back and disposal programme, involving up to 18,000,000 of the Company's ordinary shares which could be purchased in one or more blocks over a period of no more than 18 months from the date of the resolution. The Board of Directors was delegated with responsibility for enacting this programme. Under this resolution, purchases and sales of the shares had to meet the following conditions: (i) the minimum price could be no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; ii) the maximum price could be no more than 10% above the stock's official price reported in the trading

(*) Resulting from the exercise of part of the options under the first and second tranches of the Stock Option Plan.

session on the day before carrying out each individual purchase transaction; (iii) the maximum number of shares purchased per day could not exceed 25% of the average daily volume of trades in Prysmian shares on the Milan Stock Exchange in the 20 trading days prior to the purchase date; (iv) the purchase price could not be greater than the higher of the price of the last independent transaction and the highest independent bid price currently on the market. On 7 October 2008, the Board of Directors subsequently granted the Chief Executive Officer and Chief Financial Officer separate powers to purchase up to 4 million of the Company's shares by 31 December 2008. At this date a total of 3,028,500 shares had been bought back for Euro 30 million.

On 9 April 2009, the shareholders renewed the authorisation to buy and dispose of treasury shares, while cancelling the previous resolution in this regard adopted on 15 April 2008. The authorisation permits the purchase of shares representing no more than 10% of the Company's share capital at any time, including any treasury shares already held by the Company. Purchases may not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved annual financial statements. The programme will last for a maximum of 18 months commencing from the date of the shareholders' approval.

Movements in treasury shares are shown in the following table:

					Treasury shares
	Number of ordinary shares	Total nominal value (in Euro)	% of total share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2007	**-**	**-**	**-**	**-**	**-**
- Purchases	3,028,500	302,850	1.68%	9.965	30,179,003
- Sales	-	-	-	-	-
At 31 December 2008	**3,028,500**	**302,850**	**1.68%**	**9.965**	**30,179,003**
- Purchases					
- Sales					
At 31 December 2009	**3,028,500**	**302,850**	**1.67%**	**9.965**	**30,179,003**

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)	31 December 2009		
	Non-current	Current	Total
Borrowings from banks and other lenders	882	150	1,032
Finance lease obligations	2	2	4
Total	**884**	**152**	**1,036**

(in millions of Euro)	31 December 2008		
	Non-current	Current	Total
Borrowings from banks and other lenders	966	188	1,154
Finance lease obligations	3	1	4
Total	**969**	**189**	**1,158**

Borrowings from banks and other lenders are analysed as follows:

(in millions of Euro)	31 December 2009	31 December 2008
Credit Agreement	960	995
Other borrowings	72	159
Total	**1,032**	**1,154**

The Credit Agreement is a variable rate facility, tied to Euribor for the part of the facility in Euro and to Libor USD for the part in US dollars. The spread applied as from March 2008 is 0.40% per annum. Following the increase in market spreads, the fair value of the New Credit Agreement at 31 December 2009, corresponding to Euro 946 million, is lower than its nominal value.

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2009 and 2008:

(in millions of Euro)						31 December 2009
				Variable interest rate	Fixed interest rate	
	Euro	USD	GBP	Other currencies	Euro and other currencies	Total
Due within 1 year	118	12	-	19	3	152
Due between 1 and 2 years	173	24	-	1	3	201
Due between 2 and 3 years	583	79	-	1	14	677
Due between 3 and 4 years	-	-	-	1	1	2
Due between 4 and 5 years	-	-	-	-	1	1
Due after more than 5 years	-	-	-	-	3	3
Total	**874**	**115**	**-**	**22**	**25**	**1,036**
Average interest rate in period, as per contract	2.8%	2.1%	0.0%	5.4%	4.3%	2.8%
Average interest rate in period, including IRS effect [a]	3.5%	3.5%	0.0%	5.4%	4.3%	3.6%

[a] There are interest rate swaps to hedge interest rate risk on the variable rate loans in Euro and USD. The total hedged amount at 31 December 2009 amounts to 79.6% of the debt in Euro and 44.8% of the debt in USD at that date. In particular, the interest rate hedges consist of interest rate swaps which exchange a variable rate (6-month Euribor for loans in Euro and 6-month USD Libor for those in USD) with an average fixed rate (fixed rate + spread) of 3.7% for Euro and 5.3% for USD. The percentages representing the average fixed rate are applicable at 31 December 2009.

(in millions of Euro)						31 December 2008
				Variable interest rate	Fixed interest rate	
	Euro	USD	GBP	Other currencies	Euro and other currencies	Total
Due within 1 year	119	28	8	31	3	189
Due between 1 and 2 years	87	12	-	-	2	101
Due between 2 and 3 years	174	24	-	-	2	200
Due between 3 and 4 years	583	82	-	-	2	667
Due between 4 and 5 years	-	-	-	-	-	-
Due after more than 5 years	-	-	-	-	1	1
Total	**963**	**146**	**8**	**31**	**10**	**1.158**
Average interest rate in period, as per contract	5.2%	4.1%	5.2%	6.3%	4.0%	5.1%
Average interest rate in period, including IRS effect [a]	4.0%	4.6%	5.2%	6.3%	4.0%	4.2%

[a] There are interest rate swaps to hedge interest rate risk on the variable rate loans in Euro and USD. The total hedged amount at 31 December 2008 amounted to 75.5% of the debt in Euro and 36.2% of the debt in USD at that date. In particular, the interest rate hedges consist of interest rate swaps which exchange a variable rate (6-month Euribor for loans in Euro and 6-month USD Libor for those in USD) with an average fixed rate (fixed rate + spread) of 3.7% for Euro and 5.3% for USD. The percentages representing the average fixed rate are applicable at 31 December 2008.

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

(in millions of Euro)	
Term Loan Facility (*)	1,000
Revolving Credit Facility	400
Bonding Facility	300
Total	**1,700**

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

The unused credit facilities available to the Group under the New Credit Agreement are as follows:

(in millions of Euro)	31 December 2009	31 December 2008
Revolving Credit Facility	393	364
Bonding Facility	155	129
Total	**548**	**493**

The New Credit Agreement has a 5-year term and expires on 3 May 2012. The loan repayment plan is structured as follows:

(in millions of Euro)	
30 November 2009	30
31 May 2010	50
30 November 2010	50
31 May 2011	100
30 November 2011	100
3 May 2012	670
Total (*)	**1,000**

The first instalment under the loan repayment plan was made on 30 November 2009 for Euro 30 million. The New Credit Agreement calls for compliance with non-financial covenants and two financial ones, as described in Note 32. No collateral security is required, except for a lien on shares in the main subsidiaries if the financial covenants are breached. More information can be found in Note 39 "Subsequent events".

(*) Amount at exchange rates at which the New Credit Agreement was granted.

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

(in millions of Euro)	New Credit Agreement	Other borrowings	Total
Balance at 31 December 2008	**995**	**159**	**1,154**
Business combinations	-	10	10
Currency translation differences	(4)	(4)	(8)
Repayments	(30)	(99)	(129)
Amortisation of bank and financial fees and other expenses	2	-	2
Others	(3)	6	3
Total movements	**(35)**	**(87)**	**(122)**
Balance at 31 December 2009	**960**	**72**	**1.032**

(in millions of Euro)	New Credit Agreement	Other borrowings	Total
Balance at 31 December 2007	**987**	**60**	**1,047**
Currency translation differences	7	9	16
Drawings	-	99	99
Repayments	-	-	-
Amortisation of bank and financial fees and other expenses	2	-	2
Others	(1)	(9)	(10)
Total movements	8	99	107
Balance at 31 December 2008	**995**	**159**	**1,154**

The drawings of Euro 99 million in 2008 refer to the drawdown of the credit facilities serving the trade receivables securitization programme.

The following table summarises the Committed Lines available to the Group at 31 December 2009 and 31 December 2008:

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

(in millions of Euro)	31 December 2008		
	Total lines	Used	Unused
Term Loan Facility	1,000	(1,000)	-
Revolving Credit Facility	400	(36)	364
Bonding Facility	300	(171)	129
Total New Credit Agreement	**1,700**	**(1,207)**	**493**
Securitization	350	(99)	251
Total	**2,050**	**(1,306)**	**744**

Unused Committed Lines at 31 December 2009 of Euro 898 million comprise Euro 155 million in credit lines relating to guarantees (Bonding Facility) and Euro 743 million in cash facilities.

Unused Committed Lines at 31 December 2008 of Euro 744 million comprised Euro 129 million in credit lines relating to guarantees (Bonding Facility) and Euro 615 million in cash facilities.

Finance lease obligations represent the payable arising after entering into finance leases. Finance lease obligations are reconciled with outstanding instalments as follows:

(in millions of Euro)	31 December 2009	31 December 2008
Due within 1 year	2	1
Due between 1 and 5 years	2	3
Due after more than 5 years	-	-
Minimum finance lease payments	**4**	**4**
Future interest costs	-	-
Finance lease obligations	**4**	**4**

Finance lease obligations are analysed by maturity as follows:

(in millions of Euro)	31 December 2009	31 December 2008
Due within 1 year	2	1
Due between 1 and 5 years	2	3
Due after more than 5 years	-	-
Total	**4**	**4**

NET FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2009	Of which related parties (Note 33)	31 December 2008	Of which related parties (Note 33)
Long-term financial payables					
Term Loan Facility		864		967	
Bank fees		(4)		(6)	
New Credit Agreement	12	**860**		**961**	
Finance leases	12	2		3	
Forward currency contracts on financial transactions	8	3		16	
Interest rate swaps	8	2		7	1
Other financial payables	12	22		5	
Total long-term financial payables		**889**		**992**	
Short-term financial payables					
Term Loan Facility	12	100		34	
Bank fees		-		-	
Finance leases	12	2		1	
Securitization	12	-		99	
Interest rate swaps	8	12	3	-	
Forward currency contracts on financial transactions	8	8		10	
Other financial payables	12	50	1	55	
Total short-term financial payables		**172**		**199**	
Total financial liabilities		**1,061**		**1,191**	
Long-term financial receivables	5	2		1	
Long-term bank fees	5	4		7	
Interest rate swaps	8	-		1	
Forward currency contracts on financial transactions (non-current)	8	5		12	
Forward currency contracts on financial transactions (current)	8	6		15	
Short-term financial receivables	5	33		45	
Short-term bank fees	5	3		3	
Financial assets held for trading	7	42		38	
Cash and cash equivalents	9	492		492	
Net financial position		**474**		**577**	

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

(in millions of Euro)	Note	31 December 2009	Of which related parties (Note 33)	31 December 2008	Of which related parties (Note 33)
Net financial position - as reported above		474		577	
Long-term financial receivables	5	2		1	
Long-term bank fees	5	4		7	
Net forward currency contracts on commercial transactions	8	(3)		3	
Net metal derivatives	8	(11)		78	
Recalculated net financial position		**466**		**666**	

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

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

(in millions of Euro)	31 December 2008		
	Non-current	Current	Total
Trade payables	-	650	650
Total trade payables	-	650	650
Other payables:			
Tax and social security payables	26	55	81
Advances	-	114	114
Payables to employees	-	42	42
Accrued expenses	-	79	79
Others	4	56	60
Total other payables	**30**	**346**	**376**
Total	**30**	**996**	**1,026**

Trade payables include around Euro 80 million for the supply of strategic metals (copper, aluminium and lead), for which the payment terms normally granted on the market for this type of transaction have been extended in some instances.

Advances include Euro 57 million due to customers for construction contracts at 31 December 2009 compared with Euro 52 million at 31 December 2008. This liability represents the gross amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

The following table breaks down trade and other payables on the basis of the currency in which they are expressed:

(in millions of Euro)	31 December 2009	31 December 2008
Euro	454	480
US Dollar	125	212
British Pound	76	54
Brazilian Real	62	82
Chinese Renminbi (Yuan)	54	56
Australian Dollar	29	27
Romanian Leu	12	27
Argentine Peso	10	15
Turkish Lira	9	20
Other currencies	69	53
Total	**900**	**1,026**

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

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

(in millions of Euro)			31 December 2008
	Non-current	Current	Total
Restructuring costs	-	10	10
Contractual and legal risks	31	29	60
Environmental risks	-	2	2
Tax inspections	3	17	20
Other risks and charges	-	9	9
Total	**34**	**67**	**101**

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 2008	**10**	**60**	**2**	**20**	**9**	**101**
Currency translation differences	-	5	-	1	1	7
Increases	8	19	3	1	10	41
Utilisations	(9)	(9)	-	(5)	-	(23)
Releases	(1)	(17)	(1)	(1)	(6)	(26)
Other	-	(1)	2	(1)	3	3
Total movements	**(2)**	**(3)**	**4**	**(5)**	**8**	**2**
Balance at 31 December 2009	**8**	**57**	**6**	**15**	**17**	**103**

The increase of Euro 8 million in the provision for restructuring costs refers to company reorganisation projects principally in Canada, Germany and France, while the related utilisation of this provision for Euro 9 million largely refers to projects to rationalise production in Germany and France.

The increase of Euro 19 million in the provision for contractual and legal risks mostly refers to:

- contractual risks (Euro 4 million), mainly relating to the Submarine and High Voltage businesses lines;
- legal risks (Euro 7 million), for the provision of legal costs relating to the investigations started by the European Commission and Antitrust Authorities in Japan, the United States and Australia aimed at verifying the existence of alleged anti-competitive agreements in the high voltage underground and submarine cables sector;
- legal risks (Euro 2 million) in Prysmian Enegia Cabos e Sistemas do Brasil S.A. for employment-related litigation.

The decrease of Euro 26 million in the provision for contractual and legal risks mainly refers to the utilisation (Euro 9 million) and release (Euro 17 million) of the provisions for contractual guarantees and indemnities and for employment-related disputes after the related risks ceased to exist.

The utilisation of the provision for tax inspections (Euro 5 million) is the result of settling the first part of a dispute over alleged VAT irregularities involving one of the Group's foreign subsidiaries.

15. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	31 December 2009	31 December 2008
Pension funds	88	77
Employee indemnity liability (Italian TFR)	22	22
Medical benefit plans	18	14
Termination benefits and others	14	12
Total	**142**	**125**

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

(in millions of Euro)			2009
	Pension funds	Medical benefit plans	Employee indemnity liability
Current service costs	2	1	-
Interest costs	7	1	1
Expected return on plan assets	(2)	-	-
Losses/(gains) on curtailments and settlements	3	-	-
Total	**10**	**2**	**1**

(in millions of Euro)	2008		
	Pension funds	Medical benefit plans	Employee indemnity liability
Current service costs	5	-	-
Interest costs	7	1	1
Expected return on plan assets	(3)	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total	**9**	**1**	**1**

Pension funds

These are detailed as follows:

(in millions of Euro)	31 December 2009						
	Germany	France	Turkey	UK	USA	Canada	Total
Funded pension plans:							
Present value of obligation	-	-	-	16	19	19	54
Fair value of plan	-	-	-	(16)	(13)	(17)	(46)
Unfunded pension plans:							
Present value of obligation	70	7	3	-	-	-	80
Total	**70**	**7**	**3**	**-**	**6**	**2**	**88**

(in millions of Euro)	31 December 2008						
	Germany	France	Turkey	UK	USA	Canada	Total
Funded pension plans:							
Present value of obligation	-	-	-	14	18	15	47
Fair value of plan	-	-	-	(14)	(12)	(15)	(41)
Unrecognised assets	-	-	-	-	-	2	2
Unfunded pension plans:							
Present value of obligation	60	6	3	-	-	-	69
Total	**60**	**6**	**3**	**-**	**6**	**2**	**77**

The changes in pension fund obligations are as follows:

(in millions of Euro)

	2009	2008
Opening obligations	**118**	**117**
Current service costs	2	5
Interest costs	7	7
Actuarial gains/(losses) recognised in equity	12	(7)
Gains/(losses) recognised in equity for unrecognised assets	(2)	2
Currency translation differences	2	(6)
Contributions paid in by plan participants	-	1
Utilisations for restructuring (curtailment)	(1)	-
Plan settlements	3	(9)
Business combinations	-	15
Reclassifications	(1)	-
Utilisations	(6)	(7)
Total movements	**16**	**1**
Closing obligations	**134**	**118**

The changes in pension fund assets are as follows:

(in millions of Euro)

	2009	2008
Opening assets	**41**	**58**
Interest income	2	3
Actuarial gains/(losses) recognised in equity	2	(8)
Currency translation differences	1	(6)
Employer contributions	(2)	(6)
Contributions paid in by plan participants	2	11
Settlement of Dutch plan	-	(9)
Total movements	**5**	**(15)**
Closing assets	**46**	**41**

At 31 December 2009, pension fund assets were made up of equity funds (44.04%), bonds (55.61%) and other assets (0.35%), with expected yields of 8.09%, 5.12% and -1.64% respectively.

At 31 December 2008, pension fund assets were made up of equity funds (43.81%), bonds (56.08%) and other assets (0.11%), with expected yields of 8.31%, 4.79% and -1.72% respectively.

Employee indemnity liability

This is detailed as follows:

(in millions of Euro)	2009	2008
Opening balance	**22**	**25**
Current service costs	-	-
Interest costs	1	1
Actuarial gains/(losses) recognised in equity	3	(1)
Curtailments	-	-
Utilisations	(4)	(3)
Total movements	**-**	**(3)**
Closing balance	**22**	**22**

Medical benefit plans

These are detailed as follows:

(in millions of Euro)	2009	2008
Opening balance	**14**	**13**
Current service costs	1	-
Interest costs	1	1
Currency translation differences	1	(1)
Actuarial gains/(losses) recognised in equity	2	-
Reclassifications from other benefits	-	2
Utilisations	(1)	(1)
Total movements	**4**	**1**
Closing balance	**18**	**14**

Other information

The main actuarial assumptions used to determine pension obligations are as follows:

			31 December 2009
	Pension funds	Medical benefit plans	Employee indemnity liability
Discount rate	5.50%	7.18%	5.00%
Future salary increase	2.89%	5.00%	n.a.
Inflation rate/growth in medical benefit costs	2.25%	4.00%	2.00%

			31 December 2008
	Pension funds	Medical benefit plans	Employee indemnity liability
Discount rate	6.19%	7.87%	5.75%
Future salary increase	2.98%	4.10%	n.a.
Inflation rate/growth in medical benefit costs	2.52%	4.80%	2.00%

Contributions and payments for employee benefit obligations amounted to Euro 10 million in 2009.

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

				2009
	Average	%	Closing	%
Blue collar	8,808	74%	8,629	74%
White collar and management	3,044	26%	3,075	26%
Total	**11,852**	**100%**	**11,704**	**100%**

				2008
	Average	%	Closing	%
Blue collar	9,575	75%	9,206	74%
White collar and management	3,151	25%	3,166	26%
Total	**12,726**	**100%**	**12,372**	**100%**

In 2009 the average number of employees relating to companies consolidated on a proportionate basis is 56 (86 in 2008).

16. DEFERRED TAXES

These are detailed as follows:

(in millions of Euro)	31 December 2009	31 December 2008
Deferred tax assets:		
- Deferred tax assets recoverable after more than 12 months	12	30
- Deferred tax assets recoverable within 12 months	35	14
Total deferred tax assets	**47**	**44**
Deferred tax liabilities:		
- Deferred tax liabilities reversing after more than 12 months	(27)	(20)
- Deferred tax liabilities reversing within 12 months	(40)	(10)
Total deferred tax liabilities	**(67)**	**(30)**
Total net deferred tax assets/(liabilities)	**(20)**	**14**

Movements in deferred taxes are detailed as follows:

(in millions of Euro)

	Accumulated depreciation	Provisions	Tax losses	Other	Total
Balance at 31 December 2007	**(43)**	**34**	**-**	**(24)**	**(33)**
Currency translation differences	-	-	-	(1)	(1)
Impact on income statement	(1)	(4)	9	29	33
Impact on equity	-	-	-	15	15
Balance at 31 December 2008	**(44)**	**30**	**9**	**19**	**14**
Reclassifications	(8)	7	-	1	-
Currency translation differences	-	-	-	5	5
Impact on income statement	(6)	4	(5)	(32)	(39)
Balance at 31 December 2009	**(58)**	**41**	**4**	**(7)**	**(20)**

The Group has not recognised any deferred tax assets for carryforward tax losses of Euro 104 million and Euro 197 million at 31 December 2009 and 31 December 2008 respectively, or for temporary differences deductible in future years of Euro 78 million and Euro 82 million at 31 December 2009 and 31 December 2008 respectively. Unrecognised deferred tax assets relating to these carryforward tax losses and deductible temporary differences amount to Euro 49 million and Euro 76 million at 31 December 2009 and 31 December 2008 respectively.

The increase in deferred tax liabilities is basically due to the positive fair value change in metal derivatives.

The following table shows details of carryforward tax losses at 31 December 2009:

(in millions of Euro)	31 December 2009
Carryforward tax losses	116
of which recognised as assets	12
Carryforward expires in 2010	47
Carryforward expires between 2011 and 2016	12
No limit on carryforward	57

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)	2009	2008
Finished goods	3,083	4,355
Construction contracts	425	389
Services	121	282
Other	102	118
Total	**3,731**	**5,144**

The figures for 2008 have been duly reclassified to show the amount of construction contracts; this reclassification has involved decreasing the amount of finished goods sales by Euro 366 million and reducing revenue from services by Euro 23 million.

18. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED GOODS

This is detailed as follows:

(in millions of Euro)	2009	2008
Finished goods	(27)	(46)
Work-in-progress	(23)	(5)
Total	**(50)**	**(51)**

19. OTHER INCOME

This is detailed as follows:

(in millions of Euro)	2009	2008
Rental income	5	5
Insurance reimbursements and indemnities	1	1
Gains on disposal of property	-	1
Other income	26	29
Non-recurring other income:		
Badwill from Facab Lynen acquisition	-	3
Total non-recurring other income	**-**	**3**
Total	**32**	**39**

20. RAW MATERIALS AND CONSUMABLES USED

These are detailed as follows:

(in millions of Euro)	2009	2008
Raw materials	1,906	2,938
Other materials	119	185
Change in inventories	35	4
Total	**2,060**	**3,127**

21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)	2009	2008
Wages and salaries	376	415
Social security	90	90
Retirement pension costs	2	5
Employee indemnity costs	-	-
Medical benefit costs	1	-
Other personnel costs	31	30
Non-recurring personnel costs:		
Shutdown of production facilities and reorganisation	17	11
Total non-recurring personnel costs	**17**	**11**
Total	**517**	**551**

The amount of Euro 17 million relating to "Shutdown of production facilities and reorganisation" mostly refers to the costs of closing the factory in St Jean de Richelieu in Canada, and of reorganising production in various other countries.

Share-based payments

At 31 December 2009 and 31 December 2008, the Prysmian Group had share-based compensation plans in place for managers of Group companies and members of the company's Board of Directors.
These plans are described below.

Co-investment plans

During July 2005, certain managers of Group companies were given the right to buy shares representing the share capital of Prysmian (Lux) S.à r.l., the company which has indirect control of Prysmian S.p.A. through Prysmian (Lux) II S.à r.l.. The purchase price was set at Euro 28.16 for each ordinary share and Euro 1.00 for each non-Interest Bearing Preferred Equity Certificate (nPEC) and Interest Bearing Preferred Equity Certificate (iPEC). Such purchase prices were equivalent to the prices paid by Goldman Sachs for the same shares during the Acquisition.

In June 2006, the final Co-investment plan was signed and, subsequently, in the months July-September 2006 the shares of Prysmian (Lux) S.à r.l., which owns all of the share capital in the shareholder Prysmian (Lux) II S.à r.l., were subscribed at the contractually agreed prices reported above.

The main features of the agreement were as follows:

(in Euro)	Fair value
Ordinary shares	2,001.83
nPEC	Not less than 1.00
iPEC	1.12

The fair value of the Co-investment plan at the grant date was Euro 10.5 million. The overall cost recognised in the income statement in the year ended 31 December 2009 is Euro 0.3 million compared with Euro 0.4 million at 31 December 2008. This cost has been recognised in "Personnel costs" for the part attributable to Group employees, and in "Other expenses" for the part attributable to Group directors.

This cost represents the difference between the fair market value (FMV) of the Prysmian (Lux) S.à.r.l. shares on their grant date and the subscription price for management.

The residual value of the Co-investment plan at 31 December 2009 is Euro 0.1 million. Although all the rights related to the Co-investment plan are fully vested, they can be exercised only under specific conditions defined in the same plan, not under the direct control of the beneficiaries.

Stock option plans

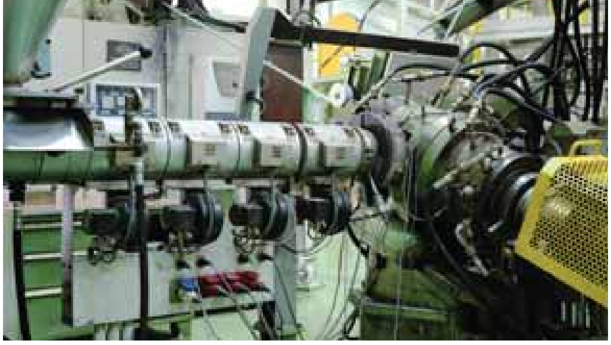
On 30 November 2006, the Company's shareholders approved a stock option plan which was dependent on the flotation of the Company's shares on Italy's Electronic Equities Market (MTA) organised and managed by Borsa Italiana S.p.A. The plan was reserved for employees of companies belonging to the Prysmian Group. At 31 December 2009 a total of 1,560 thousand options to subscribe to the Company's ordinary shares were outstanding, with a par value of Euro 0.10 each and representing around 0.9% of share capital.

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

More details of the stock option plan are as follows:

(in Euro)	31 December 2009		31 December 2008	
	Number of options	Strike price	Number of options	Strike price
Options at start of year	2,318,974	4.65	2,884,812	4.65
Granted	-	4.65	-	4.65
Cancelled	(69,726)	-	(19,611)	-
Exercised	(688,812)	4.65	(546,227)	-
Options at end of year	1,560,436	4.65	2,318,974	4.65
of which vested at end of year	880,599	4.65	890,593	4.65
of which exercisable [1]	-	-	-	-
of which not vested at end of year	679,837	4.65	1,428,381	4.65

[1] Option exercise is limited to the periods reported below.



The weighted average price of Prysmian S.p.A. shares during the two possible stock option exercise periods in 2009 was Euro 9.97 (Euro 14.01 in 2008).

The outstanding 679,837 options will vest in two annual instalments, both on 4 December 2010, being the last anniversary of their grant date.

As for the option exercise periods, the Plan states that each of the Plan beneficiaries may exercise, in whole or in part, the options which have vested up to that moment, solely in two periods of the year, as indicated below:

- within thirty days of the day after the date the approval of the Company's annual financial statements is publicly announced;
- within thirty days of the day after the date the approval of the Company's half-yearly report is publicly announced.

The fair value of the stock option plan was measured using the Black-Scholes method. On the basis of this model, the weighted average of the fair values of the options at their grant date was Euro 5.78, determined on the basis of the following assumptions:

Average life of options (years)	3.63
Expected volatility	40%
Average risk-free interest rate	3.78%
% of expected dividends	0%

The remaining average life of options at 31 December 2009 is 1.3 years.

The overall cost for the stock option plan recognised under "Personnel costs" in the income statement is Euro 0.3 million in 2009, compared with Euro 0.9 million in 2008.

At 31 December 2009 there are no loans by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in millions of Euro)	2009	2008
Depreciation of buildings, plant, machinery and equipment	59	51
Depreciation of other property, plant and equipment	5	10
Amortisation of intangible assets	5	4
Non-recurring amortisation, depreciation and impairment:		
Impairment of production facilities	2	5
Total non-recurring amortisation, depreciation and impairment	**2**	**5**
Total	**71**	**70**

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)

	2009	2008
Professional services	19	25
Insurance	24	22
Maintenance costs	36	40
Sales costs	140	185
Utilities	88	90
Services for installations	59	63
Travel costs	19	22
Rental costs	16	16
Vessel charter	13	25
Increases in provisions for risks	-	4
Other operating costs	115	204
Other expenses	221	224
Non-recurring other expenses:		
Shutdown of production facilities	1	-
Special project costs	4	3
Provision for tax inspections	-	12
Antitrust investigation legal costs	11	-
IT system segregation	-	1
Company reorganisation	1	-
Environmental remediation	3	-
Total non-recurring other expenses	**20**	**16**
Total	**770**	**936**

The Group incurred Euro 43 million in research and development costs in 2009 (Euro 45 million in 2008).

24. FINANCE COSTS

These are detailed as follows:

(in millions of Euro)	2009	2008
Interest on borrowings	28	51
Amortisation of bank and financial fees and other expenses	5	5
Interest costs on employee benefits	8	6
Other bank interest	6	13
Costs for undrawn credit lines	1	1
Sundry bank fees	6	6
Other	14	12
Finance costs	**68**	**94**
Fair value change in forward currency contracts	2	-
Losses on derivatives	**2**	**-**
Foreign currency exchange losses	222	378
Other non-recurring foreign currency exchange losses		
Special projects	-	3
Total non-recurring foreign currency exchange losses	**-**	**3**
Total finance costs	**292**	**475**

25. FINANCE INCOME

This is detailed as follows:

(in millions of Euro)	2009	2008
Interest income from banks and other financial institutions	7	9
Other finance income	3	15
Non-recurring other finance income:		
Interest provision released on disputed tax	9	-
Total non-recurring other finance income	**9**	**-**
Finance income	**19**	**24**
Fair value change in forward currency contracts	-	5
Gains on derivatives	**-**	**5**
Foreign currency exchange gains	221	349
Total finance income	**240**	**378**

Non-recurring other finance income of Euro 9 million refers to the interest portion of the provision released from liabilities following the positive outcome of a tax dispute involving the Brazilian subsidiaries.

26. SHARE OF INCOME FROM INVESTMENTS IN ASSOCIATES AND DIVIDENDS FROM OTHER COMPANIES

This is detailed as follows:

(in millions of Euro)	2009	2008
Kabeltrommel Gmbh & Co.K.G.	3	2
Eksa Sp.Zo.o.	-	1
Other companies	-	-
Total	**3**	**3**

27. TAXES

Taxes are analysed as follows for each of the periods presented:

(in millions of Euro)	2009	2008
Current income taxes	46	84
Deferred income taxes	39	(33)
Total	**85**	**51**

Taxes charged on profit before taxes differ from those calculated using the theoretical tax rate applying to the Parent Company for the following reasons:

(in millions of Euro)	2009	Tax rate	2008	Tax rate
Profit before taxes	337		286	
Theoretical tax expense using Parent Company's nominal tax rate	93	27,5%	79	27.5%
Differences in tax rates of foreign subsidiaries	5	1.5%	16	5.7%
Utilisation of unrecognised carryforward tax losses	(37)	(11.1%)	(60)	(20.5%)
Unrecognised deferred tax assets	10	3.0%	(9)	(3.3%)
Non-deductible costs/ (non-taxable income)	(8)	(2.2%)	18	6.4%
Net expense of unsettled tax disputes	3	0.9%	-	0.0%
IRAP (Italian regional business tax)	10	2.9%	10	3.3%
Taxes on distributable reserves	13	4.1%	-	0.0%
Deferred tax assets from prior year recognised in the current year	(4)	(1.3%)	(3)	(1.0%)
Effective income taxes	**85**	**25.3%**	**51**	**18.0%**

28. EARNINGS/(LOSS) AND DIVIDENDS PER SHARE

Basic earnings per share has been calculated by ividing profit for the period attributable to owners of the parent by the average number of the Company's outstanding shares. With regard to the denominator used for calculating earnings per share, the average number of outstanding shares also includes the shares issued following exercise of the first and second tranches of the Stock Option Plan, involving the issue of 546,227 shares in 2008 and 688,812 shares in 2009.
Diluted earnings per share have been determined by taking into account, when calculating the number of outstanding shares, the potential dilutive effect deriving from options granted under the existing Stock Option Plan.

(in millions of Euro)

	2009	2008
Profit attributable to owners of the parent	248	237
Weighted average number of ordinary shares (thousands)	177,895	179,766
Basic earnings per share (in Euro)	**1.40**	**1.32**
Profit attributable to owners of the parent	248	237
Weighted average number of ordinary shares (thousands)	177,895	179,766
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	1,058	1,602
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	178,953	181,368
Diluted earnings per share (in Euro)	**1.39**	**1.31**

The dividend paid in 2009 amounted to Euro 74 million (Euro 0.417 per share). A dividend in respect of the year ended 31 December 2009 of Euro 0.417 per share will be proposed at the annual general meeting to be held on 13 April 2010 (first call) or 14 April 2010 (second call) or 15 April 2010 (third call); based on the number of shares outstanding at 31 December 2009, the above dividend per share equates to a total dividend of Euro 74 million. The current financial statements do not reflect a payable for the proposed dividend.

29. CONTINGENT LIABILITIES

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

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

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi

Energia S.r.l. and two other companies have violated antitrust rules in connection with an underground high voltage cable project which was awarded in 2003. However, Prysmian Cavi e Sistemi Energia S.r.l. has not yet been officially served with a claim.
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 conomic and financial situation of the Group. Among other things, the sanction system under European law provides for financial penalties that could reach a maximum of 10% of Group turnover.

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

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

30. COMMITMENTS

(a) Commitments to purchase property, plant and equipment and intangible assets

Contractual commitments to purchase property, plant and equipment, already given to third parties at 31 December 2009 and not yet reflected in the financial statements, amount to Euro 42 million.

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)

	31 December 2009	31 December 2008
Due within 1 year	12	32
Due between 1 and 5 years	28	31
Due after more than 5 years	23	31
Total	**63**	**94**

31. RECEIVABLES FACTORING

As part of its factoring programme, the Group has factored trade receivables without recourse. The amount of receivables factored but not yet paid by customers was Euro 41 million at 31 December 2009 (Euro 35 million at 31 December 2008).

32. FINANCIAL COVENANTS

The New Credit Agreement, whose details are presented in Note 12, requires the Group to comply with a series of covenants on a consolidated level. The principal covenants, classified by type, are listed below:

a) Financial covenants

- Ratio between EBITDA and Net finance costs (as defined in the New Credit Agreement)
- Ratio between Net Financial Position and EBITDA (as defined in the New Credit Agreement)

b) Non-financial covenants

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

Default events

The main default events are as follows:

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

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

The ratio between consolidated EBITDA and consolidated net finance costs was 10.71 at 31 December 2009. The ratio between consolidated net financial position and consolidated EBITDA was 1.13 at this same date. The above financial ratios both comply with the covenants contained in the New Credit Agreement.

33. RELATED PARTY TRANSACTIONS

As of 31 December 2009, Prysmian (Lux) II S.à r.l. directly owns approximately 16.24% of share capital in Prysmian S.p.A. and is in turn indirectly controlled by The Goldman Sachs Group Inc. which owns, through Goldman Sachs International, another 0.56% of share capital in Prysmian S.p.A.

Transactions between Prysmian S.p.A. and its subsidiaries, associates and ultimate parent company mainly refer to:

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

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

The following tables provide a summary of the related party transactions in the year ended 31 December 2009:

(in millions of Euro)		2009	
	Sales of goods and services	Cost of goods and services	Finance income/(costs)
Ultimate parent company	-	-	-
Associates	13	4	-
Other related parties:			
The Goldman Sachs Group Inc.	-	1	(2)
Total	**13**	**5**	**(2)**

(in millions of Euro)		2008	
	Sales of goods and services	Cost of goods and services	Finance income/(costs)
Ultimate parent company	-	-	-
Associates	17	3	-
Other related parties:			
The Goldman Sachs Group Inc.	-	1	5
Total	**17**	**4**	**5**

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

(in millions of Euro)				31 December 2008
	Trade and other receivables	Derivatives classified as assets	Trade and other payables	Financial payables and derivatives classified as liabilities
Ultimate parent company	-	-	-	-
Associates	2	-	3	-
Other related parties:				
The Goldman Sachs Group Inc.	-	-	1	1
Total	**2**	**-**	**4**	**1**

Transactions with associates

Trade and other payables refer to services provided in relation to the Group's continuing operations. Trade and other receivables refer to transactions carried out in the ordinary course of the Group's business.

Transactions with The Goldman Sachs Group Inc.

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

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)	2009	2008
Salaries and other short-term benefits - fixed part	3,503	3,039
Salaries and other short-term benefits - variable part	2,448	5,585
Other benefits	311	1,059
Share-based payments	233	547
Total	**6,495**	**10,230**
of which:		
Directors	4,855	8,408

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Directors' compensation amounts to Euro 5.1 million in 2009 and 8.7 million in 2008. Statutory auditors' compensation amounts to Euro 0.2 million in 2009 and Euro 0.3 million in 2008. Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as Directors or Statutory Auditors in Prysmian S.p.A. and in other companies included in the scope of consolidation, and that have constituted a cost for Prysmian. Details can be found in the notes to the financial statements of Prysmian S.p.A.

35. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, no atypical and/or unusual transactions were carried out during 2009.

36. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006, the effects of non-recurring events and transactions on the income statement are shown below, reporting total net non-recurring expenses of Euro 30 million in 2009 and Euro 32 million in 2008.

(in millions of Euro)

	2009	2008
Non-recurring other income:		
Badwill from Facab Lynen acquisition	-	3
Total non-recurring other income	**-**	**3**
Non-recurring personnel costs:		
Shutdown of production facilities and reorganisation	(17)	(11)
Total non-recurring personnel costs	**(17)**	**(11)**
Non-recurring amortisation, depreciation and impairment:		
Shutdown of production facilities	(2)	(5)
Total non-recurring amortisation, depreciation and impairment	**(2)**	**(5)**
Non-recurring other expenses:		
Shutdown of production facilities	(1)	-
Special project costs	(4)	(3)
Provision for tax inspections	-	(12)
Antitrust investigation legal costs	(11)	-
IT system segregation	-	(1)
Company reorganisation	(1)	-
Environmental remediation	(3)	-
Total non-recurring other expenses	**(20)**	**(16)**
Non-recurring other finance costs:		
Unsuccessful acquisition projects	-	(3)
Total non-recurring other finance costs	**-**	**(3)**
Non-recurring other finance income:		
Interest provision released on disputed tax	9	-
Total non-recurring other finance income	**9**	**-**
Total	**(30)**	**(32)**

37. STATEMENT OF CASH FLOWS

Net cash flow generated by operating activities was Euro 173 million lower in 2009 than in 2008, mainly because of the reduction in adjusted operating income from recurring activities and the increase in working capital employed in long-term projects.
Investing activities absorbed Euro 95 million in cash flow in 2009, Euro 5 million less than in 2008. Investments in the year mainly related to construction of the new plant in Brazil for the design and supply of flexible pipes (high-tech pipes that are used in offshore oil drilling), to the construction of a new plant in North America to produce Extra High Voltage cables and to investments in improving industrial efficiency.
Net finance costs of Euro 52 million for the year included significant non-cash items, mainly relating to changes in the fair value of derivatives. Excluding these items, net cash finance costs reflected in the statement of cash flows amounted to Euro 46 million (Euro 88 million at 31 December 2008).
Net cash flow for the year also benefited from Euro 6 million for the early repayment of a convertible bond issued by Essex Italy S.p.A.
Lastly, in April 2009, Prysmian S.p.A. paid its shareholders Euro 74 million in dividends.

38. INFORMATION PURSUANT TO ART.149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

Pursuant to art. 149-duodecies of the Consob Issuer Regulations, the following table shows the fees in 2009 and 2008 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Recipient	Fees relating to 2009	Fees relating to 2008
Audit services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	397	368
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	610	643
	PricewaterhouseCoopers Network	Foreign subsidiaries	2,263	2,021
Certification services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	14	47
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	46	186
	PricewaterhouseCoopers Network	Foreign subsidiaries	7	14
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. [1]	886	315
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	73	167
	PricewaterhouseCoopers Network	Foreign subsidiaries [2]	882	983
Total			**5,178**	**4,744**

[1] Due diligence, audit support and other services.
[2] Tax and other services.

39. SUBSEQUENT EVENTS

On 19 January 2010, the Prysmian Group acquired, through its subsidiary Prysmian Cavi e Sistemi Energia S.r.l., a majority 51% controlling stake in the Indian group of Ravin Cables for an overall investment of some Euro 26 million.

With turnover of around Euro 45 million in the financial year April 2008 - March 2009 and EBITDA of Euro 4.4 million, Ravin is one of India's most competitive cable manufacturers with a range that includes low and medium voltage cables and a market that also extends to Africa and the Middle East. Apart from its principal manufacturing facility in Pune, near Mumbai, Ravin is also present in the Arab Emirate of Fujairah with the company Power Plus Cable Co LLC, a joint venture with the local government and over which it has charge of operational management. Power Plus is already equipped to produce high voltage cable. The group's two facilities in India and the Arab Emirates employ a total of 355 people.

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

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

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

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

The Bonding Facility is not covered by the new agreement.

The Forward Start Credit Agreement includes the same non-financial covenants and two financial parameters required under the New Credit Agreement (see Note 32), while it does not require any security to be given.

The syndication process, started at the end of November 2009 for Euro 800 million, closed with a large oversubscription.

On 4 February 2010, Taihan Electric Wire Co., LTD. ("Taihan") announced that it had completed the sale of 17,820,000 shares in Prysmian S.p.A., corresponding to around 9.9% of its share capital and representing Taihan's entire holding in the Prysmian Group.

On 28 January 2010, Taihan announced that it had settled in cash all the swap contracts with underlying Prysmian S.p.A. shares and that it had been informally informed by the other parties to these contracts that all the underlying Prysmian shares had already been placed on the market.

Milan, 3 March 2010

On behalf of the board of directors, the Chairman

Paolo Zannoni

ATTACHMENT A - SCOPE OF CONSOLIDATION

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

Legal name	Office		Share Capital	% ownership	Direct parent company
EUROPE					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,071,176	100.00%	Prysmian Energia Holding S.r.l.
Russian Federation					
Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"	Rybinsk city	Russian Ruble	48,000	99.00%	Prysmian (Dutch) Holdings B.V.
				1.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Ruble	31,800,000	100.00%	Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"
Limited Liability Company "Torgoviy Dom Rybinskelektrokabel"	Rybinsk city	Russian Ruble	40,000	100.00%	Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"
Limited Liability Company "NPP Rybinskelektrokabel"	Rybinsk city	Russian Ruble	36,720,000	100.00%	Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"
Finland					
Prysmian Cables and Systems OY	Kirkkonummi	Euro	2,000,000	100.00%	Prysmian Energia Holding S.r.l.
France					
Prysmian (French) Holdings S.A.S.	Paron de Sens	Euro	173,487,250	100.00%	Prysmian Energia Holding S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paron de Sens	Euro	18,500	100.00%	Prysmian (French) Holdings S.A.S.
Prysmian Cables et Systèmes France S.A.S.	Paron de Sens	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Germany					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Prysmian Energia Holding S.r.l.
				6.25%	Prysmian S.p.A.
Bergmann Kabel und Leitungen GmbH	Schwerin	Euro	1,022,600	100.00%	Prysmian Kabel und Systeme GmbH
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme GmbH
UK					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	45,292,120	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	118,653,473	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Industrial) Ltd.	Eastleigh	British Pound	9,010,935	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Supertension) Ltd.	Eastleigh	British Pound	5,000,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prysmian Energia Holding S.r.l.
Cable Makers Properties & Services Limited	Kingston upon Thames	British Pound	33	63.53%	Prysmian Cables & Systems Ltd.
				36.47%	Third parties
Prysmian Cables Limited	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Telecom Cables and Systems Uk Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Metals Limited	Eastleigh	British Pound	15,000,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Focom Limited	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1,000,000	100.00%	Prysmian Energia Holding S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Aberdare Cables	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Ireland					
Prysmian Financial Services Ireland Limited	Dublin	Euro	1,000	100.00%	Third parties
Prysmian Re Company Limited	Dublin	Euro	3,000,000	100.00%	Prysmian (Dutch) Holdings B.V.
Italy					
Prysmian Cavi e Sistemi Energia S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Energia Holding S.r.l.	Milan	Euro	10,000	99.99%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.01%	Prysmian Cavi e Sistemi Italia S.r.l.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	77.45%	Prysmian Cavi e Sistemi Energia S.r.l.
				22.55%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Telecom S.r.l.	Milan	Euro	10,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Telecom S.r.l.	Milan	Euro	31,930,000	100.00%	Prysmian Telecom S.r.l.
Prysmian Treasury S.r.l.	Milan	Euro	4,242,476	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian PowerLink S.r.l.	Milan	Euro	50,000,000	84.80%	Prysmian Cavi e Sistemi Energia S.r.l.
				15.20%	Prysmian Cavi e Sistemi Italia S.r.l.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.

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

Legal name	Office		Share Capital	% ownership	Direct parent company
Brasil					
Prysmian (Brazil) Holdings Limitada	Sao Paulo	Brazilian Real	4,700	99.98%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				0.02%	Prysmian S.p.A.
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	166,825,035	99.83%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.17%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	58,309,129	99.87%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				0.13%	Prysmian Cavi e Sistemi Telecom S.r.l.
Sociedade Produtora de Fibras Opticas S.A.	Sorocaba	Brazilian Real	1,500,100	51.00%	Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.
				49.00%	Third parties
Chile					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,119,148,955	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
AFRICA					
IVORY COAST					
SICABLE - Sociète Ivorienne de Cables S.A.	Abidjan	Cfa Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Tunisia					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	3,024,700	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
OCEANIA					
Australia					
Prysmian Power Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	15,000,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
New Zealand					
Prysmian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Power Cables & Systems Australia Pty Ltd.
ASIA					
China					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	20,400,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Baosheng Cable Co.Ltd.	Jiangsu	US Dollar	19,500,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd .	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	49,800,000	83.00%	Prysmian Energia Holding S.r.l.
				17.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	48,800,000	100.00%	Prysmian Hong Kong Holding Ltd.
India					
Pirelli Cables (India) Private Ltd.	New Dehli	Indonesian Rupiah	10,000,000	99.998%	Prysmian Cable Holding B.V.
				0.002%	Prysmian Cavi e Sistemi Energia S.r.l.
Indonesia					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Prysmian (Dutch) Holdings B.V.
				0.52%	Prysmian Cavi e Sistemi Energia S.r.l.
Malaysia					
Bicc (Malaysia) Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	-	100.00%	Prysmian Cables Asia-Pacific Pte Ltd.
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
Singapore					
Prysmian Cables Asia-Pacific Pte Ltd	Singapore	Singapore Dollar	213,324,290	100.00%	Prysmian (Dutch) Holdings B.V.
Prysmian Cable Systems Pte Ltd	Singapore	Singapore Dollar	25,000	50.00%	Prysmian (Dutch) Holdings B.V.
				50.00%	Prysmian Cables & Systems Ltd.

The following companies have been consolidated on a proportionate basis:

Legal name	Office	Share Capital		% ownership	Direct parent company
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Ringitt malese	8,000,000	40.00%	Prysmian (Dutch) Holdings B.V.
				60.00%	Third parties
Power Cable Engineering Services (M) Sdn Bhd	Selangor Darul Eshan	Ringitt malese	100,000	100.00%	Power Cables Malaysia Sdn Bhd

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

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

LIST OF INVESTMENTS PURSUANT TO ART.126 OF CONSOB REGULATION 11971

Legal name	% ownership	Direct parent company
Europe		
Austria		
Prysmian Kabelwerke und Systeme GmbH in Liquidation	100.00%	Prysmian Energia Holding S.r.l.
Germany		
Kabeltrommel GmbH	11.77%	Prysmian Kabel und Systeme GmbH
	5.88%	Bergmann Kabel und Leitungen GmbH
	82.35%	Third parties
Switzerland		
Voltimum S.A.	13.71%	Prysmian Cavi e Sistemi Energia S.r.l.
	86.29%	Third parties
Asia		
Saudia Arabia		
Sicew-Saudi Italian Company for Electrical Works Ltd.	34.00%	Prysmain Cable Holding B.V.
	66.00%	Third parties
Africa		
South Africa		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Pier Francesco Facchini, as manager responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Decree 58 dated 24 February 1998, that during 2009 the accounting and administrative processes for preparing the consolidated financial statements
   - have been adequate in relation to the enterprise's characteristics and,
   - have been effectively applied.

2. The adequacy of the accounting and administrative processes for preparing the consolidated financial statements at 31 December 2009 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

3. They also certify that:

   3.1 The consolidated financial statements at 31 December 2009:

   a) have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;

   b) correspond to the underlying accounting records and books of account;

   c) are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.

   3.2 The directors' report contains a reliable analysis of performance and the results of operations, and of the situation of the issuer and the group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

3 March 2010

Chief Executive Officer
Valerio Battista

Manager responsible for preparing corporate accounting documents
Pier Francesco Facchini

AUDIT REPORT

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Prysmian SpA

1 We have audited the consolidated financial statements of Prysmian SpA and its subsidiaries ("Prysmian Group") as of 31 December 2009, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes and reclassified to reflect the changes in the primary statements introduced by IAS 1 (2007), reference is made to our report dated 20 March 2009.

3 In our opinion, the consolidated financial statements of the Prysmian Group as of 31 December 2009 and for the year then ended comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, the results of operations and the other components of the comprehensive income, the changes in equity and the cash flows of the Prysmian Group for the year then ended.

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4 As described in the explanatory notes to the financial statements in note 29 "Contingent liabilities", during 2009, the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and on other electrical cable manufacturers aimed at assessing the existence of price fixing agreements in the high voltage land and submarine cables business. At the current stage, the outcome of the investigation is still uncertain; in the event of ascertained breaches of applicable price fixing laws and regulations, the penalties levied could be significant to the Prysmian Group.

5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, presented in the report on corporate governance, with the financial statements, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance are consistent with the consolidated financial statements of the Prysmian Group as of 31 December 2009.

Milan, 12 March 2010

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

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

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