This Offer expires at 18:00 hours, Amsterdam time, on 3 February 2011, unless extended

OFFER MEMORANDUM
Dated 5 January 2011

RECOMMENDED MIXED EXCHANGE AND CASH OFFER

BY

FOR ALL THE ISSUED AND OUTSTANDING ORDINARY SHARES WITH A NOMINAL VALUE OF EUR 0.50 EACH IN THE SHARE CAPITAL OF

This offer memorandum contains the details of the recommended public offer by Prysmian S.p.A. (the ***Offeror***) to all holders of issued and outstanding ordinary shares with a nominal value of EUR 0.50 each (the ***Shares*** and each a ***Share***, the holders of such Shares the ***Shareholders***), in the share capital of Draka Holding N.V. (***Draka*** or the ***Company***) to exchange in the manner set out in this Offer Memorandum all or part of their Shares for ordinary shares to be issued by Prysmian S.p.A. (***Prysmian*** and the ***New Prysmian Shares*** respectively) and cash, on the terms and subject to the conditions and restrictions set forth in this Offer Memorandum (the ***Offer***). As at the date of this Offer Memorandum, 48,736,597 Shares are issued by Draka and subject to the Offer.

This offer memorandum (Part I taken together with Part II, Part III and Part IV) (the ***Offer Memorandum***) contains the information required by Article 5:76 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*, the ***Wft***) in conjunction with Article 8, paragraph 1 of the Dutch Decree on public offers Wft (*Besluit openbare biedingen Wft*, the ***Bob***) in connection with the Offer. In relation to the New Prysmian Shares, this Offer Memorandum also contains the information required under Article 5 of the Directive 2003/71/EC (the ***Prospectus Directive***) and under the Regulation 809/2004/EC (the ***Prospectus Regulation***) regarding (i) the issuance and offering of the New Prysmian Shares and (ii) the listing of the New Prysmian Shares on the *Mercato Telematico Azionario,* organised and managed by *Borsa Italiana S.p.A.* (the ***MTA***). This Offer Memorandum has been reviewed and approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the ***AFM***) as an offer memorandum under Article 5:76 of the Wft.

The information required by Article 18, paragraph 2 of the Bob in connection with the Offer is included in the Position Statement. The Position Statement, including all Appendices thereto does not form part of the Offer Memorandum and has not been reviewed or approved by the AFM prior to publication. The Position Statement will be reviewed by the AFM after publication.

This Offer Memorandum has been qualified by *Consob-Commissione Nazionale per le Società e la Borsa*, the Italian Authority for the Financial Markets (***Consob***) as ''equivalent'' document for the purpose of Articles 57, paragraph 1, letter c) and 34-*ter*, paragraph 1, letter j) of the Consob regulation n. 11971 of 14 May 1999, as subsequently amended and currently in force (the ***Consob Regulation***). The publication of the Offer Document does not imply any valuation of Consob regarding the opportunity of the proposed investment and the merit of the related data and information.

It is expected that *Borsa Italiana S.p.A.* (***Borsa***) admits the New Prysmian Shares to listing on the MTA after the date on which Prysmian's shareholders resolve to issue the New Prysmian Shares and before the Settlement Date (as defined below). The shareholders' meeting of Prysmian has been convened on 21 January 2011, on first call, on 22 January 2011, on second call, and on 24 January 2011, on third call.

Capitalised terms used in this Offer Memorandum have the meaning set out in Section 4 of Part I (Definitions) or elsewhere in this Offer Memorandum.

In consideration for each Share validly tendered and transferred (*geleverd*) on the terms and subject to the conditions and restrictions contained in this Offer Memorandum (or defectively tendered provided that such defect has been waived by the Offeror), Prysmian will (i) deliver 0.6595 New Prysmian Shares (the ***Share Consideration***) and (ii) pay an amount in cash of EUR 8.60 (the ***Cash Consideration***) (the Cash Consideration and the Share Consideration together the ***Offer Price***). The Offer Price per Share is cum dividend 2010. In the event any dividend or other distribution (each, a ***Distribution*** and collectively, the ***Distributions***) on the Shares is declared by Draka (whereby the record date that is decisive for entitlement to such Distribution takes place prior to Settlement (as defined below)), the Cash Consideration will be decreased by the full amount of any such Distribution made by the Company in respect of each Share. In the event any Distribution on the Prysmian shares is declared by Prysmian (whereby the record date that is decisive for entitlement to such distribution takes place prior to Settlement), the Cash Consideration per Share will be increased by an amount equal to the amount of any such Distribution made by Prysmian in respect of each of its shares multiplied by 0.6595.

The supervisory board and the board of management of Draka (the ***Supervisory Board*** and the ***Board of Management*** respectively, or together the ***Boards***) fully support and unanimously recommend the Offer to the Shareholders for acceptance. Reference is made to Section 6.6 of Part I and the Position Statement.

Flint Investments B.V. has irrevocably undertaken to tender all Shares held by it as per the Closing Date (as defined below) under the terms and conditions of this Offer Memorandum.

The Offer Period under the Offer will commence at 09:00 hours, Amsterdam time, on 6 January 2011 and will expire at 18:00 hours, Amsterdam time, on 3 February 2011, unless the Offeror extends the Offer Period in accordance with Section 5.5 of Part I (Extension), in which case the closing date shall be the date on which the extended Offer Period expires (such initial or postponed date, the ***Closing Date***).

Shares tendered on or prior to the Closing Date may not be withdrawn, subject to the right of withdrawal of any tender during any extension of the Offer Period in accordance with the provisions of Article 15, paragraph 3 of the Bob.

The Offeror will announce whether the Offer is declared unconditional (*gestand wordt gedaan*) within three (3) Business Days following the Closing Date, in accordance with Article 16 of the Bob (the ***Acceptance Announcement Date***).

Announcements contemplated by the foregoing paragraphs will be made by press release. Reference is made to Section 5.9 of Part I (Announcements).

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), Shareholders who have validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and transferred (*geleverd*) their Shares for acceptance pursuant to the Offer prior to or on the Closing Date (each of these Shares, a ***Tendered Share***) will receive the Offer Price per Share in respect of each Tendered Share, and the Offeror shall therefore acquire each Tendered Share, within ten (10) Business Days following the Acceptance Announcement Date (the ***Settlement*** and the day on which the Settlement occurs the ***Settlement Date***).

At 14:00 hours, Amsterdam time, on 26 January 2011, such date being at least six (6) Business Days prior to the Closing Date, an extraordinary general meeting of Shareholders (the ***Shareholders' Meeting***) has been convened at Holiday Inn Amsterdam Hotel, De Boelelaan 2, 1083 HJ Amsterdam, the Netherlands, at which meeting the Offer, among other matters, will be discussed in accordance with Article 18, paragraph 1 of the Bob. In addition, certain resolutions will be proposed to the Shareholders' Meeting in connection with the Offer. Reference is made to the Position Statement.

Draka intends to publish preliminary financials for the year ended 2010 prior to the Shareholder's Meeting. In line with Draka's typical trading updates, this publication will consist of a number of selected unaudited financials, including revenue, volume growth, operational result before exceptional items, net result before exceptional items and expected net debt position at year-end 2010.

Pursuant to an exemption granted by the AFM, Prysmian has not included a review report on financial information in respect of the third quarter of 2010 in this Offer Memorandum. However, Prysmian will publish such statement under the terms of the exemption by press release as soon as possible, but ultimately prior to the date of the Shareholders' Meeting. The review report on the third quarter financial statements 2010 will also be made available on the websites of Prysmian.

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PART III FINANCIAL INFORMATION PRYSMIAN

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2. RESTRICTIONS

The Offer is being made in and from the Netherlands with due observance of such statements, conditions and restrictions as are included in this Offer Memorandum. The Offeror reserves the right to accept any tender under the Offer, which is made by or on behalf of a Shareholder, even if it has not been made in the manner set out in this Offer Memorandum.

The distribution of this Offer Memorandum and/or the making of the Offer in jurisdictions other than the Netherlands may be restricted and/or prohibited by law. The Offer is not being made, and the Shares will not be accepted for purchase from or on behalf of any Shareholder, in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration, approval or filing with any regulatory authority not expressly contemplated by the terms of this Offer Memorandum. Persons obtaining this Offer Memorandum are required to take due note and observe all such restrictions and obtain any necessary authorisations, approvals or consents (to the extent applicable). Outside of the Netherlands, no actions have been taken (nor will actions be taken) to make the Offer possible in any jurisdiction where such actions would be required. In addition, this Offer Memorandum has not been filed with nor recognised by the authorities of any jurisdiction other than the Netherlands (except that in Italy, this Offer Memorandum has been qualified by Consob as "equivalent" document for the purpose of Article 57, paragraph 1, letter c of the Consob Regulation). Neither the Offeror, nor Draka, nor any of their advisers accept any liability for any violation by any person of any such restriction. Any person (including, without limitation, custodians, nominees and trustees) who forwards or intends to forward this Offer Memorandum or any related document to any jurisdiction outside the Netherlands should carefully read Sections 2 and 3 of Part I of this Offer Memorandum (Restrictions and Important Information) before taking any action. The release, publication or distribution of this Offer Memorandum and any documentation regarding the Offer, the making of the Offer or the issuance and offering of the New Prysmian Shares in jurisdictions other than the Netherlands may be restricted by law and therefore persons into whose possession this Offer Memorandum comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the law of any such jurisdiction.

2.1 United States of America

The Offer is not being, and will not be, made, directly or indirectly, in or into the United States, or by the use of the mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of, interstate or foreign commerce of, or of any facilities of a national securities exchange of the United States except to persons who (i) are qualified institutional buyers as defined in Rule 144A under the US Securities Act of 1933, as amended (the ***US Securities Act***) and (ii) have received the US Private Placement Memorandum and followed the procedures set forth therein, including the execution of the US Investor Letter attached to the US Private Placement Memorandum (***QIBs***). With the exception of QIBs, the Offer may not be accepted in or from the United States, by the use of the mails of the United States, or by any means or instrumentality (including, without limitation, telephonically or electronically) of, interstate or foreign commerce of, or of any facilities of a national securities exchange of the United States.

The Offer relates to the shares of a Dutch company. Accordingly, the Offer is subject to the disclosure requirements and practices applicable in the Netherlands, which differ from the disclosure requirements of the United States.

Neither this document nor any related documents are being mailed or otherwise distributed or sent in or into the United States. Persons receiving such documents other than QIBs (including, without limitation, custodians, depositaries, nominees and trustees) must not distribute or send them in, into or from the United States or to any U.S. person, or use such mails or any such means, instrumentality or facilities for any purpose directly or indirectly in connection with the Offer, and so doing will render invalid any related purported acceptance. U.S. residents wishing to accept the Offer should not use any such means, instrumentality or facilities for any purpose, directly or indirectly, relating to an acceptance of the Offer. All persons other than QIBs who wish to accept the Offer must provide addresses outside the United States for a receipt of the consideration to which they are entitled under the Offer.

Each Shareholder, other than QIBs, who tenders Shares under the Offer will be deemed to have represented, agreed and acknowledged that it has received a copy of this Offer Memorandum and that such tendering holder is outside the United States and that the Offeror and the Exchange Agent

and their respective affiliates may rely on the foregoing representations, agreements and acknowledgements.

The New Prysmian Shares have not been and will not be registered under the US Securities Act or any other applicable law of the United States and accordingly, the New Prysmian Shares may not be reoffered, resold or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, US persons (as defined in Regulation S of the US Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act.

The New Prysmian Shares are being offered outside the United States to non-US persons in reliance on the exemption from registration provided by Regulation S of the US Securities Act. The New Prysmian Shares may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined under the US Securities Act), except to QIBs.

Financial information included in this document has been prepared in accordance with accounting standards applicable in the Netherlands (in the case of Draka) and Italy (in the case of Prysmian) and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for investors to enforce their rights and any claim they may have arising under the US federal securities laws. Prysmian is an Italian company, and some or all of its officers and directors are residents of countries other than the United States. Investors may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. It may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

2.2 Canada, Australia and Japan

The Offer and any solicitation in respect thereof is not being made, directly or indirectly, in or into Canada, Australia or Japan, or by use of the mails, or by any means or instrumentality of interstate or foreign commerce, or any facilities of a national securities exchange, of Canada, Australia or Japan. This includes, but is not limited to, post, facsimile transmission, telex or any other electronic form of transmission and telephone. Accordingly, copies of this Offer Memorandum and any related press announcements, acceptance forms and other documents are not being sent and must not be mailed or otherwise distributed or sent in, into or from Canada, Australia or Japan or, in their capacities as such, to custodians, nominees or trustees holding Shares for persons residing in Canada, Australia or Japan. Persons receiving this Offer Memorandum and/or such other documents must not distribute or send them in, into or from Canada, Australia or Japan, or use such mails or any such means, instrumentality or facilities for any purpose in connection with the Offer; so doing will invalidate any purported acceptance of the Offer. The Offeror will not accept any tender by any such use, means, instrumentality or facility from within Canada, Australia or Japan.

Tender and transfer of Shares constitutes a representation and warranty that the person tendering the Shares (i) has not received or sent copies of this Offer Memorandum or any related documents in, into or from Canada, Australia or Japan and (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the mails or any means or instrumentality including, without limitation, facsimile transmission, telex and telephone of interstate or foreign commerce, or any facility of a national securities exchange of, Canada, Australia or Japan. The Offeror reserves the right to refuse to accept any purported acceptance that does not comply with the foregoing restrictions, and any such purported acceptance will be null, void and without effect.

3. IMPORTANT INFORMATION

3.1 Information

This Offer Memorandum contains important information that should be read carefully before any Shareholder makes a decision to tender Shares in connection with the Offer. Shareholders are advised to seek independent advice where necessary. In addition, Shareholders may wish to consult with their tax advisers regarding the tax consequences of tendering their Shares under the Offer.

3.2 Responsibility

The information included in Sections 1-6 (excluding Sections 6.6, 6.9, 6.10, 6.14.2 and 6.16) and Sections 9 and 10 of Part I has been solely provided by the Offeror. The information included in Sections 6.6, 6.9 and 7 of Part I has been solely provided by Draka. The information included on pages 1-3 and in Sections 6.10, 6.14.2, 6.16, 8 of Part I has been provided by the Offeror and Draka jointly. Section 11 is a Dutch language summary of information provided by the Offeror and/or Draka in the English language.

The information included in Part II and Part III regarding Prysmian has been solely provided by the Offeror, except for the auditor statements included in Sections 1.1.4, 1.2.2 and 1.3.2 of Part III, which have been provided by PwC and are identical to the original auditor statements as of the same dates issued. The information included in Part IV regarding Draka has been solely provided by Draka, except for the auditor reports included in Part IV, which have been provided by Deloitte and are identical to the original auditor reports as of the same dates issued by Deloitte.

The Offeror and Draka are exclusively responsible for the accuracy and completeness of the information provided in this Offer Memorandum, each with respect to such information as it has provided, and together with respect to the information they have provided jointly, except for information that has not been provided by either of them or jointly by them (which includes the auditor statements in Part IV for which Deloitte is responsible and the information in Sections 1.1.4, 1.2.2 and 1.3.2 of Part III for which PwC is responsible).

Both the Offeror and Draka confirm, each with respect to such information it has provided and jointly with respect to the information they have provided together in this Offer Memorandum, that to the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Offer Memorandum is in accordance with the facts and contains no omission likely to affect its import.

It is pointed out that certain financial and statistical information and other figures contained in this Offer Memorandum may be rounded up or down and should therefore not be regarded as exact.

The information in this Offer Memorandum that has been sourced from third parties has been accurately reproduced, and so far as the Offeror and Draka are aware and able to ascertain from the information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

3.3 Presentation of financial information and other information

The financial information of the Prysmian Group as of and for the years ended 31 December 2007, 2008 and 2009 included in this Offer Memorandum has been derived from the audited consolidated financial statements of the Prysmian Group as of 31 December 2007, 2008 and 2009 prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements of the Prysmian Group as of 31 December 2007, 2008 and 2009 were subject to audit by PwC who issued unqualified audit opinions on 26 March 2008, 20 March 2009 and 12 March 2010, respectively.

The consolidated financial statements of the Prysmian Group as of 31 December 2007 and 2008, together with the associated auditors reports, are incorporated by reference in this Offer Memorandum and should be read in conjunction with the notes thereto.

The consolidated financial statements of the Prysmian Group as of 31 December 2009 and the associated audit report are included in Sections 1.2 of Part III of this Offer Memorandum and should be read in conjunction with the notes thereto.

Interim financial information of the Prysmian Group as of 30 June 2010 and for the six months then ended included in this Offer Memorandum has been derived from the unaudited condensed consolidated interim financial statements of the Prysmian Group for the six month period ended 30 June 2010. The unaudited condensed consolidated interim financial statements of the Prysmian

Group for the six month period ended 30 June 2010 were subject to limited review by PwC who issued an unqualified limited review report on 5 August 2010.

The unaudited condensed consolidated interim financial statements of the Prysmian Group for the six month period ended 30 June 2010 and the associated limited review report are included in Sections 1.3 of Part III of this Offer Memorandum and should be read in conjunction with the notes thereto.

Interim financial information of the Prysmian Group as of 30 September 2010 and for the nine months then ended included in this Offer Memorandum has been derived from the unaudited condensed consolidated financial statements of the Prysmian Group for the nine month period ended 30 September 2010. Pursuant to an exemption granted by the AFM, Prysmian has not included a limited review report on financial information in respect of the third quarter of 2010 in this Offer Memorandum. However, Prysmian will publish such statement by press release as soon as possible, but ultimately prior to the date of the Shareholders' Meeting. The review report on the third quarter financial statements 2010 will be made available on the website of Prysmian. The unaudited condensed consolidated interim financial statements of the Prysmian Group for the nine month period ended 30 June 2010 report are included in section 1.4 of Part III of this Offer Memorandum and should be read in conjunction with the notes thereto.

The selected consolidated financial information of Prysmian may not contain all of the information that is important to prospective holders of New Prysmian Shares.

There has been no significant change in the financial or trading position of Prysmian which has occurred since 30 September 2010, the date of the third quarter financial statements of Prysmian.

The selected consolidated financial information of Draka is that of Draka and its consolidated subsidiaries. The selected consolidated financial information should be read in conjunction with the consolidated financial statements of Draka for the financial year 2009 (Part IV), the financial year 2008 and the financial year 2007, and the notes thereto, incorporated by reference in this Offer Memorandum. The year-end consolidated financial information of Draka is extracted from Draka's consolidated financial statements that have been audited by Deloitte, Draka's independent auditor. The financial statements and accounts from which the selected consolidated financial information has been derived, were prepared in accordance with IFRS.

Certain numerical figures set out in this Offer Memorandum, including financial data presented in millions or thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Offer Memorandum may vary slightly from the actual arithmetic totals of such information.

The information included in this Offer Memorandum reflects the situation as at the date of this Offer Memorandum unless specified otherwise. Neither the issue nor the distribution of this Offer Memorandum shall under any circumstances imply that the information contained herein is accurate and complete as of any time subsequent to the date of this Offer Memorandum or that there has been no change in the information set out in this Offer Memorandum or in the affairs of the Offeror, Draka and/or their respective subsidiaries and/or affiliates since the date of this Offer Memorandum. The foregoing does not affect the obligation of both the Offeror and Draka, each in so far as it concerns them, to make a public announcement pursuant to Article 5:25i Wft or Article 4, paragraph 3 of the Bob, if applicable.

No person, other than the Offeror and Draka and without prejudice to the auditors' reports issued by PwC and Deloitte, respectively included in the Offer Memorandum, and the Fairness Opinion issued by J.P. Morgan included in the Position Statement, is authorised in connection with the Offer to provide any information or to make any statements on behalf of the Offeror or Draka in connection with the Offer or any information contained in this Offer Memorandum. If any such information or statement is provided or made by parties other than the Offeror or Draka, such information or statement should not be relied upon as having been provided by or made by or on behalf of the Offeror or Draka. Any information or representation not contained in this Offer Memorandum must not be relied upon as having been provided by or made by or on behalf of the Offeror or Draka.

3.4 Governing law

This Offer Memorandum and the Offer are, and any tender, purchase or transfer of Shares will be, governed by and construed in accordance with the laws of the Netherlands. The District Court of Amsterdam (*Rechtbank Amsterdam*) and its appellate courts shall have exclusive jurisdiction to settle any disputes which might arise out of or in connection with this Offer Memorandum, the Offer and/

or any tender, purchase or transfer of Shares. Accordingly, any legal action or proceedings arising out of or in connection with this Offer Memorandum, the Offer and/or any tender, purchase or transfer of Shares may be brought exclusively in such courts.

3.5 Language

This Offer Memorandum is published in the English language and a Dutch language summary is included as Section 11 (Dutch language summary). In the event of any differences, whether or not in interpretation, between the English text of this Offer Memorandum and the Dutch language summary of this Offer Memorandum, the English text of this Offer Memorandum shall prevail.

3.6 Contact details

ING Bank N.V. has been appointed as Listing and Exchange Agent in the context of the Offer.

Addresses:

The Offeror
Prysmian S.p.A.
Viale Sarca 222
20126 Milan
Italy

The Company
Draka Holding N.V.
Boelelaan 7
1083 HJ Amsterdam
The Netherlands

Listing and Exchange Agent
ING Bank N.V.
Address: Bijlmerdreef 888, 1102 MG Amsterdam (Attention: Sjoukje Hollander/Remko Los)
Telephone: + 31 20 563 6546/+ 31 20 563 6619
Fax: + 31 20 563 6959
E-mail: iss.pas@ing.nl

3.7 Incorporation by reference

Digital copies of this Offer Memorandum and any documents incorporated by reference herein are available on the websites of Draka (www.draka.com) and the Offeror (www.prysmian.com). Copies of this Offer Memorandum are also available free of charge at the offices of Draka and the Listing and Exchange Agent at the addresses mentioned above. The Draka and Prysmian websites do not constitute a part of, and are not incorporated by reference into, this Offer Memorandum.

Copies of the articles of association of the Offeror are available on the website of Prysmian and free of charge at the offices of Prysmian and can be obtained by contacting Prysmian at the address mentioned above.

Copies of Draka's Articles of Association, the proposed amendments to the Draka Articles of Association (before delisting and after delisting of the Company) and the financial information of Draka relating to the annual financial statements (*jaarrekening*) of Draka for the financial year 2008 and the financial year 2007 as adopted by the Company's general meeting of Shareholders, including notes and auditors' reports, which documents are incorporated by reference in, and form an integral part of, this Offer Memorandum, are available on the website of Draka (www.draka.com).

Copies of Prysmian's articles of association and the financial information of Prysmian relating to the annual financial statements (*jaarrekening*) of Prysmian for the financial year 2008 and the financial year 2007, as adopted by the Prysmian's general meeting of shareholders including notes and auditor's reports, and the report of Prysmian's board of directors to Prysmian shareholders dated 14 December 2010 in connection with the Offeror EGM, which documents are incorporated by reference in, and form an integral part of, this Offer Memorandum, are available on the website of Prysmian (www.prysmian.com).

3.8 Forward-looking statements

This Offer Memorandum includes "forward-looking statements", including statements about the expected timing and completion of the Offer and forecast adjusted EBITDA for the year ended 31 December 2010. Forward-looking statements involve known or unknown risks and uncertainties because they relate to events and depend on circumstances that all occur in the future. Generally, words such as may, should, aim, will, expect, intend, estimate, anticipate, believe, plan, seek, continue or similar expressions identify forward-looking statements. Although each of the Offeror and Draka, each with respect to the statements it has provided, believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of such statements. The forward-looking statements involve unknown risks, uncertainties and other factors, many of which are outside the control of the Offeror and Draka, and are difficult to predict. These forward-looking statements are not guarantees of future performance. Any such forward-looking statements must be considered together with the fact that actual events or results may vary materially from such forward-looking statements due to, among other things, political, economic or legal changes in the markets and environments in which the Offeror and/or Draka does business, to competitive developments or risks inherent to Draka's or the Offeror's business plans and to uncertainties, risk and volatility in financial markets and other factors affecting the Offeror and/or Draka.

The Offeror and Draka undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations or by any appropriate regulatory authority.

3.9 Financial Advisers

Goldman Sachs International, Leonardo & Co. and Mediobanca are acting solely as financial advisers to the Offeror and to no one else in connection with the Offer and they will not regard any other person (whether or not a recipient of this Offer Memorandum) as a client in relation to the Offer or any other matter referred to in this Offer Memorandum and will not be responsible to anyone other than the Offeror for providing the protections afforded to the clients of Goldman Sachs International, Leonardo & Co. and Mediobanca, respectively, or for providing advice in relation to the Offer or any other matter referred to in this Offer Memorandum.

Goldman Sachs International, Leonardo & Co. and Mediobanca have given and have not withdrawn their written consent to the references to their name in the form and context in which they appear in this Offer Memorandum.

Each of UniCredit S.p.A. Corporate & Investment Banking and Banca IMI S.p.A. has issued a fairness opinion to the board of directors of the Offeror as to the fairness, from a financial point of view, of the Offer Price and the exchange ratio implicit in such price.

In issuing the above fairness opinions, UniCredit S.p.A. – Corporate & Investment Banking and Banca IMI S.p.A. are acting solely as advisers to the board of the directors of Offeror and to no one else in connection with the Offer and they will not regard any other person (whether or not a recipient of this Offer Memorandum) as a client in relation to the Offer or any other matter referred to in this Offer Memorandum and will not be responsible to anyone other than the board of directors of the Offeror for providing the protections afforded to the clients of UniCredit S.p.A. – Corporate & Investment Banking and Banca IMI S.p.A., respectively, or for providing advice in relation to the Offer or any other matter referred to in this Offer Memorandum.

UniCredit S.p.A. – Corporate & Investment Banking and Banca IMI S.p.A. have given and have not withdrawn their written consent to the references to their name in the form and context in which they appear in this Offer Memorandum.

J.P. Morgan is acting solely as financial adviser to Draka and to no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Offer Memorandum) as a client in relation to the Offer or any other matter referred to in this Offer Memorandum and will not be responsible to anyone other than Draka for providing the protections afforded to the clients of J.P. Morgan or for providing advice in relation to the Offer or any other matter referred to in this Offer Memorandum.

J.P. Morgan has given and has not withdrawn its written consent to references to its name in the form and context in which they appear in this Offer Memorandum.

4. DEFINITIONS

Any reference in this Offer Memorandum to defined terms in plural form will constitute a reference to such defined terms in singular form, and vice versa. All grammatical and other changes required by the use of a definition in singular form will be deemed to have been made herein and the provisions hereof will be applied as if such changes have been made.

Defined terms used in this Offer Memorandum will have the following meaning:

Acceptance Announcement Date	has the meaning given to it in Section 5.4;
Admitted Institutions	means those institutions admitted to Euronext Amsterdam (*aangesloten instellingen*);
AFM	means the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*);
ASEAN	means the Association of Southeast Asian Nations;
Binding Competing Offer	has the meaning given to it in Section 6.16.1;
Board of Management	means the board of management (*raad van bestuur*) of Draka;
Boards	means the Supervisory Board and the Board of Management together;
Bob	means the Dutch Decree on public offers Wft (*Besluit openbare biedingen Wft*), as amended from time to time;
Business Day	means a day other than a Saturday or Sunday on which banks in the Netherlands, according to the collective agreements for banking sector (*Algemene Bank-CAO*) and Euronext Amsterdam are generally open for normal business;
Cash Consideration	has the meaning given to it in Section 5.1.1;
Closing Date	means the time and date on which the Offer Period expires, being at 18:00 hours, Amsterdam time, on 3 February 2011, unless extended by the Offeror in accordance with Section 5.5, in which case the closing date shall be the date on which the extended Offer Period expires;
Combined Group	means the business combination of the Offeror Group and Draka Group following completion of the Offer;
Committed Shares	has the meaning given to it in Section 6.7.1(b);
Communications Group	has the meaning given to it in Section 7.4;
Company or Draka	means Draka Holding N.V., a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, whose statutory seat is in Amsterdam, the Netherlands, and whose principal office is at De Boelelaan 7, 1083 HJ Amsterdam, the Netherlands, registered in the Dutch Commercial Register under number 33185253;
Competing Offer	means a *bona fide* written proposal to make a public offer for 100% of the Shares or acquire all or substantially all of the assets of the Draka Group, not solicited, encouraged or initiated by the Company, made by a party who, in the reasonable opinion of the Company (including the Supervisory Board), is a *bona fide* third party and which proposal in the reasonable opinion of the Company (including the Supervisory Board), having consulted its financial and legal advisors and considering, among others, level and character of consideration, certainty of financing, conditionality, integrity of the business and position of employees, could reasonably be expected to become a Binding Competing Offer;
Consob	means the Italian Authority for the Financial Markets; *Commisione nazionale per le società e la borsa*;

Consob Regulation	means the Consob regulation n. 11971 of 14 May 1999, as subsequently amended and currently in force;
Daily Official List	means the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam;
Deloitte	means Deloitte Accountants B.V.;
Distribution	has the meaning given to it in Section 5.1;
Draka Articles of Association	means the articles of association (*statuten*) of Draka, as amended from time to time;
Draka Group	means Draka and its subsidiaries;
Dutch Corporate Governance Code	means the Dutch corporate governance code, dated 1 January 2009 as established under Section 2:391 paragraph 5 of the Dutch Civil Code;
EBITDA	means earnings before interest, tax, depreciation and amortisation;
EMEA	means Europe, the Middle East and Asia;
Euronext Amsterdam	means the stock exchange of Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext N.V;
Fairness Opinion	means the fairness opinion dated 22 November 2010 issued by J.P. Morgan in relation to the Offer Price and provided to the Supervisory Board and the Board of Management on 22 November 2010;
Financial Covenants	has the meaning given to it in Section 3.1 of Part II;
Goldman Sachs International	means Goldman Sachs International authorised and regulated by the Financial Services Authority (Registration No. 142888), whose registered office is at Peterborough Court, 133 Fleet Street, London EC4A 2BB;
IFRS	means the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Commission for use in the European Union;
Implied Value	means the aggregate implied value of the Offer Price at Prysmian's closing price of EUR 13.04 on 19 November 2010, being EUR 17.20 per Share;
Initial Announcement	has the meaning given to it in Section 6.1;
Integration Committee	has the meaning given to it in Section 6.14.1;
J.P. Morgan	means J.P. Morgan plc;
Legal Merger	has the meaning given to it in Section 6.13.2;
Listing and Exchange Agent	means ING Bank N.V.;
Material Adverse Effect	means one or more events or circumstances that cause, or could reasonably be expected to cause, a pronounced general and protracted decline in the global economy which has a sustainable material adverse effect on the business of the Draka Group taken as a whole or the Offeror Group taken as a whole, as the case may be;
Mediobanca	means *Mediobanca Banca di Credito Finanziario S.p.A.*;
Merger Code	means the Merger Code 2000 (*SER-besluit Fusiegedragsregels 2000*);
Merger Agreement	means the Merger Agreement agreed and signed by the Offeror and Draka on 22 November 2010;
Merger Rules	means all applicable laws and regulations, including without limitation, the applicable provisions of and any rules and regulations promulgated pursuant to the Wft, the Bob, the policy guidelines and instructions of the AFM, the Dutch Works Council Act (*Wet op de ondernemingsraden*), the Merger Code, the rules and regulations of Euronext Amsterdam and the Dutch Civil Code;

Minimum Acceptance Condition	has the meaning given to it in Section 6.7.1(b);
MTA	means *Mercato Telematico Azionario*, organised and managed by *Borsa Italiana S.p.A.*;
Nexans	means Nexans S.A.;
New Prysmian Shares	means the new Prysmian ordinary shares with a nominal value of EUR 0.10 each, proposed to be issued and credited as fully paid to holders of Shares pursuant to Offer;
Offer	means the offer described in this Offer Memorandum;
Offer Conditions	means the conditions to the Offer set out in Section 6.7;
Offer Memorandum	means this offer memorandum (Part I taken together with Part II, Part III and Part IV) describing the terms, conditions and restrictions of the Offer;
Offeror or Prysmian	means Prysmian S.p.A., an Italian joint stock company (*società per azioni*), having its registered offices at Viale Sarca 222, 20126 Milan, Italy, registered with the Register of Enterprises of Milan under number 1777895;
Offeror EGM	means the extraordinary general meeting of shareholders of Prysmian referred to in Section 6.8;
Offeror Group or Prysmian Group	means the Offeror and its subsidiaries;
Offer Period	means the period during which the Shareholders can tender their Shares to the Offeror, which commences at 09:00 hours, Amsterdam time, on 6 January 2011 and ends at 18:00 hours, Amsterdam time, on the Closing Date;
Offer Price	means the Cash Consideration together with the Share Consideration for each Share cum dividend;
Position Statement	means the position statement of Draka which does not form part of this Offer Memorandum;
Post Closing Acceptance Period	means a period of no more than two (2) weeks after the Offer Period during which the Shareholders that have not yet tendered their Shares under the Offer may be given the opportunity to do so in the same manner and under the same conditions as set out in this Offer Memorandum;
Post Offer Actions	has the meaning given to it in Section 6.13.2;
PwC	means PricewaterhouseCoopers S.p.A. with registered office at 91 Via Monte Rosa, 20149, Milan, Italy;
QIBs	has the meaning givent to it in Section 2.1;
Prospectus Directive	means Directive 2003/71/EC;
Prospectus Regulation	means Regulation 809/2004/EC;
Reference Date	means 13 October 2010, the last trading date before the rumours of a possible bid from Nexans on Draka became widely spread;
Reference Share Capital	has the meaning given to it in Section 6.7.1(b);
SEC	means U.S. Securities and Exchange Commission;
Settlement	means the payment of the Offer Price by the Offeror to the Shareholders for each Tendered Share;
Settlement Date	means the date, being no later than the tenth (10th) Business Day after the Acceptance Announcement Date, on which, in accordance with the terms of the Offer, the Offeror will pay the Offer Price to the Shareholders for each Tendered Share;
Share Consideration	has the meaning given to it in Section 5.1.1;
Shareholder(s)	means (a) holder(s) of one or more Share(s);

Shareholders' Meeting	means the extraordinary general meeting of shareholders of Draka that is to be held in accordance with Article 18, paragraph 1 of the Bob at least 6 (six) Business Days prior to the Closing Date;
Shares	means the issued and outstanding ordinary shares in the share capital of Draka with a nominal value of EUR 0.50 each;
Shares Weighted Average Price	has the meaning given to it in Section 6.8;
Squeeze-Out	has the meaning given to it in Section 6.13.2;
Statutory Squeeze-Out	has the meaning given to it in Section 6.13.2;
Supervisory Board	means the supervisory board (*raad van commissarissen*) of Draka;
Takeover Squeeze-Out	has the meaning given to it in Section 6.13.2;
Tendered Share	means each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and transferred (*geleverd*) for acceptance pursuant to the Offer prior to or on the Closing Date; and
US Securities Act	has the meaning given to it in Section 2.1;
Wft	means the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*).

5. INVITATION TO THE SHAREHOLDERS

The Offeror hereby makes a recommended public offer for all Shares. Shareholders are advised to review this Offer Memorandum (including all documents incorporated by reference herein) and in particular Sections 2 and 3 (Restrictions and Important Information) thoroughly and completely and to seek independent advice where appropriate in order to reach a balanced judgement with respect to the Offer and this Offer Memorandum. Shareholders who consider not tendering their Shares are advised to review Section 6.13 (Consequences of the Offer) in particular. With due reference to all statements, terms, conditions and restrictions included in this Offer Memorandum, Shareholders are hereby invited to tender their Shares under the Offer in the manner and subject to the terms and restrictions set out in this Offer Memorandum.

5.1 Offer Price

5.1.1 Consideration

For each Tendered Share, the Offeror offers a consideration of:

(i) 0.6595 New Prysmian Shares (the ***Share Consideration***); and

(ii) an amount of EUR 8.60 in cash (the ***Cash Consideration***),

the Cash Consideration together with the Share Consideration for each Tendered Share shall be hereinafter referred to as the ***Offer Price***.

The Share Consideration component of the Offer provides Shareholders with the opportunity to benefit from the long-term upside potential arising from the Combined Group. Under the terms of the Offer, existing Shareholders will own approximately 15% of the issued ordinary share capital of Prysmian and existing holders of Prysmian shares would own approximately 85% of the issued ordinary share capital of Prysmian. These figures assume that all of the Shares currently in issue (including options and shares under the share plans) are tendered under the Offer and that the New Prysmian Shares are issued.

The New Prysmian Shares will be issued by Prysmian following a resolution of the Offeror EGM as further described in Section 6.8.

Assuming all Shares (including treasury shares, options and shares under the share plan) are tendered into the Offer, the number of New Prysmian Shares would be 32,704,099, representing more than 10% of the total number of ordinary shares of Prysmian admitted to trading on the MTA as per the date of this Offer Memorandum.

It is expected that admission of the New Prysmian Shares on the MTA will become effective on or prior to the Settlement Date, and dealings for normal settlement will commence on the Settlement Date.

The New Prysmian Shares will attribute the same rights granted to the owners of the Prysmian ordinary shares already issued, and will have the same ISIN code attributed to the Prysmian shares already issued and traded on the MTA.

According to Article 57, letter a), of the Consob Regulation, this Offer Memorandum has been prepared also for the purpose of the admission to trading of the New Prysmian Shares. Pursuant to Article 57, letter c) of the Consob Regulation, the information contained under this Offer Memorandum has been considered by Consob as equivalent to the information that should have been included in a prospectus for the admission to trading. Therefore, this Offer Memorandum is to be considered as a prospectus for the purpose of the admission to trading of the New Prysmian Shares on the MTA.

5.1.2 Distributions

The Offer Price per Share is cum dividend 2010. In the event any dividend or other distribution (each a ***Distribution*** and collectively, the ***Distributions***), on the Shares is declared by Draka (whereby the record date that is decisive for entitlement to such Distribution takes place prior to Settlement), the Cash Consideration will be decreased by the full amount of any such Distribution made by the Company in respect of each Share. In the event any Distribution on the Prysmian shares is declared by Prysmian (whereby the record date that is decisive for entitlement to such distribution takes place prior to Settlement), the Cash Consideration will be increased by an amount equal to the amount of any such Distribution made by Prysmian in respect of each of its shares multiplied by 0.6595.

Any adjustment to the Cash Consideration resulting from a Distribution by either Prysmian or Draka will be communicated by press release referred to in Section 5.9 (Announcements) of this Offer Memorandum.

5.1.3 Fractions

In connection with the Offer, the Offeror will only issue whole New Prysmian Shares. To the extent Shareholders would otherwise be entitled to a fraction of one (1) New Prysmian Share as a result of the application of the exchange ratio of the Share Consideration, each such holder shall receive in lieu of a fractional New Prysmian Share an amount in cash (in euro, rounded to the nearest eurocent) equal to the product of the relevant fraction of the New Prysmian Share it would be entitled to receive multiplied by the market price of the Prysmian shares published as *prezzo di riferimento* in the first column linked to the name "Prysmian" on the page "Mercati Azionari in Italia" on Il Sole 24 Ore (http://www.ilsole24ore.com) of the third Business Day preceding the Settlement Date, or, in the event during such day, for any reason, Il Sole 24 Ore is not published, or, even if published, there is no reference to the *prezzo di riferimento* of the Prysmian shares, the *prezzo di riferimento* of the Business Day immediately preceding that day.

For further information regarding the Offeror capital increase reference is made to Section 6.8.

5.2 Acceptance by Shareholders

5.2.1 Acceptance by holders of Shares through an admitted institution

Shareholders who hold their Shares through an Admitted Institution are requested to make their acceptance known through their bank or stockbroker no later than 18:00 hours Amsterdam time on the Closing Date, unless the Offer Period is extended in accordance with Section 5.5 (Extension). The custodian, bank or stockbroker may set an earlier deadline for communication by Shareholders in order to permit the custodian, bank or stockbroker to communicate its acceptances to the Listing and Exchange Agent in a timely manner.

The Admitted Institutions may tender Shares for acceptance only to the Listing and Exchange Agent and only in writing. In submitting the acceptance, the Admitted Institutions are required to declare that (i) they have the Tendered Shares in their administration, (ii) each Shareholder who accepts the Offer irrevocably represents and warrants that the Tendered Shares are being tendered in compliance with the restrictions set out in Sections 2 and 3 (Restrictions and Important Information) and (iii) they undertake to transfer these Shares to the Offeror prior to or ultimately on the Settlement Date, provided that the Offer has been declared unconditional (*gestand wordt gedaan*).

Subject to Article 15, paragraph 3 of the Bob, the tendering of Shares in acceptance of the Offer will constitute irrevocable instructions to block any attempt to transfer the Shares tendered, so that on or prior to the Settlement Date no transfer of such Shares may be effected (other than to the Listing and Exchange Agent on or prior to the Settlement Date if the Offer is declared unconditional (*gestand wordt gedaan*) and the Shares have been accepted for purchase, or if withdrawal rights are available because of an extension of the Offer Period) and to debit the securities account in which such Shares are held on the Settlement Date in respect of all of the Tendered Shares, against payment by the Listing and Exchange Agent of the Offer Price per Share.

5.2.2 Acceptance by holders of Shares individually recorded in the Draka shareholders' register

Holders of Shares individually recorded in the Draka shareholders' register wishing to accept the Offer in respect of such Shares must deliver a completed and signed acceptance form to the Listing and Exchange Agent in accordance with the terms and conditions of the Offer, not later than 18:00 hours, Amsterdam time, on the Closing Date, unless the Offer Period is extended in accordance with Section 5.5 (Extension). The acceptance forms are available upon request from the Listing and Exchange Agent. The acceptance form will also serve as a deed of transfer (*akte van levering*) with respect to the Shares referenced therein.

5.2.3 Undertakings, Representations and Warranties by tendering Shareholders

Each Shareholder tendering Shares pursuant to the Offer, by such tender, undertakes, represents and warrants to the Offeror, on the date that such Shares are tendered and including the Settlement Date, that:

(a) the tender of any Shares constitutes an acceptance by the Shareholder of the Offer, on and subject to the terms and conditions of the Offer;

(b) such Shareholder has full power and authority to tender, sell and transfer (*leveren*) the Shares tendered by it, and has not entered into any other agreement to tender, sell or transfer (*leveren*) the Shares stated to have been tendered to any party other than the Offeror (together with all rights attaching thereto) and, when the same are purchased by the Offeror under the Offer, the Offeror will acquire such Shares, with full title guarantee and free and clear of all third party rights and restrictions of any kind; and

(c) such Shares are being tendered in compliance with the restrictions as set out in Sections 2 and 3 (Restrictions and Important Information) and the securities and other applicable laws or regulations of the jurisdiction in which such Shareholder is located or of which it is a resident and no registration, approval or filing with any regulatory authority of such jurisdiction is required in connection with the tendering of such Shares.

5.3 Offer Period (*aanmeldingstermijn*)

The Offer Period will commence at 09:00 hours, Amsterdam time, on 6 January 2011 and will expire on 3 February at 18:00 hours, Amsterdam time, unless the Offer Period is extended in accordance with Section 5.5 (Extension).

Shares tendered on or prior to the Closing Date may not be withdrawn, subject to the right of withdrawal of any tender during any extension of the Offer Period in accordance with the provisions of Article 15, paragraph 3 of the Bob. In case of extension of the Offer Period, any Shares previously tendered and not withdrawn will remain subject to the Offer. Shares tendered during an extension of the Offer Period may not be withdrawn.

If all conditions to the Offer are satisfied or, where appropriate, waived, the Offeror will accept all Shares that have been validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and not previously withdrawn pursuant to provisions of Article 15, paragraph 3 of the Bob in accordance with the procedures set forth in Section 5.2 (Acceptance by Shareholders).

5.4 Declaring the Offer Unconditional (*gestanddoening*)

The Offer will be subject to the satisfaction of the Offer Conditions. See also Section 6.7 (Offer Conditions, waiver and satisfaction). The Offer Conditions may be waived, to the extent permitted by law or by agreement, as set out in Section 6.7. If the Offeror or the Company wishes to (partly) waive one or more Offer Conditions according to Section 6.7.2, the Offeror will inform the Shareholders as required by the Merger Rules.

No later than on the third Business Days following the Closing Date, such date being the ***Acceptance Announcement Date***, the Offeror will determine whether the Offer Conditions have been satisfied or waived as set out in Section 6.7, to the extent permitted by law. In addition, the Offeror will announce on the Acceptance Announcement Date, whether (i) the Offer is declared unconditional, (ii) the Offer will be extended in accordance with Article 15 of the Bob or (iii) the Offer is terminated, as a result of the Offer Conditions not having been satisfied or waived set out in Section 6.7, all in accordance with Article 16 of the Bob. In the event that the Offer is not declared unconditional, the Offeror will motivate such decision.

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*) the Offeror will accept for payment all the Tendered Shares and may continue the Offer during a Post Closing Acceptance Period (*na-aanmeldingstermijn*) as set out in Section 5.6 (Post Closing Acceptance Period).

5.5 Extension

If and to the extent one or more of the Offer Conditions set out in Section 6.7 is not satisfied by the Closing Date, the Offeror may, in accordance with Article 15 paragraph 1 and paragraph 2 of the Bob, extend the Offer Period for a minimum period of two (2) weeks and a maximum period of ten (10) weeks in order to have such Offer Conditions satisfied or waived. Extension of the Offer Period may occur once (extension for more than one period is subject to clearance of the AFM, which will only be given in exceptional circumstances). In case of such extension all references in this Offer Memorandum to 18:00 hours Amsterdam time on the Closing Date shall, unless the context requires otherwise, be changed to the latest date and time to which the Offer Period has been so extended.

If the Offer Period is extended, so that the obligation pursuant to Article 16 of the Bob to announce whether the Offer is declared unconditional is postponed, a public announcement to that effect will be made ultimately on the third (3rd) Business Day following the Closing Date in accordance with the

provisions of Article 15, paragraph 1 and paragraph 2 of the Bob. If the Offeror extends the Offer Period, the Offer will expire at the latest time and date to which the Offeror extends the Offer Period.

During an extension of the Offer Period, any Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of each Shareholder to withdraw the Shares he or she has already tendered in accordance with Article 15, paragraph 3 of the Bob.

5.6 Post Closing Acceptance Period (*na-aanmeldingstermijn*)

In the event that the Offeror announces that the Offer is declared unconditional *(gestand wordt gedaan)*, the Offeror may, at its discretion, in accordance with Article 17 of the Bob, within three (3) Business Days after declaring the Offer unconditional, publicly announce a Post Closing Acceptance Period *(na-aanmeldingstermijn)* to enable Shareholders who did not tender their Shares during the Offer Period to tender their Shares under the same terms and conditions as the Offer. Such Post Closing Acceptance Period shall commence on the first Business Day following the announcement of a Post Closing Acceptance Period for a period of no longer than two (2) weeks.

The Offeror will publicly announce the results of the Post Closing Acceptance Period and the total amount and total percentage of Shares held by it in accordance with Article 17, paragraph 4 of the Bob ultimately on the third Business Day following the end of the Post Closing Acceptance Period. The Offeror shall continue to accept for payment all Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) during such Post Closing Acceptance Period and shall pay for such Shares promptly, but in any event within ten (10) Business Days following the end of the Post Closing Acceptance Period. Reference is made to Section 5.7 (Settlement).

During the Post Closing Acceptance Period, neither Shareholders who tendered Shares during the Offer Period, if such Shares were accepted pursuant to the Offer, nor Shareholders who tender Shares during a Post Closing Acceptance Period, will have any right to withdraw such Shares from the Offer.

5.7 Settlement

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), Shareholders who have tendered and delivered their Shares for acceptance pursuant to the Offer on or prior to the Closing Date will receive within ten (10) Business Days following the Acceptance Announcement Date the Offer Price in respect of each Tendered Share, at which point dissolution or annulment of a Shareholder's tender or transfer (*levering*) shall not be permitted.

The Offeror shall procure that the New Prysmian Shares will be issued on or before the Settlement Date. It is expected that the New Prysmian Shares will be admitted to trading and listing on the MTA ultimately on the Settlement Date. The New Prysmian Shares will be issued as fully paid in exchange of the Shares and will carry the same rights as those granted to the holders of then existing Prysmian ordinary shares and will be entitled to all dividend and other distributions declared or paid by Prysmian by reference to a record date after the Settlement Date, but not otherwise.

5.8 Dividends

Following the Settlement Date, the current dividend policy of Draka may be discontinued. Draka will most likely not implement a new dividend policy. Distributions made in respect of the Shares after the Settlement Date will be deducted from the price per Shares for purposes of establishing such price in any Legal Merger or other measure contemplated by Section 6.13.2 (Legal Structure and Corporate Structure following the Offer).

Prysmian's dividend policy is set out in Section 4 of Part II (Dividends and Dividend Policy of Prysmian).

5.9 Announcements

Any announcements contemplated by this Offer Memorandum will be issued by press release. Subject to any applicable requirements of the Merger Rules and without limiting the manner in which the Offeror may choose to make any public announcement, the Offeror will have no obligation to communicate any public announcement other than as described above.

5.10 Commission

Admitted Institutions will receive from the Listing and Exchange Agent on behalf of the Offeror a commission in the amount of EUR 0.01712 in respect of each Tendered Share up to a maximum of EUR 2,500.00 per Shareholder tender. The commission must be claimed from the Offeror through the Listing and Exchange Agent within thirty (30) days of the Settlement Date. No costs will be charged to Shareholders by the Offeror or by Draka for the transfer and payment of each Tendered Share if an Admitted Institution is involved. However, Shareholders may be charged certain fees by their banks or stockbrokers. Costs may also be charged to Shareholders by or on behalf of a foreign institution involved in the transfer and payment of the Tendered Shares and the New Prysmian Shares. Shareholders should consult their banks and stockbrokers regarding any such fees.

5.11 Restrictions

The Offer is being made with due observance of such statements, conditions and restrictions as are included in this Offer Memorandum. The Offeror reserves the right to accept any tender under the Offer, which is made by or on behalf of a Shareholder, even if it has not been effected in the manner as set out in Section 5.2 (Acceptance by Shareholders).

5.12 Indicative Timetable

Expected Date and Time (All times are Amsterdam time)	**Event**
17:00 hours, 5 January 2011	Press release announcing the availability of the Offer Memorandum and the commencement of the Offer
09:00 hours, 6 January 2011	Commencement of the Offer Period under the Offer
10:30 hours, 21 January 2011 [*Note: and 10:30 hours, 22 January 2011 on second call, and 14:30 hours, 24 January 2011 on third call*]	Offeror EGM, at which meeting the increase of Prysmian's authorised share capital and the issue of the New Prysmian Shares will be put up for voting
14:00 hours, 26 January 2011	Shareholders' Meeting, at which meeting the Offer, among other matters, will be discussed and a vote will be requested on the resolutions referred to in the Position Statement
18:00 hours, 3 February 2011	Closing Date: Deadline for Shareholders wishing to tender Shares, unless the Offer is extended in accordance with Article 15 of the Bob
No later than three (3) Business Days after the Closing Date	Acceptance Announcement Date: The date on which the Offeror will publicly announce whether the Offer is declared unconditional (*gestand wordt gedaan*) in accordance with Article 16 of the Bob
No later than ten (10) Business Days after the Acceptance Announcement Date	Settlement Date: The date on which, in accordance with the terms and conditions of the Offer, the Offeror will pay the Offer Price per Share to the Shareholders who have validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and transferred (*geleverd*) their Shares under the Offer

6. EXPLANATION AND BACKGROUND OF THE OFFER

6.1 Introduction

On 18 October 2010, Nexans S.A. (***Nexans***) announced (i) the intention to enter into discussions with Draka regarding a possible offer by Nexans for the acquisition of all Shares and (ii) that it had obtained the commitment of Flint Beheer B.V., subject to certain conditions, to tender its Shares at a price of EUR 15 per Share.

On 27 October 2010, the Boards issued a press release stating that they considered the unsolicited indicative non-binding proposal from Nexans to be inadequate as it would substantially undervalue the Company and did not address the position and legitimate interests of all stakeholders, nor the execution risk of the transaction as proposed by Nexans.

On 22 November 2010, the Offeror and Draka jointly announced that they had reached conditional agreement on the terms and conditions of the Offer, as set out in this Offer Memorandum, which Offer values Draka at EUR 17.20 per Share[1] (the ***Initial Announcement***).

On 15 December 2010, the Offeror announced that it had sufficient funds available to secure the Offer and that the Offer Memorandum was submitted for approval to the AFM in accordance with Article 7, paragraph 4 of the Bob.

See also Section 10 (Press Releases).

6.2 The Offer

The Offeror is making the Offer to purchase from the Shareholders all the Shares on the terms and subject to the conditions and restrictions contained in this Offer Memorandum.

Subject to the Offer being declared unconditional (*gestanddoening*), Shareholders tendering their Shares under the Offer will receive the Offer Price in respect of each Tendered Share.

6.2.1 Bid Premia

The Implied Value of the Offer Price, valued at Prysmian's closing share price of EUR 13.04 on 19 November 2010, amounts to EUR 17.20 per Share. The Implied Value represents a premium of:

- 25.4% over the closing Share price of EUR 13.72 on the Reference Date;
- 34.6% relative to the volume weighted average closing Share price of EUR 12.78 over the one (1) month period ending on the Reference Date;
- 43.5% relative to the volume weighted average closing Share price of EUR 11.98 over the three (3) months period ending on the Reference Date;
- 36.7% relative to the volume weighted average closing Share price of EUR 12.58 over the six (6) months period ending on the Reference Date; and
- 36.7% relative to the volume weighted average closing Share price of EUR 12.59 over the twelve (12) months period ending on the Reference Date.

6.3 Substantiation of the Offer

The Offeror and Draka have reached an agreement on the Offer and the Offer Price following negotiations between themselves and their respective advisers. In assessing the Offer, the Boards carefully considered the interests of all stakeholders concerned, including those of the Shareholders.

The Offer Price has been based on a series of financial analyses including:

- a discounted cash flow analysis, assuming (i) financial forecasts for Draka on a stand-alone basis (source IBES), (ii) a weighted average cost of capital of approximately 8.4%, (iii) an explicit forecasting period of three (3) years, and (iv) a terminal value based on the exit multiple methodology[2] assuming an exit multiple of 7.0x. Sensitivity analysis have been developed on both the weighted average cost of capital and on the exit multiple. Based on the discounted cash flow analysis, the value per Share ranges from EUR 17.5 to EUR 21.6. Furthermore, in order to determine the exchange ratio between Draka and Prysmian shares, a discounted cash flow analysis (the main valuation methodology in this respect) has been

1 Valued at Prysmian's closing price of EUR 13.04 on 19 November 2010.

2 The exit multiple methodology estimates the terminal value by multiplying the company's normalised financials for their respective multiple determined by looking at comparable companies' market multiples.

performed on Prysmian. Assuming a weighted average cost of capital of approximately 8.7% and an exit multiple of 7.0x, the comparable value per Prysmian share ranges from EUR 14.9 to EUR 18.2;

- a precedent transaction analysis related to acquisitions in the cable industry over the last five (5) years, with reference to transactions with an Enterprise Value higher than EUR 50 million and which targeted majority or significant stakes. Transactions analysed included the acquisition of Olex by Nexans, Phelps Dodge Int. by General Cable, Madeco Cable Business by Nexans, Draka Comteq by Draka and Superior Essex by LS Cable. The average and median ratio of the enterprise value implied in the acquisition price to the last twelve months EBITDA for the companies included in the panel was respectively 9.5x and 8.6x. By comparison, the ratio of the Draka enterprise value, calculated at the Implied Value of the Offer Price, to Draka LTM EBITDA as of 30 June 2010 was equal to 9.9x;
- an analysis of bid premia in public offers for industrial companies listed on the Euronext Amsterdam in the last five (5) years. The premia have been calculated on the basis of closing share price the day before the announcement of the offer or the day before rumours of a possible offer became spread to the market (i.e. undisturbed prices). The average and median one-day bid premia amounted respectively to 35% and 21%; and
- an analysis of target prices for Draka, issued prior to the Reference Date by research analysts following Draka's developments and regularly issuing research reports on the company. The target prices range from EUR 11.5 to EUR 20.0 (with a median of EUR 13.6), based on research reports from ABN Amro, Rabobank, Keijser, SNS Securities, RBS, Petercam, Kempen, Theodoor Gilissen, Kepler, Berenberg Bank, ING and HSBC;

and taking into account the following valuation benchmarks:

- a share price analysis including Draka's closing Share price in the last twelve (12) months (EUR 10.1 – EUR 15.4 range) and volume weighted average closing Share price in the last one (1), three (3), six (6) and twelve (12) months (EUR 12.0 – EUR 12.8 range) as at the Reference Date; and
- a trading multiples analysis based on trading and financial performances of Draka compared with those of a group of comparable companies, including General Cable, Prysmian and Nexans. The trading multiple analysis was based on the 2010E EV/EBITDA and 2011E EV/EBITDA multiples, calculated on IBES estimates and trading data as of 19 November 2010[3] for the peer group and as of the Reference Date for Draka. For the peer group, the median ratio of enterprise value to 2010E EBITDA was 8.3x, while the median ratio of enterprise value to 2011E EBITDA was 7.2x. By comparison, the ratio of the Draka enterprise value, calculated at the Implied Value of the Offer Price, to analyst consensus of EBITDA expected for the years ended 31 December 2010 and 31 December 2011 as provided by IBES estimates on 19 November 2010[4], was equal to 9.1x and 8.1x respectively.

In addition, certain financial information as derived from annual and interim accounts, analysts' presentations and reports, market reports and press releases have been reviewed.

6.4 Rationale for the Offer

The Offer is backed by a strong strategic rationale and long-term value creation opportunities.

The Combined Group will be a new leading player in the worldwide energy and telecom cable and systems industry, in particular in several of its high-technology segments.

6.4.1 Main highlights of the transaction

The strategic, operational and financial merits of the combination are compelling and will provide significant benefits to both Prysmian's and Draka's shareholders, employees, customers and other stakeholders, as the combination will create a new player with:

- a leading position in high voltage, subsea, high-end industrial cables, fibers and optical cables;
- a global presence in more than 50 countries with over 90 plants and more than 20,000 employees;

3 Last day of trading before Prysmian announced its intention to launch a public offer for all Shares.
4 Last day of trading before Prysmian announced its intention to launch a public offer for all Shares.

- based on 2009 aggregate figures, net sales of EUR 5.8 billion and adjusted EBITDA of EUR 541 million (excluding non recurring items) and based on 2010 aggregate estimated figures, net sales of EUR 6.7 billion and adjusted EBITDA of EUR 530 million (excluding non recurring items)[5];
- a highly complementary know-how and product portfolio with aggregate 2009 net sales split by business channels as follows: Utilities 28%, Trade & Installers 29%, Industrial 23% and Telecom 20%;
- a diverse and increased customer base with limited areas of commercial overlap;
- a balanced and diversified geographic mix with net sales in 2009 in EMEA representing 65% of the total aggregate, America 17%, Asia & Oceania 14% and Rest of the World 3%;[6]
- a combination with a highly complementary geographic footprint leveraging on Draka's strength in Northern Europe and Prysmian's strong position in Southern Europe and an increased coverage of fast growing emerging markets;
- significant synergy scope to generate approximately EUR 100 million of annual run-rate synergies within three (3) years; and
- an enhanced and strong platform well positioned to capture the significant growth opportunities available in the market through its leading positions in key areas and segments and to deliver substantial benefits from sharing best practices and processes.

The transaction is expected to be a value enhancing combination and earnings accretive for Prysmian's shareholders from 2011 onwards even on a pre-synergies basis.[7]

6.4.2 A leading player

The Combined Group will be a new leading player in the worldwide energy and telecom cable and systems industry, in particular in several of its high-technology segments.

Based on 2009 aggregate figures, the Combined Group had net sales of EUR 5.8 billion and adjusted EBITDA of EUR 541 million (excluding non recurring items). In 2010, and based on IBES median estimate as of 23 December 2010, the Combined Group is expected to reach net sales of EUR 6.7 billion and adjusted EBITDA of EUR 530 million (excluding non recurring items).

In subsea and high voltage, the Combined Group will continue to serve the main national grid operators and will be involved in the most important transmission projects worldwide.

In the industrial channel, the Combined Group will leverage on an extended product offering and will be in the position to exploit cross selling opportunities in its industrial cables portfolio; for some high value-added industrial applications, as for example wind energy, the Combined Group will be in the unique position to offer to its enlarged customer base an even more complete offering, thanks to the product and technological complementarity of Prysmian and Draka. The Combined Group's manufacturing footprint will also allow to enhance the service level and product offering to the Trade & Installers channel, thanks to improved logistics flows (due to increased geographic presence and coverage) and, once again, thanks to the complementarity of Draka's and Prysmian's product portfolios.

Thanks to the access to Draka's fiber production technology, the Combined Group will have fiber production facilities spread across the globe and will be a leading player in the optical cable segment, leveraging on an even wider product range.

The Combined Group will also benefit from its strengthened geographic presence which will count on:

- possibility to exploit Draka's strength in Northern Europe and Prysmian's strong position in Southern Europe;
- leading presence in Industrial cables with local manufacturing facilities in the key markets of North America, Europe (Germany, France and Italy) and China; in particular, Draka will contribute into the combination its strong position in the North American market, where Draka operates in complementary segments such as the one for applications for the Elevator industry; in China, both companies have significant presence and will leverage the strengths of their respective product portfolios;

5 Source: median of IBES estimates as of 23 December 2010.

6 Preliminary segmentation based on existing reporting by Prysmian and Draka. Actual segmentation post-transaction may differ from the one presented above as the two companies' reported geographic segmentation is not fully consistent.

7 Excluding net one-off costs.

- increased presence in attractive emerging markets (e.g. China, Middle East, Brazil, Mexico, ASEAN, India and Russia); in China, Prysmian is mainly present in the Energy sector, whereas Draka's main focus is in Telecommunications; in the Middle East, Prysmian is mainly active in Power Transmission projects, whereas Draka has a well rooted presence in the fast growing Oman market, through a partnership in a leading local player; in South America, the presence of the two companies is highly complementary, being Prysmian mainly active in Brazil and Draka in Mexico; also, in ASEAN, the geographical footprints have limited overlaps, where the historical presence of Prysmian in Indonesia and Malaysia is well integrated by Draka's leading positioning in Singapore and Hong Kong;
- increased presence in the Telecom business (mainly optical cables and fiber) through complementary geographical presence in EMEA, North and South America and China; Draka's manufacturing presence in North America will provide an excellent balance in terms of currency exposure in a market which is mainly denominated in US dollars.

6.4.3 Industry trends

The reference industries in which both Prysmian's and Draka's customers operate are expanding on a global scale, with companies buying products and services globally and on a centralised basis. Also, a consolidation trend can be observed in the cable industry, both at suppliers' and at customers' level.

The globalisation and consolidation of the industry is increasing the need for scale, wide product offering, efficiency and constant innovation.

The transaction will allow the Combined Group to better tackle the evolving industry trends, as the new player will leverage on:

- complementary business and product portfolios;
- increased customer base with limited areas of commercial overlap and potential cross-selling opportunities;
- increased coverage of fast growing emerging markets;
- industry leading R&D capabilities, crucial to effectively respond to the need for innovation;
- financial strength to invest in organic and external growth opportunities across the world; and
- a strong positioning for further industry consolidation at global level.

Thanks to the extended industrial and geographical footprint, the Combined Group is expected to optimize logistics flows, reach a wider customer base and definitely increase its proximity to the market, with an overall improvement in the service level to its customers. The Combined Group is also expected to increase its cost competitiveness thanks to significant economies of scale generated by the transaction.

6.4.4 Expected synergies

Thanks to the significant experience matured by both Prysmian and Draka in implementing efficiency and cost saving measures, the Combined Group is expected to generate approximately EUR 100 million of annual run-rate pre-tax cost synergies to be achieved within three (3) years.

Synergies will derive mainly from the following areas:

- optimization of the manufacturing footprint, aiming at improving the efficiency of the plants and reorganizing the various production lines; other than efficiencies and cost competitiveness, the industrial reorganisation will maintain a special focus on enhancing the service level to the customers and exploit cross-selling opportunities;
- raw materials procurement and purchase of other supplies and services, leveraging on the increased scale of the Combined Group and aligning the terms and conditions of the two companies with the different suppliers;
- effective reshaping and integration of the two organizations at corporate, country and business level, with the specific aim to enhance the best human resources of the two companies;
- optical fiber sourcing, complementing the production of Prysmian plant in Southern Italy with Draka's North American facility and rebalancing fiber in-house production and out-sourcing;
- exploitation of the complementarities in product portfolios and cross-selling opportunities.

In addition, the combination is expected to generate additional benefits (not included in the afore mentioned estimate of approximately EUR 100 million) through sharing of best practices,

cross-fertilization in lean manufacturing and R&D know-how, introduction of proven concepts and procedures into the respective client bases and across each other footprints, improved logistic flows and a natural hedge against currency fluctuations in the Telecom business. Furthermore, increased scale and scope will allow the combination to be more competitive in international tenders, also leveraging on the wider geographical presence.

Net restructuring costs to capture these synergies have been estimated at approximately EUR 170 million, spread over three years and mainly arising from restructuring and rightsizing of production facilities, from overheads' rationalisation and from other integration costs (IT, project management and others).

Prysmian and Draka are among the most efficient players in the industry, with an impressive track record in implementing efficiency and cost saving measures, and have identified significant scope for further improvements for the Combined Group.

The two companies have proved their ability to integrate and further develop acquired assets thanks to continuous investments. Prysmian's precedent acquisitions and business integrations (as a stand-alone entity and as part of the Pirelli Group) such as the integration of energy cables operations of Siemens AG in 1998, energy cable operations from BICC General in 2000 and others, represent relevant examples whereby acquired assets have been developed and their value significantly enhanced (i.e. excellence centre of Neustadt in Germany, Delft in the Netherlands and Pikkala in Finland for the production of extra-high voltage power cables).

With reference to Draka, Prysmian does not envisage any break-up of its business or material divestitures of any of its business units, and believes that the integration can be successfully executed with minimal disruptions, taking into account both companies' strengths and culture.

6.5 Funding/financing of the Offer

With reference to Article 7, paragraph 4 of the Bob, the Offeror announced on 15 December 2010 that it had taken all necessary measures to secure the funding of the Offer.

Prysmian will finance the maximum total amount of the Cash Consideration of approximately EUR 420 million with cash on its balance sheet and on the basis of existing committed credit facilities.

On 15 December 2010, Prysmian convened an Extraordinary General Meeting of Prysmian Shareholders as referred to in Section 6.8 (Offeror EGM). At the Offeror EGM, which will be held on 21 January 2011 (and, to the extent required, on 22 January 2011, on second call, and on 24 January 2011, on third call), the shareholders of Prysmian will be asked to approve the increase of Prysmian's authorised share capital and the issue of the New Prysmian Shares in order for Prysmian to be in a position to deliver the Share Consideration. The board of directors of Prysmian will recommend to Prysmian shareholders such capital increase and the related issuance of shares.

Reference is made to Section 10 (Press releases).

6.6 Recommendation

6.6.1 Decision-making and recommendation by the Boards

As stated in the Position Statement, after having given due and extensive consideration to the strategic and business rationale and the financial and social aspects and consequences of the proposed transaction, the Supervisory Board and Board of Management have reached the conclusion that the Offer as contemplated in this Offer Memorandum is in the best interests of the Company and its stakeholders (including the Shareholders).

The Supervisory Board and Board of Management are of the opinion that the Offer Price and the other terms of the Offer are reasonable and fair to the Shareholders from a financial point of view. In this respect, reference is made to the Fairness Opinion, as included in the Position Statement.

With reference to the above, the Supervisory Board and Board of Management support the Offer and unanimously recommend the Offer to the Shareholders for acceptance and therefore recommend voting in favour of all resolutions relating to the Offer to be taken at the Shareholder's Meeting referred to in the Position Statement.

In view of the applicable rules to avoid improper conflicts of interests, two (2) members of the Supervisory Board, Mrs A.M. Fentener van Vlissingen and Mr F.H. Fentener van Vlissingen have not participated in the deliberations and decision making regarding the Offer.

6.6.2 Decision-making and unanimous approval of the Offer by the Board of Directors of Prysmian

The board of directors of Prysmian fully supports and has unanimously approved the Offer and unanimously resolved to submit for approval the capital increase and the issue of the New Prysmian Shares to the shareholders of Prysmian, such resolutions to be taken at the Offeror EGM as further described in Section 6.8.

6.7 Offer Conditions, waiver and satisfaction

6.7.1 Offer Conditions

Notwithstanding any other provisions of the Offer, the obligation of the Offeror to declare the Offer unconditional (*gestanddoening*) will be subject to the following conditions precedent being satisfied, or waived as set out in this Section 6.7, on or before the Closing Date:

(a) (i) all mandatory competition approvals (including EC) or, as applicable, statements of no objections, of domestic and international authorities required in connection with the Offer and the intended change of control have been obtained and/or any applicable waiting period (and any extension thereof) in connection with the Offer including under the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended, and other applicable European regulations has terminated or expired; (ii) all other material approvals, licences, exemptions and permissions of domestic and international authorities required in connection with the Offer and the intended change of control have been obtained; (iii) in relation to the matters referred to in (i) and (ii) above, all mandatory waiting periods (including EC) (and any extension thereof) pursuant to applicable legislation have been terminated or expired during which domestic or international authorities may oppose the Offer and/or the intended change of control or can take or announce steps which could impede the Offer and/or the intended change of control or in any other way result in material adverse repercussions for the Company or the Offeror in connection with the Offer; and (iv) in relation to the matters referred to in (i) and (ii) above, neither domestic nor international authorities have taken or announced steps which could impede the Offer or its intended change of control or in any other way result in material adverse repercussions for the Company or the Offeror in connection with the Offer;

(b) the number of Shares that is tendered for acceptance on the Closing Date, whether or not extended, plus the Shares which are held, directly or indirectly, by the Offeror at the Closing Date, plus the Shares to which the Offeror is entitled (*gekocht maar nog niet geleverd*) (together the ***Committed Shares***), represent at least 85% of the aggregate of the Company's issued and outstanding ordinary share capital (*geplaatst en uitstaand kapitaal*) (excluding any Shares held by the Company at the Closing Date) (the ***Reference Share Capital***) on a fully diluted basis as at the Closing Date, whether or not extended (the ***Minimum Acceptance Condition***);

(c) on or prior to the Closing Date no Material Adverse Effect has occurred;

(d) the Offeror EGM has approved the issuance of the New Prysmian Shares;

(e) no public announcement has been made indicating for the first time that a third party makes, is preparing or increases an offer pursuant to Article 5 of the Bob or Article 5:70 of the Wft, for all the Shares, the Options or securities convertible into shares in the capital of the Company, provided that such offer or announced offer reflects a value exceeding the Offer Price and provided further that the Offeror may only invoke this condition either (i) in order to increase the Offer Price in accordance with the Merger Rules or (ii) if such third party offer is a Binding Competing Offer as set out in Section 6.16;

(f) the recommendation of the Boards has not been revoked or amended;

(g) the Company has not breached the Merger Agreement to the extent that such breach could reasonably be expected to constitute a material adverse effect (not defined)[8] on the Company, the Offeror or the Offer and which is of such material nature that it cannot reasonably be expected that the Offeror declares the Offer unconditional (*gestand doet*);

8 All Offer Conditions are identical to the text of the Merger Agreement, whereby material adverse effect with respect to Offer Condition (g) was not defined. In this respect, it was not intended to include an additional "business MAC", but rather qualify "breach" of the Merger Agreement in order not to give an easy right to either of the Parties to walk away.

(h) the Offeror has not breached the Merger Agreement to the extent that such breach could reasonably be expected to constitute a material adverse effect (not defined)[9] on the Company, the Offeror or the Offer and which is of such material nature that it cannot reasonably be expected that the Company supports and co-operates with the Offer;

(i) no order, stay, judgment or decree is issued by any court, arbitral tribunal, government, governmental authority or other regulatory or administrative authority and is in effect, or any statute, rule, regulation, governmental order or injunction shall have been enacted, enforced or deemed applicable to the Offer or any of them, any of which restrains or prohibits the consummation of the Offer in any material respect;

(j) no notification has been received from the AFM stating that the Offer has been made in conflict with any provisions of the Merger Rules in which case, pursuant to those rules, securities institutions would not be permitted to co-operate with the execution and completion of the Offer and trading in the Shares on Euronext Amsterdam not having been permanently suspended as a result of a listing measure taken by Euronext Amsterdam;

(k) no notification has been received from Consob stating that the Offer has been made in conflict with any provisions of Italian laws and regulations, and trading in the Prysmian shares has not been permanently suspended; and

(l) no Preference B Shares are issued and outstanding.

6.7.2 Waiver

(a) The Offer Conditions set forth in Sections 6.7.1(c) and 6.7.1(i) are for the benefit of both the Offeror and the Company and may, to the extent permitted by applicable law, be waived by the Offeror and the Company jointly (either in whole or in part).

(b) The Offer Conditions set forth in Sections 6.7.1(a), 6.7.1(e), 6.7.1(f), 6.7.1(g) and 6.7.1(l) are for the benefit of the Offeror and may be waived, to the extent permitted by applicable law, by the Offeror (either in whole or in part) by written notice to the Company.

(c) The Offer Condition set forth in Section 6.7.1(h) is for the benefit of the Company and may be waived by the Company (either in whole or in part) by written notice to the Offeror.

(d) The Offer Conditions set forth in Sections 6.7.1(d), 6.7.1(j) and 6.7.1(k) cannot be waived.

(e) The Minimum Acceptance Condition set forth in Clause 6.7.1(b) may only be waived in accordance with the following:

   (i) if the Committed Shares at the Closing Date do not represent at least 85% but more than 66 2/3% of the Reference Share Capital, the Minimum Acceptance Condition may be waived by the Offeror at any time by written notice to the Company; and

   (ii) if the Committed Shares at the Closing Date do not represent at least 66 2/3% of the Reference Share Capital, the Minimum Acceptance Condition may only be waived in written form by the Offeror and the Company jointly.

6.7.3 Satisfaction

The satisfaction of each of the Offer Conditions does not solely depend on the will of the Offeror as prohibited by Article 12, paragraph 2 of the Bob.

Each of the Offeror and Draka shall use its best efforts to procure satisfaction of the Offer Conditions as soon as reasonably practicable. If at any time a party becomes aware of a fact or circumstance that might prevent an Offer Condition from being satisfied, it shall immediately inform the other in writing. If at any time a party becomes aware of an Offer Condition being satisfied, it shall immediately inform the other in writing.

With respect to Offer Condition 6.7.1(a), the Offeror shall use its best efforts to have this Offer Condition satisfied as soon as possible. In the event a competition approval or statement of no objection of domestic and international authorities in respect of the Offer is given subject to conditions or obligations, then those conditions and obligations being reasonably satisfactory to the Offeror acting reasonably, shall be accepted provided that the Offeror shall be obliged to accept any condition or obligation which is not material.

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9 All Offer Conditions are identical to the text of the Merger Agreement, whereby material adverse effect with respect to Offer Condition (h) was not defined. In this respect, it was not intended to include an additional "business MAC", but rather qualify "breach" of the Merger Agreement in order not to give an easy right to either of the Parties to walk away.

6.8 Offeror EGM

In relation to the increase of Prysmian's authorised share capital and the issue of the New Prysmian Shares, an extraordinary general meeting of shareholders of Prysmian has been convened at 10:30 hours, Amsterdam time, on January 21, 2011 on first call, at 10.30 hours, Amsterdam time, on January 22, 2011 on second call and at 14.30 hours, Amsterdam time, on January 24 2011, on third call. The Offeror EGM will be held in Milan at the offices of Mediobanca at Via Filodrammatica 3, Milan.

The Offeror EGM will resolve the capital increase of Prysmian to be subscribed in kind by the Shareholders by means of contribution in kind of the Shares tendered to the Offer. The resolution approving the capital increase will be passed: (i) in first call, with the attendance of shareholders representing at least the half of the total share capital and with the favourable vote of at least 2/3 of the attending shareholders; in second call, with the attendance of shareholders representing more than 1/3 of the total share capital and with the favourable vote of at least 2/3 of the attending shareholders; in subsequent calls, with the attendance of shareholders representing at least 1/5 of the total share capital and with the favourable vote of at least 2/3 of the attending shareholders.

The Offeror capital increase will be resolved by means of the issuance of a maximum number of 32,704,099 New Prysmian Shares, having a nominal value of EUR 0.10 each, to be offered for subscription to the Shareholders tendering their Shares to the Offer, at a subscription price equal to EUR 13.04 for each Share (of which 0.10 as nominal value and EUR 12.94 as share premium), for a maximum amount of EUR 426,461,450.96 (of which 3,270,409.90 as total maximum nominal value and EUR 423,191,041.06 as total maximum share premium).

The New Prysmian Shares will attribute the same rights granted to the owners of the Prysmian ordinary shares then already issued, and will have the same ISIN code attributed to the Prysmian shares already issued and traded on the MTA.

Shares tendered to the Offeror by each Shareholder accepting the Offer will be treated by the Offeror: (i) in part as Shares contributed in kind against the subscription of a number of the New Prysmian Shares corresponding to aggregate Share Consideration due to such Shareholder; (ii) in part as Shares purchased by Offeror against the aggregate Cash Consideration to be paid to such Shareholder.

In this respect, in order to comply with accounting and Italian company law requirements applicable to the Offeror with respect to the capital increase, the number of the Shares tendered by each accepting Shareholders which will be treated as contributed in kind shall be determined on the basis of the weighted average price of the Shares on Euronext Amsterdam in the six months preceding the Settlement Date (the ***Shares Weighted Average Price***) and shall be equal to such number of Shares which multiplied by the Shares Weighted Average Price equals the aggregate subscription price of the New Prysmian Shares to be issued to such accepting Shareholder; the remaining Shares tendered will be treated as purchased against the aggregate Cash Consideration. This allocation method shall have no effect whatsoever on the aggregate Offer Price (and the aggregate Share Consideration and Cash Consideration) to be paid to each accepting Shareholder as described in Section 5.1.1.

If certain amendments to Italian law provisions on contributions in kind recently approved enter into force pending the Offer, the Shares Weighted Average shall be equal to the weighted average of the Shares on the Euronext Amsterdam during the six (6) month preceding the date on which the report of the board of director of the Offeror on the capital increase will be published on Prysmian website.

6.9 Shareholdings of the members of the Boards

6.9.1 Information on Shares

As of the date of this Offer Memorandum, Shares are held by the sole member of the Board of Management, Mr F.F. Dorjee, as shown in the following table. None of the current members of the Supervisory Board hold any Shares.

Draka shall procure that Mr F.F. Dorjee shall tender the Shares directly or indirectly held by him under the Offer under the same terms and conditions as described in this Offer Memorandum. The maximum total amount involved in this transaction is EUR 85,484 plus 6,555.43 New Prysmian Shares.

The members of the Boards did not receive any information from the Offeror in connection with the Offer that is not included in this Offer Memorandum.

Board of Management	Number of Shares
Mr F.F. Dorjee	9,940

6.9.2 Information on options on Shares

As of the date of this Offer Memorandum, performance shares are held by the sole member of the Board of Management, Mr F.F. Dorjee, as shown in the following table:

Board of Management	Number of performance shares
Mr F.F. Dorjee	95,267

The maximum total amount involved in this transaction is EUR 720,567.

Neither the current member of the Board of Management, nor any of the current members of the Supervisory Board own any options on Shares.

For a description of the share and option plans in place reference is made to Section 7.12 (Share-based payments).

6.10 Respective cross-shareholdings Offeror – Draka

On the date of this Offer Memorandum, the Offeror and/or any of its group companies do not directly or indirectly hold any Shares in Draka.

Draka and/or any of its group companies do not directly or indirectly hold any shares in the Offeror.

6.11 Irrevocable Undertaking

Flint Investments B.V., holding 48.48% of the Shares, has irrevocably undertaken to tender all Shares held by it under the terms and conditions of this Offer Memorandum. The irrevocable undertaking contains customary undertakings and conditions, including that Flint Investments B.V. is not obliged to tender its Shares or shall be entitled to withdraw its acceptance of the Offer (i) any public offer is made by a *bona fide* third party at a price which exceeds the aggregate Implied Value by at least 16.3%, to be valued at the last Business Day prior to the date on which such offer is launched or (ii) an offer is made for all or substantially all of the assets of the Draka Group, provided that (a) the net proceeds to shareholders of the Company resulting from such a transaction (to be valued as at the date of announcement of such asset offer) exceed the Implied Value by at least 16.3%, calculated on a per Share basis and (b) the conditionality of such asset offer would not provide less deal certainty than under the Offer.

The irrevocable undertaking shall lapse in the event that (i) the Merger Agreement has been terminated in accordance with its terms as set out in Section 6.16.2, (ii) the Offer is withdrawn, (iii) the Offer is not declared unconditional within three (3) Business Days following expiry of the (extended) Offer Period or (iv) the Offeror having breached its obligations under the irrevocable undertaking which, if capable of being remedied, has not been remedied within seven (7) days of such breach. Flint Investments B.V. did not receive any information in connection with the Offer that is not included in this Offer Memorandum.

6.12 Holders of preference shares

At the date of the Offer Memorandum, 5,754,657 (financing) preference shares are issued in the capital of Draka, of which 2,925,000 are held by ASR Levensverzekering N.V. and 2,829,657 are held by Kempen Capital Management N.V. After the commencement of the Offer Period, the Offeror shall enter into discussions with each of the holders of the (financing) preference shares in relation to the purchase of such shares.

6.13 Consequences of the Offer

Shareholders who do not tender their Shares under the Offer should carefully review this Section, which describes certain risks they will be subject to if they elect not to accept the Offer. These risks are in addition to the risks associated with holding securities issued by Draka generally, such as the exposure to risks related to the business of Draka and its subsidiaries, the markets in which Draka Group operates, as well as economic trends affecting such markets generally as such business, markets or trends may change from time to time. The following is a summary of the key additional risks.

6.13.1 Liquidity and Delisting

The purchase of Shares by the Offeror pursuant to the Offer, among other things, will reduce the number of Shareholders and the number of Shares that might otherwise trade publicly and may therefore adversely affect the liquidity and market value of the remaining Shares.

Should the Offer be declared unconditional (*gestanddoening*) it is intended that the Company's listing on Euronext Amsterdam will be terminated as soon as possible after the Offer being declared unconditional. Delisting may be achieved on the basis of 95% or more of the issued share capital of Draka having been acquired by the Offeror or on the basis of a Legal Merger. This would further adversely affect the liquidity of any Shares not tendered pursuant to the Offer.

In addition, the Offeror may initiate any of the procedures set out in Section 6.13.2 (Legal Structure and Corporate Structure following the Offer), including procedures that would result in termination of the listing of the Shares.

Even if no conversion or merger or delisting is implemented, the size of the free float in Shares will be substantially reduced as a result of the Offer, and as a result trading volumes and liquidity of Shares will be adversely affected. In addition, the Offeror does not intend to set up a liquidity mechanism for the Shares remaining outstanding following the Settlement Date.

In addition, the Offeror may initiate any of the procedures as set out in Section 6.13.2 (Legal Structure and Corporate Structure following the Offer), including procedures which would result in termination of the listing of the Shares (including Shares not being tendered). As a policy rule, in the event of a public offer Euronext Amsterdam does not permit delisting until at least 95% of the listed shares are held by a single entity or by a group controlled by a single entity.

6.13.2 Legal Structure and Corporate Structure following the Offer

The Offeror reserves the right to use any legally permitted method to acquire 100% of the Shares, as well as to align the company structure of Draka with the holding and financing structure of the Offeror Group.

For this purpose the Offeror will consider, depending, among others, on the number of the Shares obtained by the Offeror as a result of the Offer, a number of processes, including a squeeze-out procedure (*uitkoopprocedure*) in accordance with Article 2:92a or 2:201a of the Dutch Civil Code (***Statutory Squeeze-Out***) or a takeover buy-out procedure in accordance with Article 2:359c of the Dutch Civil Code (***Takeover Squeeze-Out*** and together with the Statutory Squeeze-Out, ***Squeeze Out***).

In addition, and regardless whether or not the Offeror, after completion of the Offer, would hold 95% of the Shares, the Offeror may wish to effect or cause to effect (a) a legal (triangular) merger (*juridische (driehoeks-) fusie*) in accordance with Article 2:309 et seq of the Dutch Civil Code between Draka and a Dutch affiliate of the Offeror (a ***Legal Merger***), (b) a cross-border legal merger (*grensoverschrijdende juridische fusie*) between Draka and the Offeror, (c) liquidation of Draka, (d) a contribution of assets to Draka in exchange for new shares issued (in which case the existing Shareholders do not have pre-emptive rights), (e) a sale of assets by Draka or (f) any other procedures and/or proceedings and/or restructuring of the Draka Group in each case in accordance with the Merger Rules and Dutch law in general. Separately, the Offeror may cause Draka to be converted into a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*).

Any or all of the measures and processes described in this Section 6.13.2 (Legal Structure and Corporate Structure following the Offer) may be applied cumulatively, alternatively, or not at all, subject to applicable provisions of Dutch law. The measures, actions, procedures, proceedings and processes described in this Section do not prevent the Offeror from seeking a termination of Draka's listing on Euronext Amsterdam when it is entitled to do so under the Euronext Amsterdam listing rules.

(a) Statutory Squeeze-Out Procedure or Takeover Squeeze-Out procedure

In the event that the Offeror has acquired 95% or more of the Shares following the Settlement Date, the Offeror, as soon as possible, intends to initiate a Statutory Squeeze-Out procedure or a Takeover Squeeze-Out procedure in order to acquire the remaining Shares not tendered and not held by the Offeror or Draka.

(b) Legal Merger

Regardless whether or not the Offeror, after completion of the Offer, holds 95% of the Shares, the Offeror may consider effecting a Legal Merger between Draka and a Dutch affiliate of the Offeror, with Draka being the disappearing entity or surviving entity and the Dutch affiliate of the Offeror being the surviving entity or disappearing entity respectively.

In case a Legal Merger is effected and a Dutch affiliate of the Offeror is the surviving entity and Draka the disappearing entity, Shareholders who have not tendered their Shares under the Offer will

become, by operation of law, shareholders in the surviving entity, alongside the Offeror's shareholder(s).

After a Legal Merger is effected, the Offeror may still initiate a Squeeze-Out procedure, in order to obtain any shares in the surviving entity not held by the Offeror.

(c) Other Measures

At any time after the listing on Euronext Amsterdam has been terminated, the Offeror may decide to convert Draka into a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*), which will – *inter alia* – cause all Shares to become subject to transfer restrictions, all in accordance with the laws of the Netherlands and the Draka Articles of Association.

In addition, the Offeror reserves the right to submit proposals to the Shareholders in order to alter the corporate structure and the capital structure of Draka and/or to achieve an optimal financial or other structuring, including further amendments to Draka Articles of Association and Draka's management or supervisory board rules, alteration of the accounting policies applied by the Draka Group, a liquidation, a demerger (*splitsing*) as specified in Article 2:334a of the Dutch Civil Code or a sale of all, substantially all, or a substantial part of the assets of Draka, which may or may not be followed by a distribution of proceeds to the Shareholders, all in accordance with the laws of the Netherlands and Draka Articles of Association. Also, the Offeror reserves the right to have the Offeror or any other member of the Offeror Group contribute assets to Draka against the issuance of shares in the capital of Draka, in which case the pre-emptive rights (*voorkeursrecht*) of other Shareholders will be excluded. Distributions may take the form of a distribution out of reserves, an interim dividend, a dividend or a liquidation distribution. Any such measures or distributions may be implemented to align the corporate, tax and financing structure of Draka with the Offeror's requirements.

Finally, the Offeror reserves the right to take any other legal action which may be effected in accordance with the laws of the Netherlands and other applicable laws from time to time in order for the Offeror to acquire all the Shares (such legal means, together within the Legal Merger, Squeeze-Out and other possible measures specifically set out above, collectively the ***Post Offer Actions***). Any Post-Offer Actions will be structured and implemented, taking into account relevant circumstances and applicable laws and regulations.

6.13.3 Interim governance

As from the Settlement Date and until the later of (i) the termination of the listing of the Shares and (ii) the date on which the Offeror issues a writ of summons for squeeze-out proceedings as referred to in Articles 2:359c and/or 2:92a of the Dutch Civil Code, the two remaining, independent members of the Supervisory Board (see also Section 6.14.2 (Future Composition of the Boards) shall have a veto right in respect of a legal merger (*juridische fusie*) whereby the Company would be the disappearing entity and merged into an entity not listed on any stock exchange, but only if more than 15% of the Shares are at that moment in time held by Shareholders other than the Offeror or any member of its group (including, for the avoidance of doubt, the Company).

As long as the Shares remain listed on Euronext Amsterdam, Draka shall continue to comply with the Dutch Corporate Governance Code (except for current and future deviations from this code in accordance with the provisions of this code concerning such deviations). The Offeror has undertaken towards Draka that in the effectuation of any Post Offer Actions due consideration will be given to the interests of the minority shareholders of the Company (if any).

6.13.4 Proposed amendments to the Draka Articles of Association

At the Shareholders' Meeting, the Shareholders shall be requested to vote, subject to the condition that the Offer is declared unconditional (*gestand wordt gedaan*) by the Offeror, for a resolution to amend the Draka Articles of Association in accordance with the draft amended Articles of Association (Amendment I – before delisting of the Company), which is incorporated by reference in this Offer Memorandum, whereby such amended Draka Articles of Association shall take effect on the Settlement Date. These amendments mainly concern a shift of certain authorities from the Board of Management and/or the Supervisory Board in favour of the rights of the general meeting of Shareholders.

Furthermore, at the Shareholders' Meeting, the Shareholders shall be requested to vote, subject to the condition that the Offer is declared unconditional (*gestand wordt gedaan*) by the Offeror, for a resolution to amend the Draka Articles of Association in accordance with the draft amended Draka

Articles of Association (Amendment II – after delisting of the Company), which is incorporated by reference in this Offer Memorandum, whereby such amended Draka Articles of Association shall take effect on the date of delisting of the Shares. These further amendments mainly concern the deletion of references to the regulations of Euronext Amsterdam and the requirements in connection with the transfer of shares.

6.13.5 Dividend policy

The Shareholders should be aware that Draka may or may not pay cash dividends in the future. The Offeror expects that it may significantly change Draka's dividend policy, ceasing the payment of regular cash dividends in the foreseeable future. Future dividends paid may be of a one off nature only and the amount of any dividends will depend on a number of factors associated with the Offeror's tax and financial preferences from time to time. Distributions made in respect of Shares after the Settlement Date will be deducted for purposes of establishing the value per Share in any Legal Merger or other measure contemplated by Section 6.13.2.

6.13.6 Reduced Governance rights

In the event that Draka or any merging entity will no longer be listed and its shares will no longer be publicly traded, the provisions applicable to the governance of listed companies will no longer apply and the rights of remaining minority Shareholders may be limited to the statutory minimum.

6.13.7 Tax treatment of distributions

The Offeror and Draka can give no assurances and have no responsibility with respect to the tax treatment of Shareholders with respect to any distributions made by Draka or any successor entity to Draka on the Shares, which may include dividends, interest, repayments of principal, repayments of capital and liquidation distributions.

6.14 Management and Employees of the Company

6.14.1 Integration and employees

The integration of the businesses of the Offeror and the Company will be the responsibility of the respective boards of the Offeror and the Company. In order to facilitate the integration of the businesses of the Offeror and the Company, an integration committee (the ***Integration Committee***) will be established as of the Settlement Date consisting of three (3) members. Mr F.F. Dorjee will be chairman of the Integration Committee and the other two (2) members will be appointed by the Offeror. The Integration Committee will report to the board of directors of the Offeror. The Integration Committee will do all things necessary to assist and optimise the integration of the businesses, including without limitations, submitting proposals to the management board of the Offeror in respect of any such integration activities.

The head office and the research & development department of the Company will remain in the Netherlands. The Offeror shall preserve the integrity of the business of the Draka Group, and has no intention to divest the Company's Telecom division.

The nomination, selection and appointments of key officers and employees of the group of the Offeror (including, following Settlement, the Draka Group) following the Settlement Date will be based on the "best person for the job" principle.

It has been agreed between the Offeror and Draka that existing obligations pursuant to employment agreements of the Draka employees and the Prysmian employees and pursuant to employee consultation policies will be honoured, and that there will be no forced redundancies as a direct result of the Offer.

The trade unions involved with the Offeror and Draka, and the secretariat of the Social Economic Council (*Sociaal Economische Raad*) have been informed in writing of the Offer in accordance with the Merger Code (*SER Besluit Fusiegedragsregels 2000*).

The relevant works councils within Draka have been informed regarding the Boards' recommendation of Offer, and on the basis thereof, Draka has requested the central works council to render the required advice, which has been obtained on 4 January 2011. In this respect, Draka will issue a press release as soon as the central works council advice has been obtained. To the extent that intended decisions regarding any future integration or restructuring will be subject to the relevant works council's advice at Draka and/or Prysmian, the proper procedures shall be followed pursuant to the Works Councils Act (*Wet op de ondernemingsraden*) and in accordance with standard practice within Draka and/or Prysmian.

6.14.2 Future Composition of the Boards

(a) Composition of the Board of Management

The current member of the Board of Management, being Mr F.F. Dorjee, will continue to serve as member of the Board of Management after Settlement. Mr O. Koo has resigned as managing director effective as per 1 January 2011.

(b) Composition of the Supervisory Board

As from the Settlement Date and until the later of (i) the termination of the listing of the Shares and (ii) the date on which the Offeror issues a writ of summons for squeeze-out proceedings as referred to in Articles 2:359c and/or 2:92a of the Dutch Civil Code, the Supervisory Board shall consist of, subject to the appointment by the Shareholder's Meeting, five (5) members of whom three (3) shall be appointed by the general meeting of shareholders upon nomination by the Offeror, initially being Massimo Battaini, Pier Francesco Facchini and Fabio Romeo and two (2) shall be remaining, current members of the Supervisory Board, being Aad Veenman and Ludo van Halderen, who are considered independent members (*i.e.* within the definition of the Dutch Corporate Governance Code).

As from the Settlement Date, all current members of the Supervisory Board other than the two (2) members that will stay on will resign from their positions as members of the Supervisory Board and each will confirm that he or she has no claim whatsoever against the Company in respect of loss of office or otherwise, except with respect to compensation duly accrued in respect of services rendered to the Company during the financial year 2011 (inclusive) and as otherwise agreed and described in Section 6.14.3. The Offeror will procure that any resigning member of the Supervisory Board will be fully released from his duties as per the date of resignation and that the current members of the Supervisory Board will be granted discharge for the financial year 2011 (inclusive), provided that by the time of such resignation, no fraud, gross negligence or wilful misconduct of such member has become apparent or other compelling reason against such discharge has arisen.

The two (2) remaining, independent members of the Supervisory Board shall have a veto right in respect of a legal merger (*juridische fusie*) whereby the Company would be the disappearing entity and merged into an entity not listed on any stock exchange, but only if more than 15% of the Shares are at that moment in time held by shareholders other than the Offeror or any member of its group (including, for the avoidance of doubt, the Company).

6.14.3 Severance packages of members of the Boards

In the event the employment of Mr F.F. Dorjee as managing director of Draka (CEO) is terminated other than for cause, Mr F.F. Dorjee will be awarded with a compensation payment of one (1) year base salary (equal to his base salary in 2010 of EUR 550,000).

6.15 Future Composition of the management board and the supervisory board of the Offeror

The current composition of the board of directors of the Offeror is as follows:

Name	Charge	Independent
P. Zannoni	Chairman	—
V. Battista	CEO and General Manager	—
S. Bulletti	Director	—
W. Clark	Director	X
C. De Conto	Director	X
G. Del Ninno	Director	X
S. Erede	Director	X
P.F. Facchini	Director and CFO	—
F.I. Romeo	Director	—
M. Tononi	Director	X

The Offeror shall use all its best efforts to procure that on, or as soon as possible after, the Settlement Date Messers. F.F. Dorjee and F.W. Fröhlich are appointed respectively as executive and independent member of the board of directors of the Offeror either in addition to, or in replacement of, current members of the Offeror board of directors.

6.16 Certain arrangements between the Offeror and Draka

In relation to the Offer, Draka and the Offeror have entered into a Merger Agreement on 22 November 2010. Below is a summary of the main specific arrangements set forth in the Merger Agreement that are relevant for the purposes of the Offer.

6.16.1 Commitment of Draka regarding Competing Offers

In the Merger Agreement, the Offeror and Draka have agreed that the Company is permitted to engage in discussions or negotiations with, and provide information to, any person that makes an unsolicited approach to the Company with the intention of making a Competing Offer.

Draka may accept a Competing Offer if:

(a) it is launched, or is binding on the offering party concerned in the sense that such offering party has (i) conditionally committed itself to the Company to launch a Competing Offer within six (6) weeks and (ii) publicly announced its intention to launch a Competing Offer which announcement includes the proposed price per Share and the relevant conditions precedent in relation to such Competing Offer and the commencement thereof;

(b) it is determined by the Boards, having consulted financial and legal advisors and acting in good faith and observing obligations under Dutch law, to be substantially more beneficial to the Company and its stakeholders than the Offer, specifically taken into account the consideration to be received by shareholders and the likelihood of completion; and

(c) to the extent (i) it is a public offer on the Shares, the consideration per Share under the Competing Offer (to be valued as at the date of the initial public announcement of the Binding Competing Offer) exceeds the Implied Value by at least 15% or (ii) it is an offer for all or substantially all of the assets of the Draka Group, the net proceeds to the shareholders of the Company resulting from such a transaction (to be valued as at the date of the initial public announcement of the Binding Competing Offer), calculated on a per Share basis, exceed the Implied Value by at least 15%.

Such Competing Offer to be deemed a ***Binding Competing Offer***.

Draka may however not accept a Binding Competing Offer if the Offeror has made a revised offer within five (5) Business Days following the date on which it has received notice in respect of such Binding Competing Offer, which is determined by the Boards, having consulted financial and legal advisors and acting in good faith and observing obligations under Dutch law, to be at least equally beneficial to the Company and its stakeholders as the Binding Competing Offer, specifically taken into account the consideration to be received by shareholders and the likelihood of completion.

6.16.2 Termination events

The Merger Agreement may be terminated (i) if the parties so agree in writing, (ii) if on the Closing Date any or all of the Offer Conditions are not satisfied or waived, and the relevant party that has the right to waive terminates the Merger Agreement in writing, (iii) by notice in writing given by the terminating party to the other party in the event of a material breach of the Merger Agreement by the other party, which has not been remedied by the other party within 1 (one) week after receipt of a written notice by the terminating party, provided that the other party shall not be entitled to such remedy period if the breach is not capable of being remedied, (iv) by the Offeror or the Company in writing pursuant to a Binding Competing Offer, (v) by the Offeror in the event that the Boards revoke or amend their recommendation (other than in case of a breach of certain warranties given by the Offeror) or (vi) the Condition referred to in Section 6.7.1(a) is not satisfied or waived.

6.16.3 Compensation of Costs

To induce the Offeror to make the Offer on the terms set out in this Offer Memorandum, the Offeror and Company have agreed on the following indemnification arrangements.

(a) The Company shall, immediately upon a written request thereto by the Offeror pay in cash, as compensation for opportunity costs and other costs incurred by the Offeror in connection with the Offer, an amount of EUR 12,500,000 to the Offeror upon termination of the Merger Agreement pursuant to:

    (i) a material breach of the Merger Agreement by the Company as set out in Section 6.16.2 (Termination events) under (iii);

    (ii) the Offeror or the Company terminating the Merger Agreement as a result of a Binding Competing Offer; or

(iii) the recommendation of the Boards having been revoked or amended (other than in case of a breach of certain warranties given by the Offeror).

(b) The Offeror shall, immediately upon a written request thereto by Draka pay in cash, as compensation for opportunity costs and other costs incurred by the Company in connection with the Offer, an amount of EUR 12,500,000 to the Company upon termination of the Merger Agreement pursuant to a material breach of the Merger Agreement by the Offeror as set out in Section 6.16.2 (Termination events) under (iii).

7. INFORMATION REGARDING DRAKA

7.1 Introduction

Draka was incorporated under Dutch law as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) by deed executed on 20 December 1985, before J.L.F. Bakker, civil law notary in Amsterdam, the Netherlands and converted into a public company (*naamloze vennootschap*) on 8 October 1991 by deed executed before A.G. van Solinge, civil law notary in Amsterdam, the Netherlands. The Company's statutory seat is in Amsterdam, the Netherlands, with its registered address being De Boelelaan 7, 1083 HJ Amsterdam, the Netherlands (Tel: +31 20 56 89 865). The articles of association were last amended by deed of 3 February 2005, executed before R.J.J. Lijdsman, civil law notary in Amsterdam, the Netherlands. The declaration of no objection from the Minister of Justice to that amendment was issued on 2 February 2005, number NV 298247.

7.2 History of the Company

Although Draka in its present form was established only in 1985, the history of some of its subsidiaries (or predecessors of subsidiaries) in Europe and the United States date back to the nineteenth century. The Draka shares have been listed on Euronext Amsterdam since 1991. In March 2001, the Draka shares have been included in the Next150 index and since March 2008, they have also been included in NYSE Euronext's AMX (Amsterdam Midkap). Draka's market capitalisation amounted to around EUR 940,616,322 million on 27 December 2010.

Since 2006, Draka has acquired the following businesses:

- in July 2006, the insulated wire activities (in the Philippines and Mexico) from International Wire Group Inc. for EUR 28.5 million, which strengthened Draka's position in the global automotive cable market;
- in October 2006, Cornelia Thies Kabeltechnik GmbH's (Germany) for EUR 1.5 million. Its main business activities are the manufacturing of cable set and systems for the wind turbine industry; Cornelia Thies Kabeltechnik GmbH has two production facilities in Essen and Neumünster (north of Hamburg);
- in June 2007, Nantong Zhongyao Mechanic Electric Co, Ltd (China) for EUR 2.3 million, which expanded Draka's elevator product portfolio and Draka's capacity on the Chinese market;
- in December 2007, the remaining 49.9% interest in Draka Comteq B.V. from Alcatel-Lucent for EUR 209 million, which enabled Draka to further reduce its costs;
- in January 2008, DeBiase Lift Components S.r.l. in Milan (Italy) (renamed D.B. Lift Draka Elevator Products S.r.l.) (D.B. Lift Draka) for EUR 1.6 million; this company's product scope covers distribution of cable, wire rope, electrical & mechanical components and hardware and enabled Draka to attune its activities in Europe to the needs of its customers; and
- in April 2010, Draka announced that it has reached agreement to acquire certain assets of Pressure Tube Manufacturing, a specialty tubing manufacturer located in New Jersey, USA. The total acquisition price amounts to approximately USD 8.5 million of which USD 4 million has been paid in the first half of 2010. The remaining part will be paid in two (2) tranches in 2011 and 2012.

Draka completed the sale of its OPGW operations in Mönchengladbach (Germany) to AFL Telecommunications (US) in the first half of 2009. The proceeds equalled the carrying amount of approximately EUR 14 million. Furthermore, Draka completed the sale of its 29.9% participation in Oakwell Engineering Ltd to nine different parties for an amount of approximately EUR 4 million.

Otherwise, there have been no acquisitions or disposals of a material size between 2006 and the date of this Offer Memorandum.

7.3 Business overview

Draka is the holding company of a number of operating companies, which are engaged worldwide in the development, production and sale of cable solutions for a wide diversity of customers. Draka's products are used in aircraft, trains, cars, ships, on offshore rigs, in elevators and wind turbines, in homes and offices and in many more applications.

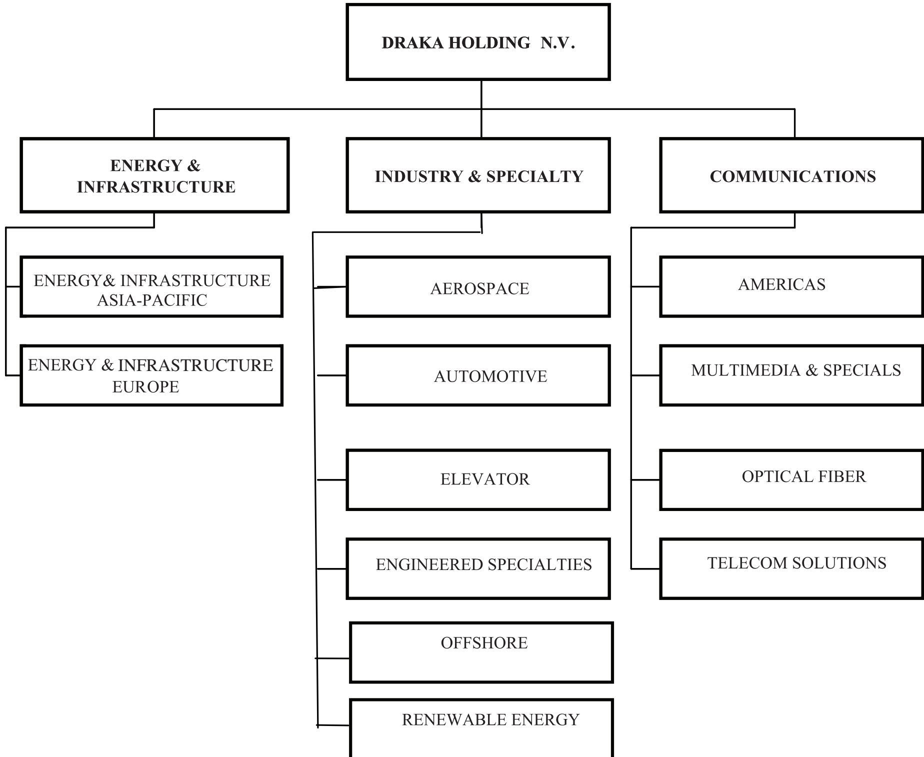
Draka has a flat, decentralised organisational structure with short lines of communication. The divisions within Draka enjoy a large measure of autonomy and independent responsibility for their revenue and profits, including operational issues like sales and delivery contracts with customers and research and development. Draka believes that this organisational structure results in a more efficient production structure and more efficient implementation of cost savings in each division and enables it to have a more active response to opportunities arising in the market. Draka however still determines its overall strategy and is responsible for treasury and control, procurement of raw materials, legal affairs, human resources, corporate communication and investor relations.

Draka has 68 operating companies in 31 countries throughout Europe, North and South America, Australia and Asia. In 2010, Draka generated 54% of its turnover in Europe, 12% of its turnover in North America and 23% of its turnover in Asia. In 2010, Draka employed 9.473 people worldwide.

7.4 Organisational Structure

From 1 July 2004 to 31 December 2007, Draka divided its activities into two groups: Draka Cableteq (low-voltage and special-purpose cable activities) and Draka Comteq (communication cable activities). Draka Cableteq consisted of six divisions: Low-Voltage Cable, Elevator Products, Marine, Oil & Gas, Mobile Network Cable, Rubber Cable and Transport, while Draka Comteq subdivided its activities into Telecommunication; Data Communication and Optical Fiber.

As from 1 January 2008, Draka made certain changes to its organisational structure. It has subdivided its activities into three groups, each with a clear product/market orientation: Energy & Infrastructure, which is responsible for the low-voltage and instrumentation cable activities, Industry & Specialty, which takes care of the specialty cable and Communications, which handles the communication cable activities (the ***Communications Group***). Each segment, in turn, splits into various divisions. The organisational division structure has remained unchanged. This new structure was adopted to facilitate the acquisition of the remaining 49.9% interest in Draka Comteq B.V. from Alcatel-Lucent at the end of 2007. At the same time of implementation of this divisional structure, Draka embarked on expansion of its central functions, which provided more effective control of the organisation and new opportunities for reducing costs.



1. Organisation structure as per 1 January 2011.

7.5 Strategy and Objectives

The execution of Draka's strategy was strengthened in 2008 by the implementation of the new organisational structure described above. The sharper focus provided by this organisational redesign helped Draka to continue pursuing its strategic objectives of customer focus, product innovation, growth and optimisation and allowed Draka to make further progress in developing its long-term strategic platform, under the banner of "Building Future Growth".

Customer focus

Draka's goal is to meet or exceed its customers' requirements. The customer is Draka's *raison d'être* and the driving force behind its operations. Draka wants to help its customers succeed and wants to be perceived as the supplier of choice in the markets it serves.

Draka focuses on creating innovative product portfolios and solutions that meet its customers' needs, in terms of logistics, services, software and product solutions.

Innovation

Draka invests an important part of its annual revenues in innovation and research and development in the areas of materials, cables and systems. Draka has the scale needed to provide a solid base from which it can work to maintain and, in consultation with customers, advance its leading position in research and development and application engineering. Progress in materials development is encouraged by the exchange of knowledge within and between the divisions.

Draka seeks to widen the range of products and services it offers its customers by leveraging its core competences, creating customer-driven and market-led innovations and raising the profile of the Draka brand globally.

Growth

Draka's strategic objectives are organic growth supported by selective investments. It seeks to achieve these objectives within the constraints of sound financial practices. To support growth, Draka is working towards realising a better regional balance while pursuing growth in areas where it already holds leading positions. Draka aims to develop areas where it does not have a leading position, identify niche markets where it can create value and achieve top-quartile earnings performance. It will continue to invest in selected acquisitions and consolidate its leadership positions by market and region. The key to achieving sustainable organic growth is to place the customer's needs and wishes first, which, in turn, requires a culture predicated on innovative strength, flexibility and a willingness to co-operate. Draka will continue to make the necessary investments to preserve and enhance this culture.

Next to organic growth, Draka also seeks growth through targeted acquisitions, mainly with a view to accelerate the process of strengthening its position in emerging markets and in the special-purpose cable segment. Potential acquisition targets will however have to contribute to Draka's overall results in the first year of consolidation. Draka has the organisation and the financial position needed to pursue this acquisition strategy.

Optimisation

Draka regards the optimisation of its organisation as a continuous process. Lean manufacturing and cost leadership in the different market segments are crucially important, which is why Draka invests and will continue to invest in more efficient and effective design of both its production structure and the sales and marketing structure. Sharing best practices across all of its divisions, streamlining production and logistics frameworks and disposing of non-core activities further enhance productivity. The cost of optimising the organisation is in principle recouped from the disposal of non-core activities and/or from the positive cash flows generated by each group.

7.6 Recent developments

The slight improvement in the market conditions which started in the second quarter of 2010 gained momentum in the third quarter and the beginning of the fourth quarter of 2010. This recovery has manifested itself primarily in the special-purpose cable and communication cable segments. The end markets for construction-related cable in Europe remain more or less stable.

The picture in the construction-related activities in Europe is mixed, with a small increase in several Scandinavian countries wiped out by the continuing fall in demand in the Benelux. One positive sign, however, is that the rate of decline in demand in the Benelux has not increased compared with the

first half of 2010. The picture in the Asia-Pacific region is also mixed, with demand again falling back a little after a strong initial recovery.

In the special-purpose cable segment, the Industrial division has posted the strongest performance, in line with expectations, driven mainly by the wind-energy segment. The Elevator Products and Offshore divisions are also reporting higher demand in the second half of the year. Automotive & Aviation and Cableteq USA have remained stable relative to the first half of 2010.

The communication cable activities are benefiting from the sustained high demand for optical fiber. Demand for optical fiber telecommunication cable has also risen in Europe and the United States in the second half of the year, reflecting greater propensity on the part of telecom operators to invest in Fiber-to-the-Home projects. The data communication cable activities have recovered significantly from the steep decline in 2009.

7.7 Financial Outlook

Draka expects to report marginally higher volume (0-2%) in 2010 compared with 2009. All of this increase will occur in the second half of the year, with 3-4% growth after the 0.6% decline in volume reported in the first six months of 2010. The forecast volume growth will translate into slightly higher capacity utilisation at Draka's factories, especially in the second half of the year, which will benefit profitability. On the downside, the competitive market conditions, though no worse than in the first half of 2010, will adversely affect the result, but this is expected to be more than compensated by the positive effects of the improved product mix and the cost-reduction programmes that have been implemented. The cost savings are expected to total around EUR 30 million in 2010.

Draka is forecasting an operating result, excluding non-recurring items, of EUR 80-85 million in 2010, compared with EUR 75.3 million in 2009. This implies an expected operating result in the second half of 2010 of EUR 46-51 million, considerably higher (34-49%) than the EUR 34.3 million realised in the same period in 2009. The net result excluding non-recurring items is expected to come in at EUR 50-55 million, compared with EUR 48.3 million in 2009. Including non-recurring items, the operating result is expected to be EUR 35-40 million (2009: EUR 8.8 million), with a net result of EUR 9-14 million (2009: EUR 18.2 million loss).

7.8 Supervisory Board

The Supervisory Board consists of the following members:

Mr Fritz Fröhlich (1942), chairman

Nationality: German

Mr Fröhlich was first appointed to the Supervisory Board in 1999 and his current term runs until 2011. Currently Mr Fröhlich is a member of the supervisory board of Randstad Holding N.V. (chairman), Allianz Nederland Groep N.V., ASML Holding N.V., Altana AG (chairman) and Rexel S.A.

Mr Fröhlich is a member of the Audit & Governance Committee and the chairman of the Remuneration & Nomination Committee.

Mrs Annemiek Fentener van Vlissingen (1961), deputy chairman

Nationality: Dutch

Mrs Fentener van Vlissingen was first appointed to the Supervisory Board in 2001 and her current term runs until 2013. Mrs Fentener van Vlissingen is a member of the supervisory board of SHV Holdings N.V. (chairman), Flint Holding N.V., Heineken N.V. and De Nederlandsche Bank N.V.

Mrs Fentener van Vlissingen is a member of the Remuneration & Nomination Committee.

Mr Bernhard Dijkuizen (1949)

Nationality: Dutch

Mr Dijkhuizen was appointed to the Supervisory Board in 2010 and his term runs until 2014. He is currently CEO of Ziggo and member of VNO-NCW, WENb and NLKabel.

Mr Dijkhuizen is a member of the Strategy Committee.

Mr Harold Fentener van Vlissingen (1968)

Nationality: Dutch

Mr Fentener van Vlissingen was appointed to the Supervisory Board in 2006 for his first term and was re-appointed for his second term in 2010. His second term runs until 2014. He is currently a member of the supervisory board of Diamond Tools Group B.V. (chairman), Flint Holding N.V. and Precision Tools Holding B.V. (director).

Mr Fentener van Vlissingen is a member of the Audit & Governance Committee and a member of the Strategy Committee.

Mr Ludo van Halderen (1946)

Nationality: Dutch

Mr Van Halderen was appointed to the Supervisory Board in 2006 for his first term and was re-appointed for his second term in 2010. His second term runs until 2014. Mr Van Halderen is a member of the supervisory board of Rabobank IJsseldelta (chairman) and Van Gelder Groep B.V.

Mr Van Halderen is chairman of the Strategy Committee and a member of the Remuneration & Nomination Committee.

Mr Rob van Oordt (1936)

Nationality: Dutch

Mr van Oordt was first appointed to the Supervisory Board in 1999 and his current term runs until 2011. Mr van Oordt is chairman of the supervisory board of Unibail-Rodamco S.A. (France).

Mr van Oordt is the chairman of the Audit & Governance Committee and a member of the Remuneration & Nomination Committee.

Mr Maarten Schönfeld (1949)

Nationality: Dutch

Mr Schönfeld was first appointed to the Supervisory Board in 2010 and his current term runs until 2014. Mr Schönfeld is a member of the supervisory board of Arcadis N.V. and S&B Industrials Minerals S.A.

Mr Schönfeld is a member of the Audit & Governance Committee.

Mr Aad Veenman (1947)

Nationality: Dutch

Mr Veenman was first appointed to the Supervisory Board in 2010 and his current term runs until 2014. Mr Veenman is chairman of the supervisory board of ICT Regie and a member of the supervisory board of Rabobank Nederland, TenneT B.V. and SPF Beheer B.V.

Mr Veenman is a member of the Strategy Committee.

7.9 Board of Management

The Board of Management consists of Mr Frank Dorjee.

Mr Frank Dorjee (1960)

Nationality: Dutch

Mr Dorjee was first appointed to the Board of Management as of 1 March 2005 as Chief Financial Officer. Mr Dorjee has been appointed as Chairman and Chief Executive Officer of the Board of Management with effect from 1 January 2010.

Mr Dorjee graduated from the University of Amsterdam with a Masters degree in business economics (1983), a Masters degree in tax economics (1984) and a Masters degree in tax law (1985). Mr Dorjee has since 1986 been a certified public accountant. In 1986 he joined KPMG Audit (KPMG Accountants N.V.) and was appointed partner on 1 January 1995. Mr Dorjee is a former CFO and member of the Executive Board of Van der Moolen Holding N.V.

7.10 Major shareholders

The following holdings were registered in the public register of the AFM:

	Interest	Voting rights	Ordinary Shares	Preference shares[1]
Flint Investments B.V.	48.48%	48.5%	23.628.726[1]	—
ASR Nederland N.V.	6.76%	2.29%	—	2,925,000
Kempen Capital Management N.V.	5.19%	1.47%	—	2,829,657
Centaurus Capital Ltd.	0%	5.21%	—	—

1. Not tradable on the Amsterdam Stock Exchange

7.10.1 Capital and Shares

Draka has three types of Shares: ordinary shares, registered preference shares and class B preference shares, all of which have been created under the Dutch Civil Code.

The preference shares and the class B preference shares are registered shares. The preference shares are financing preference shares and the Class B preference shares are protective preference shares. The ordinary shares are in bearer form unless the holder of the ordinary share states that it wishes to have shares in registered form. The Board of Management maintains a register of names and addresses of all the holders of the registered ordinary shares and the preference shares at its head office situated at De Boelelaan 7, Gebouw "Officia I", 1083 HJ Amsterdam, the Netherlands. There are no statutory transfer restrictions regarding the transfer of shares.

Number of authorised and issued shares

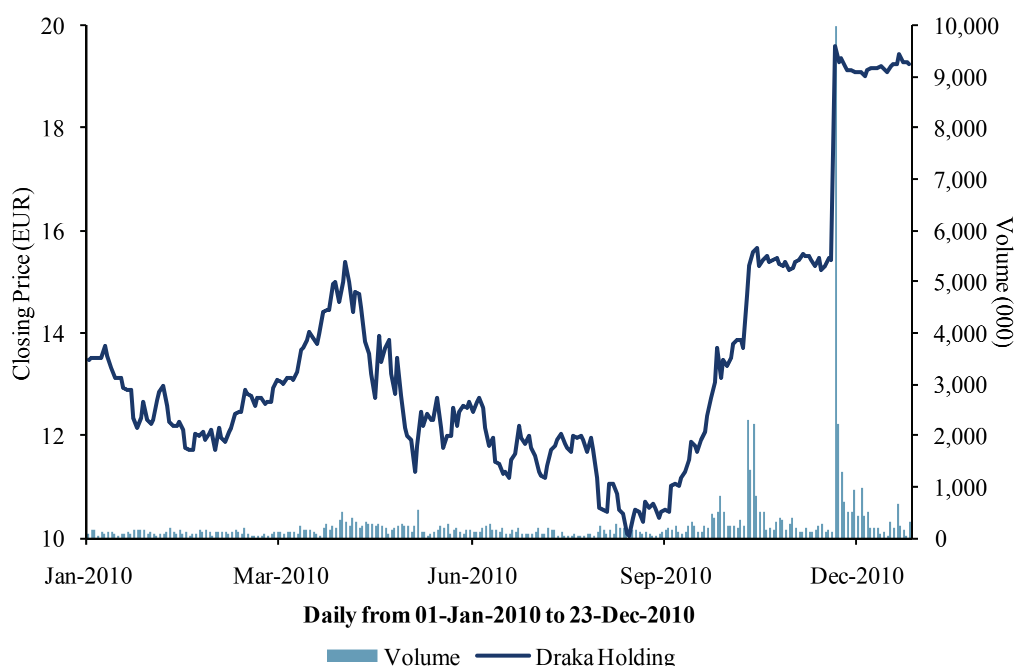
The authorised share capital of the Company consists of 140,000,000 shares and is composed as follows (all shares have a nominal value of EUR 0.50).

	As at the date of this Offer Memorandum	
	Authorised	Issued
Ordinary bearer shares and registered shares[1]	58,000,000	48,736,597
Registered preference shares[2]	12,000,000	5,754,657
Class B preference shares[3]	70,000,000	—
Total	140,000,000	54,491,254

1 Including 18,663 treasury shares.
2 Not tradable on Euronext Amsterdam.
3 No class B preference shares have been issued.

7.11 Share price development

This graph sets out the Share price development from 1 January 2010 to 23 December 2010.



In respect of 2009 no dividend on Shares has been paid. The total 2009 dividend on the preference shares amounts to EUR 5.4 million.

7.12 Share-based payments

In June 2002, Draka introduced a long-term incentive plan. This plan is divided into an option plan and a share plan. In May 2007, the option plan was amended. Certain employees will no longer receive stock option grants, but stock appreciation rights (SARs) instead that entitles these employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price between grant date and vesting date.

In May 2006, Draka introduced a share plan for the Board of Management. This plan was refined in May 2007 by disentangling the short-term and long-term incentive plan. Prior to 2006, members of the Board of Management participated in the general incentive plan.

Information on Shares and options on Shares of members of the Board of Management is included in Section 6.9 (Shareholdings of the members of the Boards).

Share option plan

Under the option plan, the Company has granted share options on its ordinary shares to qualifying members of senior management. The options are granted for eight years (contractual life of the options) with a three-year vesting period during which they cannot be exercised. The Board of Management must approve any exceptions to this policy.

No share option arrangements were granted before 7 November 2002.

As per 31 December 2010, the total number of outstanding options under the option plan was 609,285.

Share plans

Matching shares

Under the share plan, Draka has granted qualifying members of its senior management the right to use part of their regular bonus to acquire Shares. The Shares cannot be transferred for an initial period of three years. If the employee remains employed during this three-year period, Draka will double the number of shares. At the end of 2010 the number of matching shares outstanding to senior management was 26,706. Matching shares arrangements granted before 7 November 2002 do not exist.

Share options are granted under a service condition with no market or performance conditions associated with the share option grants.

Share plans Board of Management

Under the share plan, as approved by the general meeting of shareholders in 2006, Draka has granted members of the Board of Management the right to use part of their bonus to acquire Shares. The Shares cannot be transferred for an initial period of three years. After three (3) years, the Company will multiply the number of shares, based on Draka's "total shareholder return" compares to a peer group.

The long term incentive plan consists of an annual conditional grant of performance shares which equals 55% of base salary. After a three year period, these performance shares might vest based on Draka's "total shareholder return" performance measured against a peer group.

Stock appreciation rights (SARs)

Under this plan, Draka has granted SARs on the Shares to certain members of senior management. The SARs are granted for eight years (contractual life of the SARs), with a three-year vesting period during which they cannot be exercised. The Board of Management must approve any exceptions to this policy. SARs are granted under a service condition with no market or performance conditions associated. In 2010, 32,504 SARs were granted to senior management. As per 31 December 2010, the number of SARs outstanding was 11,559.

7.12.1 Settlement of the options under the option plans and of shares under the share plans

In view of the desire of the Offeror to acquire one hundred (100) per cent of the Shares and the intended delisting of the Shares, the Offeror is prepared to purchase any options still outstanding following Settlement against the following cash consideration:

(a) in relation to each and any 'option in the money' (*i.e.* options exercisable on or below the offer price): the Offer Price minus the exercise price (*uitoefenprijs*) per 'option in the money';

(b) in relation to each and any 'option not in the money' (*i.e.* options exercisable above the offer price): subject to tax advice, the fair value per 'option not in the money' to be determined jointly by the Offeror and the relevant holders of 'options not in the money' in accordance with accepted valuation methods including, where appropriate, the Black & Scholes model; and

(c) in relation to each and any conditional award of a share under the share plans: the Offer Price.

The share and option plans shall be settled at the Implied Value per share subject to compliance with the terms of the share and option plans.

8. FURTHER DECLARATIONS PURSUANT TO THE DUTCH DECREE ON PUBLIC OFFERS WFT

In addition to the other statements set out in this Offer Memorandum, the Offeror with regard to subjects (iii) and (iv) and the Offeror and the Boards jointly with regard to subjects (i), (ii), (v), (vi) and (vii) hereby declare as follows:

(i) There have been consultations between the Offeror and Draka regarding the Offer, which have resulted in (conditional) agreement regarding the Offer. Discussions regarding the Offer, including, but not limited to, the Offer Price, the financing of the Offer, the Offer Conditions and the future strategy of the Combined Group, took place between the Offeror and the Boards and their respective advisors.

(ii) To avoid improper conflicts of interests, two members of the supervisory board Mrs A.M. Fentener van Vlissingen and Mr F.H. Fentener van Vlissingen have not participated in the deliberations and decision making regarding the Offer.

(iii) With due observance of and without prejudice to the restrictions referred to in Sections 2 and 3 (Restrictions and Important Information), the Offer concerns all outstanding Shares in the capital of Draka and applies on an equal basis to all Shares and Shareholders.

(iv) With reference to Annex A, paragraph 2, sub-paragraph 5, 6 and 7 of the Bob, the Offeror, whether directly or indirectly, did not acquire any Shares in the year preceding to the date of this Offer Memorandum.

(v) No securities in the Company are held, no transactions or concluded agreements in respect of securities in the Company have been effected or have been concluded and no similar transactions have been effected in respect of securities in the Company by the Offeror, individuals and/or legal persons within the meaning of Annex A, paragraph 2, sub-paragraph 5, 6 and 7 of the Bob, other than (i) the agreement concluded by the Offeror with Flint as described in Section 6.11 (Irrevocable Undertaking) (ii) in respect of the Shares held by members of the Boards as described in Section 6.9 (Shareholdings of the members of the Boards) and (iii) in respect of employees of Draka as described in Section 7.12 (Share-based payments).

(vi) The costs incurred or to be incurred by the Offeror in relation to the Offer are expected to amount to approximately EUR 25 million and relate to finance arrangement fees, bank adviser fees, listing and Listing and Exchange Agent fees, broker commissions, legal fees, financial and tax due diligence fees, public relations and communications advice and printing. These costs will be borne by the Offeror.

(vii) The costs of Draka's fees of legal advisors, financial advisors, tax advisors, accountants and communications advisors incurred and expected to be incurred in relation to the Offer amount to approximately EUR 7 million. These costs will be borne by Draka.

9. TAX ASPECTS OF THE OFFER

The following paragraphs outline certain Netherlands and Italian tax consequences in connection with the Offer and the acquisition, ownership and disposal of New Prysmian Shares. Shareholders not resident in the Netherlands or Italy should consult their own professional advisor with respect to the tax consequences of the Offer or the acquisition, ownership or disposal of the New Prysmian Shares in the country of their residence, in their particular circumstances. Shareholders and holders of New Prysmian Shares should consult their own professional advisor with respect to the tax consequences of the Offer or the acquisition, ownership or disposal of the New Prysmian Shares in their particular circumstances.

9.1 Netherlands

9.1.1 General

The following summary outlines certain Netherlands tax consequences in connection with the Offer and the acquisition, ownership and disposal of New Prysmian Shares. All references in this summary to the Netherlands and Netherlands law are to the European part of the Kingdom of the Netherlands and its law, respectively, only.

This summary does not purport to present any comprehensive or complete picture of all Netherlands tax aspects in connection with the Offer and the acquisition, ownership and disposal of New Prysmian Shares.

The summary is based on the tax laws and practice of the Netherlands as in effect on the date of this Offer Memorandum, which are subject to changes that could prospectively or retrospectively affect the Netherlands tax consequences.

For purposes of Netherlands income and corporate income tax, Shares or New Prysmian Shares legally owned by a third party such as a trustee, foundation or similar entity or arrangement (a ***Trust***), may under certain circumstances have to be allocated to the (deemed) settlor, grantor or similar originator (the ***Settlor***) or, upon the death of the Settlor, his/her beneficiaries (the ***Beneficiaries***) in proportion to their entitlement to the estate of the Settlor of such Trust.

This summary does not address the Netherlands tax consequences of (i) the Offer for a Shareholder:

(a) who is an individual and who has a "substantial interest" (*aanmerkelijk belang*) in Draka. Generally, a Shareholder will have a substantial interest in Draka if such Shareholder holds with his or her partner (statutory defined term) and/or certain other close relatives, holds or held, alone or together, directly or indirectly or as Settlor or Beneficiary of a Trust (i) the ownership of, (ii) certain other rights, such as usufruct, over, or (iii) rights to acquire (whether or not already issued), Shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of Shares) of Draka;

(b) who has acquired or holds the Shares in connection with his or her employment activities, or in his/her capacity as (former) director and/or (former) supervisory director, the income from which is taxable in the Netherlands;

(c) which is a qualifying fiscal investment institution (*fiscale beleggingsinstelling*) or a qualifying exempt investment institution (*vrijgestelde beleggingsinstelling*); and

(d) which is a qualifying pension fund or another entity that is exempt from income tax;

and (ii) for a holder of New Prysmian Shares:

(a) who is an individual and who will have a "substantial interest" (*aanmerkelijk belang*) in Prysmian. Generally, a holder of New Prysmian Shares will have a substantial interest in Prysmian if such holder holds with his or her partner (statutory defined term) and/or certain other close relatives, holds or held, alone or together, directly or indirectly or as Settlor or Beneficiary of a Trust (i) the ownership of, (ii) certain other rights, such as usufruct, over, or (iii) rights to acquire (whether or not already issued), shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of Prysmian;

(b) who will acquire or will hold the New Prysmian Shares in connection with his or her employment activities the, or in his/her capacity as (former) director and/or (former) supervisory director, income from which is taxable in the Netherlands;

(c) which is a qualifying fiscal investment institution (*fiscale beleggingsinstelling*) or a qualifying exempt investment institution (*vrijgestelde beleggingsinstelling*); and

(d) which is a qualifying pension fund or another entity that is exempt from income tax.

9.1.2 Netherlands taxes on income and capital gains in connection with the transfer of the Shares

(a) Shareholders resident in the Netherlands: individuals

A Shareholder, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Netherlands income tax purposes, will be subject to regular Netherlands income tax on the capital gain realised upon the transfer of the Shares if:

(i) such Shareholder has an enterprise or an interest in an enterprise, to which enterprise the Shares are attributable; and/or

(ii) such capital gain forms "a benefit from miscellaneous activities" (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the Shares exceed "normal active asset management" (*normaal, actief vermogensbeheer*).

If either of the above-mentioned conditions (i) or (ii) applies, the capital gain realized as a result of the Offer will in general be subject to Netherlands income tax as income from "employment and home ownership" (*werk en woning*) at the progressive rates. Under certain circumstances, roll-over relief might be available. For purposes of computing the capital gain, the fair market value of the Share Consideration and the Cash Consideration will be taken into account.

If the above-mentioned conditions (i) and (ii) do not apply, a Shareholder who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands, will not be subject to taxes on the capital gain in the Netherlands. Instead, such Shareholder is taxed at a flat rate of 30 per cent. on deemed income from "savings and investments" (*sparen en beleggen*). This deemed income amounts to 4% of the individual's "yield basis" (*rendementsgrondslag*) at the beginning of the calendar year (minus a tax-free threshold). Generally, the fair market value of the New Prysmian Shares and the Cash Consideration will be included in such Shareholder's yield basis at the beginning of the following calendar year.

(b) Shareholders resident in the Netherlands: corporate entities

A Shareholder that is resident or deemed to be resident in the Netherlands for corporate income tax purposes, and that is:

(i) a corporation;

(ii) another entity with a capital divided into shares;

(iii) a cooperative (association); or

(iv) another legal entity that has an enterprise or an interest in an enterprise to which the Shares are attributable,

will in general be subject to regular corporate income tax, generally levied at a rate of 25% (20% over profits up to EUR 200,000 (two hundred thousand Euro)) over the capital gain realised as a result of the Offer, unless, and to the extent that, the participation exemption applies. Under certain circumstances, roll-over relief might be available. For purposes of computing the capital gain, the fair market value of the Share Consideration and the Cash Consideration will be taken into account.

(c) Shareholders resident outside the Netherlands: individuals

A Shareholder who is an individual, not resident or deemed to be resident in the Netherlands, and who has not elected to be taxed as resident in the Netherlands for Netherlands income tax purposes, will not be subject to any Netherlands taxes on the capital gain realized upon the transfer of the Shares, unless:

(i) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable; and/or

(ii) such capital gain forms a "benefit from miscellaneous activities in the Netherlands" (*resultaat uit overige werkzaamheden in Nederland*) which would for instance be the case if the activities in the Netherlands with respect to the Shares exceed "normal active asset management" (*normaal, actief vermogensbeheer*).

If either of the above-mentioned conditions (i) or (ii) applies, the capital gain realized upon the transfer of the Shares will in general be subject to Netherlands income tax as income from ''employment and home ownership'' (*werk en woning*) at the progressive rates.

(d) Shareholders resident outside the Netherlands: legal and other entities

A Shareholder that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in the Netherlands, will not be subject to any Netherlands taxes on the capital gain realised upon the transfer of the Shares, unless:

(i) such Shareholder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable; or

(ii) such Shareholder has a substantial interest (as described under General in 0 above) in the Company. Exemptions apply in case the Shares form part of the assets of a Shareholder's enterprise and potentially under European Union law.

Such Shareholder will in general be subject to regular corporate income tax, generally levied at a rate of 25% (20% over profits up to EUR 200,000 (two hundred thousand Euro)) over the capital gain realised upon the transfer of the Shares, unless, and to the extent that, the participation exemption applies.

9.1.3 Netherlands taxes on income and capital gains in connection with the holding and disposal of New Prysmian Shares

(a) Holders of New Prysmian Shares resident in the Netherlands: individuals

A holder of New Prysmian Shares, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Netherlands income tax purposes, will be subject to regular Netherlands income tax on the dividend income derived from, and the capital gain realised upon the disposal of, the New Prysmian Shares if:

(i) such holder has an enterprise or an interest in an enterprise, to which enterprise the New Prysmian Shares are attributable; and/or

(ii) such income or capital gain forms ''a benefit from miscellaneous activities'' (resultaat uit overige werkzaamheden) which, for instance, would be the case if the activities with respect to the Shares exceed ''normal active asset management'' (*normaal, actief vermogensbeheer*).

If either of the above-mentioned conditions (i) or (ii) applies, the dividend income derived from, and the capital gain realised upon the disposal of, the New Prysmian Shares, will in general be subject to Netherlands income tax as income from ''employment and home ownership'' (*werk en woning*) at the progressive rates. A holder of New Prysmian Shares is generally entitled, subject to certain limitations and restrictions, to a credit for the Italian withholding tax on dividends received against its income tax liability in respect of income from employment and home ownership.

(b) If the above-mentioned conditions (i) and (ii) do not apply, a holder of New Prysmian Shares who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands, will not be subject to taxes on the dividend income and the capital gain in the Netherlands. Instead, the individual is taxed at a flat rate of 30% on deemed income from ''savings and investments'' (*sparen en beleggen*). This deemed income amounts to 4% of the individual's ''yield basis'' (*rendementsgrondslag*) at the beginning of the calendar year (minus a tax-free threshold). Generally, the New Prysmian Shares will be included in such holder's yield basis at the beginning of the following calendar year. A holder of New Prysmian Shares is generally entitled, subject to certain limitations and restrictions, to a credit for the Italian withholding tax on dividends received against its income tax liability in respect of income from savings and investments.

(c) Holders of New Prysmian Shares resident in the Netherlands: corporate entities

A holder of New Prysmian Shares that is resident or deemed to be resident in the Netherlands for corporate income tax purposes, and that is:

(i) a corporation;

(ii) another entity with a capital divided into shares;

(iii) a cooperative (association); or

(iv) another legal entity that has an enterprise or an interest in an enterprise to which the New Prysmian Shares are attributable,

will in general be subject to regular corporate income tax, generally levied at a rate of 25% (20% over profits up to EUR 200,000 (two hundred thousand Euro)) over the dividend income derived from, and the capital gain realised upon the transfer of, the New Prysmian Shares, unless, and to the extent that, the participation exemption applies.

A holder of New Prysmian Shares is generally entitled, subject to certain limitations, to a credit for the Italian withholding tax on dividends received against its corporate income tax liability, unless, and to the extent that, the participation exemption applies.

9.1.4 Gift and inheritance taxes

(a) Holders of New Prysmian Shares resident in the Netherlands

Gift tax may be due in the Netherlands with respect to an acquisition of New Prysmian Shares by way of a gift by a holder of New Prysmian Shares who is resident or deemed to be resident of the Netherlands.

Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of New Prysmian Shares by way of an inheritance or bequest on the death of a holder of New Prysmian Shares who is resident or deemed to be resident of the Netherlands, or by way of a gift within 180 days before his death by an individual who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Netherlands gift and inheritance tax, an individual with the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

9.1.5 Value added tax

No Netherlands value added tax will arise in respect of or in connection with the Offer and the acquisition, ownership and disposal of New Prysmian Shares.

9.1.6 Other taxes and duties

No Netherlands registration tax, capital tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the Offer and the acquisition, ownership and disposal of New Prysmian Shares.

9.2 Italy

9.2.1 General

The information appearing below summarizes the tax regime specific to the purchase, holding and transfer of New Prysmian Shares pursuant to the Italian tax laws currently in force and in relation to specific classes of investors.

The following is not intended to be an exhaustive analysis of the tax consequences of the purchase, holding and transfer of shares. The tax regime applicable to the purchase, holding and transfer of shares, as described below, is based on the laws currently in force, as well as on the practices existing as of the date of this Offering Circular, notwithstanding the fact that such laws remain subject to possible changes, including changes with retroactive effect, and therefore it is a mere introduction to the subject.

In the future, measures may be taken aimed at revising withholding rates on income on capital and on miscellaneous income of a financial nature, or the rates for substitute tax concerning the same incomes. The approval of such legislative measures amending the rules currently in force could therefore have an impact on the tax regime applicable to New Prysmian Shares as described in the following paragraphs.

With regards to the above, the information contained herein has been updated up to the date of the issuing of the present document.

Prospective investors should consult with their advisors on the tax regime applicable to the purchase, holding and transfer of New Prysmian Shares in order to verify the nature and origin of the amounts received as distributions in connection with the New Prysmian Shares (dividends or reserves).

For purposes of this Section of this Offering Memorandum, the terms defined have the meaning described below.

"***Transfer of Qualified Holdings***": transfers of shares (other than savings shares), rights or securities through which shares can be acquired, which exceed, over a period of twelve months, the threshold for their qualification as Qualified Holdings. The twelve-month period starts from the date on which the securities and the rights owned represent a percentage of voting rights or interest in the capital exceeding the aforesaid limits. For rights or securities through which holdings can be acquired, the percentage of voting rights or interest in the capital potentially attributable to the holdings is taken into account;

"***Non-qualified Holdings***": shareholdings in companies listed on regulated markets other than Qualified Holdings;

"***Qualified Holdings***": shareholdings in companies listed on regulated markets represented by the ownership of holdings (other than savings shares), rights or securities, through which the aforesaid holdings, which represent overall voting rights exercisable at ordinary shareholders' meetings of over 2% or an interest in the capital or assets of over 5%, can be acquired; and

"***Shares***": the New Prysmian Shares subject to this offering.

9.2.2 Tax regime for dividends

The dividends allocated to the New Prysmian Shares will be subject to the tax treatment ordinarily applicable to dividends paid by joint-stock companies resident in Italy for tax purposes. The following different methods of taxation are provided for the different classes of recipients.

(a) Individuals residing in Italy for tax purposes not engaging in business activity

The dividends paid to individuals who are resident in Italy for tax purposes on shares that are not owned in connection with the carrying out of a business activity and representing Non-qualified Holdings, admitted to the centralized deposit system, managed by Monte Titoli (such as the New Shares), are subject to substitute tax at the rate of 12.5%, with the obligation of charging the recipient, pursuant to Article 27-ter of the Decree of the President of the Republic D.P.R. No. 600 of September 19, 1973 (hereinafter "DPR 600/1973"); shareholders do not have the obligation to report received dividends on tax returns.

This substitute tax is withheld by the resident share depository where the securities are deposited, which have joined the centralized management system managed by Monte Titoli, or by a tax representative appointed in Italy (in particular, a bank or SIM resident in Italy, a permanent establishment in Italy of non-resident banks or investment firms, or a centralized financial instrument management company authorized pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998, hereinafter the "TUF") by non-resident (depositary) share depositories which belong to the Monte Titoli system or to foreign centralized deposit systems belonging to the Monte Titoli system. Following the enactment of Legislative Decree No. 213 of June 24, 1998 on the dematerialization of securities, this method of taxation constitutes the regime ordinarily applicable to shares traded on regulated Italian markets, such as the New Prysmian Shares.

Should the Shares be attributed to total property assets managed by a qualified intermediary and, with regards to the same, should an option for the application of so-called "risparmio gestito" regime be made, the dividends attributed to the Shares will not be subject to the above tax treatment, but will concur to the determination of the annual result of the total property assets, subject to a substitute tax of 12,5% (see paragraph concerning capital gains perceived by resident individuals through the sale of non-qualified shareholdings).

The dividends paid to individuals who are resident in Italy for tax purposes on shares which are not owned in connection with the carrying out of a business activity and representing Qualified Holdings are not subject to any withholding tax or to substitute tax subject to the beneficiaries declaring at the time of receipt that the profits collected are from holdings related to Qualified Holdings. Such dividends are partially considered in determining the shareholder's overall taxable income. The Decree of the MEF dated April 2, 2008 ("DMApril 2, 2008") – issued pursuant to Article 1, paragraph 38 of Law No. 244 of December 24, 2007 (the "2008 Finance Act") – has determined a 49.72% rate of contribution of dividends to overall taxable income. This rate applies to dividends arising out of

profits which have been yielded by the Italian listed entity starting from the tax year following the current one as at December 31, 2007. The 40% contribution rate previously in force, still applies to profits that have been yielded by the Italian listed entity up to the current tax year as at December 31, 2007. Furthermore, starting from the resolutions of distribution which follow the one having as its subject the profits for the current tax year as at December 31, 2007, for the purpose of taxation of the recipient, distributed dividends are deemed to be formed, with priority, by profits that have been yielded by the Italian listed entity until such date.

(b) Individuals residing in Italy for tax purposes engaging in business activity

The dividends paid to individuals who are resident in Italy for tax purposes on shares owned in connection with a business activity are not subject to any withholding tax or to substitute tax subject to the beneficiaries declaring at the time of receipt that the profits collected are from holdings related to the business activity. These dividends are partially considered in determining the shareholder's overall taxable income. DM April 2, 2008 — issued pursuant to Article 1, paragraph 38 of the 2008 Finance Act — has determined the rate of contribution of dividends to be 49.72% of the overall taxable income. Such rate applies to dividends arising out of profits which have been yielded by the Italian listed entity starting from the tax year following the current one as at December 31, 2007. The 40% contribution rate previously in force, still applies to profits which have been yielded by the Italian listed entity up to the tax year current as at December 31, 2007. Please note that, for dividends distributed after December 31, 2007, as far as the recipient's tax regime is concerned, profits are deemed to be formed firstly with income generated until the above-mentioned date.

(c) Private general partnerships, limited partnerships and similar companies as referred to in Article 5 of Decree of the President of the Republic No. 917 of December 22, 1986 (hereinafter the "TUIR"), as well as companies and entities referred to in Article 73, paragraph 1, Sections a) and b), of the TUIR, which are resident in Italy for tax purposes

Dividends paid to general partnerships, limited partnerships or partnerships treated as such (excluding informal partnerships) as referred to in Article 5 of the TUIR, to companies and entities as referred to in Article 73, paragraph 1, Sections a) and b) of the TUIR, or limited companies and limited partnerships, limited liability companies, and government and private sector entities whose sole or primary object is to engage in commercial activity, which are resident in Italy for tax purposes are (i) not subject to any witholding tax and (ii) considered in determining the recipient's overall taxable income according to the following terms:

(i) "IRPEF" (including, general partnerships and limited partnerships) are partially considered in determining the recipient's overall taxable income; DM April 2, 2008 – issued pursuant to Article 1, paragraph 38 of the 2008 Finance Act – determined a rate of 49.72% for contribution of dividends to the overall taxable income. Such rate applies to dividends arising out of profits which have been yielded by the Italian listed entity starting from the tax year following the current one as at December 31, 2007. The previous contribution rate of 40% still applies to profits which have been yielded by the Italian listed entity up to the current tax year as at December 31, 2007. Please note that, for dividends distributed after December 31, 2007, as far as recipient's tax regime is concerned, profits are deemed to be formed firstly with income generated until the above-mentioned date, and;

(ii) distributions in favor of parties liable for corporate income tax ("IRES") (including, limited companies, limited liability companies and limited partnerships) are considered in determining up to 5% of the recipient's taxable income, or for the entire amount if relating to securities held for trading by parties that apply the IAS/IFRS international accounting standards, referred to in Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002.

For some types of companies and under certain conditions, dividends attributed to shares are considered in determining the respective net production value subject to the regional tax on production activities (IRAP).

(d) Entities resident in Italy for tax purposes referred to in Article 73(1), Section c) of the TUIR

Five per cent. of dividend distributions received by entities referred to in Article 73(1), Section (c) of the TUIR, or by government or private entities that are resident in Italy for tax purposes, other than companies, that do not have engagement in commercial activity as their sole or primary object, are considered in determining the overall taxable income.

(e) Exempt parties

For shares such as the New Prysmian Shares issued by the Italian listed entity and admitted to the centralized deposit system managed by Monte Titoli, the dividends received by residents exempt from IRES are subject to a substiute tax at a rate of 27% applied by the depository (which has joined the centralized deposit system managed by Monte Titoli) which the New Prysmian Shares are deposited with.

(f) Italian pension funds and UCITS

Profits received by (a) Italian pension funds as referred to in Legislative Decree No. 252 of December 5, 2005 (''Decree 252'') and by (b) Italian undertakings for collective investment in transferable securities subject to the rules referred to in Article 8, paragraphs 1 to 4, of Decree 461/1997 hereinafter ''UCITS''), are not subject to any withholding tax or to substitute tax. They are considered in determining the overall yearly management profit accrued, which is subject to substitute tax at the rate of 11% for pension funds and at the rate of 12.50% for UCITS.

(g) Real estate investment funds

Pursuant to Legislative Decree No. 351 of September 25, 2001 (''Decree 351''), converted into law with amendments by Law No. 410 of November 23, 2001, and following the amendments made by Article 41-bis of Legislative Decree No. 269 of September 30, 2003, converted into law as amended by Law 326/2003 (''Decree 269''), distributions of profits received by real estate investment funds established pursuant to Article 37 of the TUF or Article 14-bis of Law No. 86 of January 25, 1994 (''Law 86''), as well as by real estate investment funds established prior to September 26, 2001, are not subject to any withholding tax or substitute tax.

These investment funds are not subject to IRES and Regional tax (IRAP).

The earnings deriving from holdings in real estate investment funds are subject to a withholding of 20% under the recipient's name, which is applied through a provisional or definitive withholding tax depending on the legal nature of the recipient.

(h) Non-residents of Italy that hold shares through a permanent establishment in Italy for tax purposes

Dividends deriving from shares or similar securities admitted to the centralized deposit system managed by Monte Titoli (such as the New Shares) received by parties that are not resident in Italy for tax purposes and which do not have a permanent establishment within the Italian territory to which the holding refers are, in principle, subject to substitute tax of 27%. This is reduced to 12.5% for profits paid on savings shares, pursuant to Article. 27-ter of DPR 600/1973. Such substitute tax is levied by the resident share depositories where the securities are deposited if the depository belongs to the centralized deposit system managed by Monte Titoli or by a tax representative appointed in Italy (in particular a bank or stock-brokerage that is resident in Italy, a permanent establishment in Italy of non-resident banks or investment companies, or a company engaged in centralized management of financial instruments authorized pursuant to Article 80 of the TUF), by non- residents that have joined to the Monte Titoli system or to foreign centralized deposit systems that are members of the Monte Titoli system.

Shareholders who are not resident in Italy for tax purposes, other than holders of savings shares, are entitled, upon a specific request to be submitted under the terms and conditions provided by law, to a refund for up to four-ninths of the substitute tax levied in Italy pursuant to Article 27-ter on the final tax that they can demonstrate as having paid abroad on the same profits, upon presentation of the respective certification by the foreign country's tax office to the competent Italian tax authorities.

As an alternative to the aforesaid refund, residents of countries where double taxation treaties with Italy are in force may request the application of the substitute tax for income tax at the (reduced) rate provided for by the applicable treaty. For this purpose, the entities with which the shares are deposited, which have joined the centralized deposit system managed by Monte Titoli must obtain:

- a statement by the non-resident party that it is the actual beneficiary of the profits, including identification particulars, the fulfillment of all conditions to which the treaty regime is subject, and any elements that may be necessary to determine the tax rate applicable pursuant to the treaty; and
- a certification from the competent tax authority of the state where the beneficiary of the profits resides, proving residence in the state. This certification shall be effective until March 31 of the year after the year in which it is submitted.

The Italian tax administration has also agreed with the tax administrations of some foreign countries on a special form which is intended to ensure a simple and more efficient full or partial refund or exemption from withholding tax levied in Italy. If the documentation is not submitted to the depositary before payment of the dividend, the substitute tax is applied at the rate of 27%. The actual beneficiary of the dividends may nevertheless request a refund from the tax administration for the difference between the withholding levied and the one applicable pursuant to the treaty by means of the appropriate refund request, accompanied by the aforementioned documentation. This must be submitted according to the legal terms and conditions.

In the event that recipients are (i) residents for tax purposes in one of the EU Member States or in an EEA Member State, and included on the list to be prepared with a special Decree by the MEF pursuant to Article 168-bis of the TUIR and (ii) subject to a corporate income tax in such States, the dividends are subject to substitute tax equal to 1.375% of the respective amount. Until the aforesaid ministerial decree is issued, the EEA Member States that fall under the application of substitute tax at the aforesaid rate of 1.375% are those included on the list referred to in the Decree of the Minister of Finance of September 4, 1996, as subsequently amended. Pursuant to Article 1, paragraph 38 of the 2008 Finance Act, the 1.375% substitutive tax applies only to dividends arising out of profits which have been yielded by the Italian listed entity starting from the tax year following the one current as at December 31, 2007.

Pursuant to Article 27-bis of DPR 600/1973, which implements Directive 435/90/EEC of July 23, 1990, in the event that the dividends are received by a shareholder (a) that is incorporated in one of the forms provided for in the appendix to the said Directive 435/90/EEC, (b) is a resident for tax purposes in an EU Member State, (c) is subject in the country of residence to one of the taxes indicated in the appendix to the aforesaid Directive with no possibility of benefiting optional or exemption regimes that have no territorial or time limitations and (d) holds a direct holding in the Italian listed entity of no less than 10% of the share capital for an uninterrupted period of at least one year, such shareholder is entitled to request a refund from the Italian tax authorities of the substitute tax levied to the dividends received by it. For this purpose, the non-resident shareholder must produce (x) a certification issued by the foreign country's competent tax authorities, which certifies that the non-resident shareholder satisfies the aforesaid requirements, as and (y) the documentation certifying the existence of the aforementioned conditions. In addition, as clarified by the Italian tax authorities, upon the occurrence of the aforesaid conditions and as an alternative to submitting a refund request subsequent to the dividend distribution, provided that the one-year minimum holding period for the holding in the Italian listed entity has already passed at the time of the said dividend distribution, the non-resident shareholder may request directly the intermediary where the shares are deposited not to levy the substitute tax by submitting the same aforementioned documentation to such intermediary. As regards non-resident companies that are controlled directly or indirectly by parties that are not residents of EU Member States, the aforesaid refund or alternative tax non-application regime may be requested only upon the condition that the companies demonstrate that they have not been created for the sole or primary purpose of benefiting from the regime in question.

9.2.3 Distributions of reserves as referred to in Article 47, paragraph 5, of the TUIR

The information provided in this paragraph summarizes the tax regime applicable to the distribution by the Italian listed entity – in cases other than reduction of excess capital, withdrawal, exclusion, redemption or liquidation – of the capital reserves referred to in Article 47, paragraph 5, of the TUIR or, among other things, of reserves or other funds created with issuance share premiums, adjusted for interest paid by subscribers, with capital contributions or capital account payments made by shareholders and with tax-exempt monetary revaluation balances (the ''Capital Reserves'').

(a) Individuals not carrying out business activities and are resident in Italy for tax purposes.

Regardless of the shareholders' meeting resolution, the amounts received as distribution of capital reserves by individuals who are resident in Italy for tax purposes and not carry out business activity, are deemed to be profits for recipients within the limits and to the extent that the distributing entity has profits for the period and retained profits (reservation made of the tax-deferred portion set aside). The amounts qualified as profits are subject, depending on whether or not non-qualified and/or non-business related holdings are involved, to the same regime described above. The sums received as distribution from Capital Reserves, on the basis of what was indicated above, up to the amount that may qualify as profit, reduce by the same amount as the cost of the holding recognized for tax purposes and do not constitute taxable income for the recipient. It follows that at the time of

subsequent transfer, the taxable capital gain is calculated as the difference between the sale price and the holding's cost as recognized for tax purposes, and as has been reduced by an amount equal to the amounts received as distribution of capital reserves (net of the amount that may qualify as profit).

According to the interpretation adopted by the Tax Administration, profits are those sums received as distribution of Capital Reserves in respect of the part exceeding the holding's cost for tax purposes. With regard to holdings for which the individual has opted for the so-called ''managed savings'' regime referred to in Article 7 of Legislative Decree 461/1997, and in the absence of any clarification by the Tax Administration, following a systematic interpretation of the rules, the sums distributed as allocation of Capital Reserves are to be considered in determining the annual operating results for the tax year in which the distribution took place. The value of the holding at the end of the same tax year (or the end of the ''managed savings'' regime if prior thereto) must also be included in the calculation of the annual operating results in the tax year, to be subject to substitute tax of 12.50%.

(b) General partnerships, limited partnerships and the like as referred to in Article 5 of the TUIR, partnerships, companies and entities as referred to in Article 73, paragraph 1, Sections a) and b) of the TUIR and individuals carrying out business activity that are resident in Italy for tax purposes.

For general partnerships, limited partnerships and the like (excluding informal partnerships) as referred to in Article 5 of the TUIR and companies and entities as referred to in Article 73, paragraph 1, Sections a) and b) of the TUIR and individuals carrying out business activity that are resident in Italy for tax purposes, the sums received as distribution of Capital Reserves are profits within the limitations and to the extent that profits for the period and retained profits exist (reservation made of the tax-deferred portions set aside). The sums classified as profits must be subject to the same regime described above. The sums received as distribution of Capital Reserves, net of the amount that may qualify as profit reduce the cost, recognized for tax purposes, of the holding by an equal amount. The sums received as distribution of Capital Reserves are capital gains for the part in excess of the holding's cost for tax purposes, and as such are subject to the regime described in paragraph C) ''Tax regime for capital gains deriving from the transfer of shares'' below.

(c) Italian pension funds and UCITS (investment funds, SICAV)

On the basis of a systematic interpretation of the rules, the sums received by Italian UCITS (investment funds and SICAVs) and pension funds as distribution of Capital Reserves must be considered in determining the net annual operating results for the tax year in which the distribution took place, subject to substitute tax of 12.50% (11% in the case of pension funds). The value of the holdings at the end of the same tax year must also be included in the calculation of the annual operating results.

(d) Parties which do not reside in Italy for tax purposes and do not have a permanent establishment within the Italian territory

Parties not residing in Italy for tax purposes (whether individuals or corporations) and without a permanent establishment in Italy to which the holding is attributable, are subject to the same tax regime applicable to sums received as distribution of Capital Reserves as that described for individuals who are resident in Italy for tax purposes. Similarly to what has been described for individuals and for corporations resident in Italy for tax purposes, the sums received as distribution of Capital Reserves, net of the amount that may qualify as profits, reduce the cost of the holding as recognized for tax purposes by an equal amount.

(e) Parties not residing in Italy for tax purposes with a permanent establishment within the Italian territory

As to non-resident parties that hold the holding through a permanent establishment in Italy, such sums are considered, in determining the permanent establishment's income, according to the tax regime provided for companies and entities referred to in Article 73, paragraph 1, Sections a) and b) of the TUIR which are resident in Italy for tax purposes. If the Capital Reserves distribution derives from a holding not connected to a permanent establishment in Italy of the non-resident recipient, reference is to be made to paragraph (d) above.

9.2.4 Tax regime for capital gains deriving from the transfer of shares

(a) Individuals residing in Italy for tax purposes not engaging in business activities

Capital gains, other than those realized in connection with the carrying out of a business activity, made by individuals residing in Italy for tax purposes by the transfer for consideration of holdings in

companies, as well as of securities or rights whereby the aforesaid holdings can be acquired, are subject to a different tax regime depending on whether or not a transfer of Qualified Holdings or Non-qualified Holdings is involved.

Transfer of Qualified Holdings

Capital gains deriving from the transfer of a Qualified Holding which are not realized other than through commercial business activity by individuals who are resident in Italy for tax purposes are considered partially in determining the recipient's taxable income. DM April 2, 2008 – issued pursuant to Article 1, paragraph 38 of the 2008 Finance Act – has determined a rate of contribution of capital gains of 49.72% to the overall taxable income. This rate applies to capital gains realized from January 1, 2009. The 40% contribution rate previously in force, still applies to capital gains realized in connection with disposal deeds executed before January 1, 2009. Taxation takes place at the time of the filing of the annual tax return for these capital gains.

Non-qualified Holdings

Capital gains which are not realized in connection with the carrying out of a business activity made by individuals residing in Italy for tax purposes by the transfer for consideration of Non-qualified Holdings, as well as of securities or rights whereby the aforesaid holdings can be acquired, are subject to substitute tax at a rate of 12.5%. The taxpayer may opt for one of the following tax methods:

(i) Tax on the basis of the income tax return. The capital gains and capital losses made during the year are to be stated on the return. The substitute tax rate of 12.5% is determined at that time on the capital gains less the respective capital losses, and is paid by the deadline provided for the payment of income tax due on the basis of the return. Excess capital losses, provided that they are stated on the income tax return, may be carried over and deducted, up to the limit, from the respective capital gains in subsequent tax periods, but not after the fourth period. The tax return method is mandatory in the event that the taxpayer does not choose one of the two regimes described in (b) and (c) below.

(ii) Administered savings regime (optional). This regime may apply upon the condition that (i) the shares are deposited with resident banks or securities intermediation firms or other resident parties identified in the pertinent ministerial decrees and (ii) the shareholder chooses the application of the administered savings regime (with a signed notification sent to the intermediary). If the taxpayer chooses that regime, the substitute tax at a rate of 12.5% is determined and paid at the time of the individual transfer by the intermediary, where the shares are deposited for custody or for administration, on any capital gain realized. Any possible capital losses may be offset within the same account by calculating the amount, up to the limit, whereby the capital losses decrease the capital gains made in subsequent transactions carried out in the same tax period or in subsequent tax periods, but not after the fourth year. If the custody or administration account is cancelled, any possible capital losses may be carried over, though no later than the fourth tax year after which they are made, as a deduction against capital gains made within another administered savings account in the name of the same parties in whose name the original account or deposit was, or they may be deducted at the time of the income tax return.

(iii) Managed savings regime (optional). The prerequisite for the choice of this regime is the conferral of an asset management retainer to an authorized intermediary. Under this regime, substitute tax at a rate of 12.5% is applied by the intermediary at the end of each tax year on the accrued increase in value of the managed assets during that tax year, even if not received, net of: earnings subject to withholding tax; income that is exempt or in any case not subject to tax; income that is considered in determining the taxpayer's overall income; and earnings deriving from units of UCITS. Under the managed savings regime, the capital gains made by the transfer of Non-Qualified Holdings are considered in determining the increase accrued on the assets managed during the tax year, subject to substitute tax of 12.5%. The negative management result obtained during a tax year may be applied so as to decrease the operating results obtained during the next four tax periods for the full amount that is allowed for each one of them. In the event that the management account is closed, the accrued negative operating results (appearing on the specific certification issued by the manager) may be carried over as a deduction no later than the fourth tax period after the one in which it accrued against the capital gains made in another account to which the administered savings regime applies, or utilized (for the amount that is allowed therein) in another account for which the managed savings regime option has been made, provided that the account or deposit in

question is in the name of the same parties in whose name the original account or deposit was in, or they can be carried over as a deduction by the same parties at the time of the tax return, according to the same rules applicable to excess capital losses as referred to in (a) above.

(b) Individuals engaging in business activity, general partnerships, limited partnerships and companies treated as such as referred to in Article 5 of the TUIR

Capital gains realized by individuals engaging in business, general partnerships, limited partnerships and companies treated as such as referred to in Article 5 of the TUIR, by transfer for consideration of shares, are considered in their full amount for determining the taxable business income, subject to tax in Italy under the ordinary regime.

As clarified by the tax administration, the negative income elements made by individuals engaging in business, general partnerships, limited partnerships and companies treated as such as referred to in Article 5 of the TUIR, by transfer for consideration of the Shares would be fully deductible from the transferring party's taxable income. However, where the conditions described in items (a), (b), (c) and (d) of paragraph (iii) are satisfied, capital gains are considered partially in determining taxable business income. DM April 2, 2008 – issued pursuant to Article 1, paragraph 38 of the 2008 Finance Act – has determined in 49.72% the rate of contribution of capital gains to the overall taxable income. Such rate applies to capital gains realized starting from January 1, 2009.

Capital losses realized on holdings with the requirements referred to in items (a), (b), (c) and (d) of the next paragraph are partially deductible, similarly to what is provided for in the taxation of capital gains.

For purposes of determining capital gains and capital losses that are relevant for tax purposes, the cost for tax purposes of the shares transferred is assumed net of the devaluations deducted in previous tax years.

(c) Companies and entities referred to in Article 73(1), Sections a) and b) of the TUIR

Capital gains realized by the companies and entities referred to in Article 73(1), Sections a) and b) of the TUIR, or by limited companies and limited partnerships, limited liability companies, government and private sector entities with the sole or primary object of engaging in commercial activity, by transfer for consideration of Shares are considered, in their full amount, in determining the taxable business income.

However, pursuant to Article 87 of the TUIR, capital gains realized on shares of companies or entities indicated in Article 73 of the TUIR are not considered in determining taxable income insofar as they are 95% exempt, if the aforesaid shares meet the following requirements:

(i) uninterrupted ownership as of the first day of the twelfth month prior to the final transfer, treating the shares or units acquired on the most recent date as transferred first;

(ii) classification in the category of long-term financial investments on the first balance sheet prepared during the period of ownership;

(iii) residence for tax purposes of the participated entity in a country or territory referred to in the Decree of the MEF issued pursuant to Article 168-bis of TUIR, or, alternatively, proof having been given following a tax ruling according to the terms set forth in paragraph 5, Section b) of Article 167, that from the start of the period of ownership, the goal was not that of locating the income in countries or territories other than those identified in the same decree referred to in Article 168-bis; and

(iv) the participated entity engages in a commercial business according to the definition set forth in Article 55 of the TUIR, however this requirement is not relevant for holdings in companies whose securities are traded on regulated markets.

The requirements mentioned in (iii) and (iv) must be met at the time that the capital gain is made, without interruption from at least the start of the third tax period before they are realized. The transfer of shares or units belonging to the category of long-term financial investments and those belonging to the category of working capital are to be considered separately with reference to each category. If the aforementioned requirements are met, the capital losses made on holdings are not deductible from business income.

For purposes of determining capital gains and capital losses reported for tax purposes, the cost of the shares transferred for tax purposes is assumed to be net of the depreciations deducted in previous tax periods. Capital losses and negative differences between revenues and costs for shares that do not

meet the requirements for exemption are not relevant up to the non-taxable amount of dividends, or the instalments on them, received in the thirty-six months prior to their realization or obtainment. This provision applies with reference to shares acquired 36 months prior to the realization or obtainment, provided that the conditions (c) and (d) above are met, but does not apply to parties who prepare their financial statements in accordance with IAS/IFRS international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002.

As to capital losses deductible from business income, it must also be noted that, pursuant to Article 5-quinquies, paragraph 3, of Decree Law No. 203 of September 30, 2005, converted into law with amendments by Law No. 248 of December 2, 2005, when the amount of the aforesaid capital losses deriving from transactions on shares traded on regulated markets is greater than Euro 50,000, including after several transactions, the taxpayer must report the data and the information regarding the transaction to the Revenue Agency. The information to be provided, and related deadlines are set forth in the context of the Revenue Agency official note of March 29, 2007 (published in Official Gazette No. 86 of April 13, 2007). In the event of omissions, incomplete or inaccurate disclosure, the capital loss made will not be deductible for tax purposes.

For some types of companies and under certain conditions, capital gains on shares are considered in determining the respective net production value subject to the regional tax on production activities (IRAP).

(d) Entities residing in Italy for tax purposes referred to in Article 73(1), Section c) of the TUIR

Capital gains realized, outside of business activity, by resident non-commercial entities are subject to tax under the same rules as provided for capital gains made by individuals on holdings held other than for business purposes.

(e) Italian pension funds and UCITS

Capital gains realized by Italian pension funds as referred to in Decree 252/2005 and by UCITS, by transfer for consideration of shares are to be included in the calculation of the annual operating results subject to substitute tax at a rate of 11% for pension funds and at a rate of 12.5% for UCITS. With reference to OICVM with less than 100 participants – except in the case where the units or shares of the aforesaid organizations held by qualified investors other than individuals exceed 50%—the substitute tax of 12.5% applies to the portion of the management profits that refer to "non-qualified" holdings. On the portion of the management result accrued in each year that refers to "qualified" holdings held by the aforesaid parties, substitute tax is due instead at a rate of 27%. For these purposes, holdings in capital or equity with voting rights in companies traded on regulated markets exceeding 10% are considered "qualified" (this percentage is calculated taking into account the rights, whether represented by securities or not, that allow for acquiring holdings in capital or assets with voting rights).

(f) Real estate investment funds

Pursuant to Legislative Decree 351/2001, and following to the amendments made by Article 41-bis of Legislative Decree 269/2003, as of January 1, 2004, income, including capital gains deriving from the transfer of shares, obtained by real estate investment funds established pursuant to Article 37 of the TUF and Article 14-bis of Law 86/1994, are not subject to income tax. In particular, such fundsare not subject to IRES and IRAP.

The earnings deriving from holdings in real estate investment funds are subject to a withholding of 20% under the recipient's name, which is applied through a provisional or definitive withholding tax depending on the legal nature of the recipient.

(g) Parties that are non-residents for tax purposes with a permanent establishment within the Italian territory

With respect to non-residents that hold the holding through a permanent establishment in Italy, such sums are considered in determining the permanent establishment's income according to the tax regime provided for the capital gains made by companies and entities as referred to in Article 73(1), Sections a) and b) of the TUIR, which are residents of Italy for tax purposes. If the holdings are not connected to a permanent establishment in Italy of the non-resident party, reference is to be made to paragraph (viii) below.

(h) Parties that are non-residents for tax purposes without a permanent establishment within the Italian territory

Non-Qualified Holdings

Capital gains made by parties that are not resident in Italy for tax purposes without a permanent establishment in Italy (through which the holdings are held), deriving from the transfer for consideration of Non-qualified Holdings in Italian companies traded on regulated markets (such as the Italian listed entity) are not subject to taxation in Italy, even if held there. For shareholders who are not resident in Italy for tax purposes towhom the administered savings regime applies or who have chosen the managed savings regime referred to in Articles 6 and 7 of Legislative Decree 461/ 1997, the benefit of exemption is subject to the submission of an affidavit attesting to non-residence in Italy for tax purposes.

Qualified Holdings

Capital gains made by non-residents of Italy for tax purposes with no permanent establishment in Italy (through which the holdings are held), deriving from the transfer for consideration of Qualified holdings, are included in the recipient's taxable income according to the same rules applicable to individuals not engaging in business activity. Such capital gains are subject to tax only at the time of the filing of the annual tax return, provided that they are not subject either to the administered savings regime or to the managed savings regime. Save for the application of the provisions set forth by the relevant double taxation treaty.

9.2.5 Transfer tax

Pursuant to Article 37 of Decree Law No. 248 of December 31, 2007, converted with amendments by Law No. 31 of 28 February 2008, the Italian transfer tax as referred to in Royal Decree no. 3278 of December 30, 1923 has been repealed.

9.2.6 Inheritance and gift tax

Pursuant to Law Decree No. 262 of 3 October, 2006, converted with amendments by Law No. 286 of 24th November, 2006 effective from 29 November, 2006, and Law No. 296 of 27 December, 2006, the transfers of any valuable assets as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed at rates ranging between 4% and 8%, depending on the nature of the recipient and the degree of kinship.

Always with regards to the nature of the recipient and to the degree of kinship, some exemptions from the tax base are allowed.

10. PRESS RELEASES

10.1 Press release Nexans 18 October 2010

NEXANS ANNOUNCES ITS INTENTION TO ENTER INTO DISCUSSION WITH DRAKA HOLDING N.V. FOR A POSSIBLE OFFER WITH THE SUPPORT OF FLINT BEHEER BV, THE MAIN SHAREHOLDER OF DRAKA HOLDING N.V. (48,48%)

Paris, October 18, 2010 – Nexans today announces that it has obtained the commitment of Flint Beheer BV, subject to certain conditions, to tender its shares of Draka Holding N.V. if Nexans makes an offer to acquire Draka Holding N.V. Nexans has agreed to make a proposal to Draka Holding N.V. to negotiate an agreement for a recommended cash offer to purchase all of the outstanding ordinary shares of Draka Holding N.V. at a price of 15 euros per share, subject to certain conditions.

Frédéric Vincent, Chief Executive Officer of Nexans, said ''The contemplated transaction would contribute to the consolidation of the cable sector, improve the competitiveness of Nexans' European asset base and reinforce its positions in specialty cables. The financing to be put in place for this transaction would ensure keeping a sound financial structure for the Group''.

The Nexans proposal will be subject to customary conditions, including approval by the Nexans Board of Directors, recommendation of the offer by the Draka Holding N.V. Executive Board and Supervisory Board, due diligence, a 95% acceptance threshold, and regulatory approvals. Nexans intends to begin negotiations with Draka Holding N.V. with a view to reaching an agreement as soon as possible.

This announcement does not constitute an offer to purchase or the solicitation of an offer to sell any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. An offer to purchase, if made, will be made pursuant to an offer document that will be submitted for approval by competent regulatory authorities, including the Netherlands Authority for the Financial Markets (''Autoriteit Financiële Markten''). No assurance can be given that an offer will be made, or as to the terms of any offer that might be made.

This press release is issued pursuant to Article 4 paragraph 3 of the Dutch Decree on Public Takeover Bids (''Besluit openbare biedingen Wft''). If an offer is commenced, the shares tendered by Flint Beheer B.V. would be tendered at the price and other terms as would be offered to ordinary shareholders, as set out in the offer memorandum if and when published.

10.2 Press release Draka 27 October 2010

NEXANS' UNSOLICITED OFFER SUBSTANTIALLY UNDERVALUES DRAKA

After careful consideration, the Board of Management and the Supervisory Board of Draka Holding N.V. (''Draka'') are of the view that the unsolicited indicative non-binding proposal from Nexans is inadequate as it substantially undervalues Draka and does not address the position and legitimate interests of all stakeholders, nor the execution risk of the transaction as proposed by Nexans.

Draka will actively review its strategic alternatives, including continuing Draka's stated stand-alone strategy, and will evaluate these alternatives taking into account the interests of all its stakeholders, including its shareholders. In this context, Draka acknowledges Flint Beheer B.V.'s intention to exit as a Draka shareholder.

Draka will keep its shareholders and all other stakeholders informed of all significant developments, and will issue additional statements if and when appropriate.

This is an announcement in accordance with Section 5:25i paragraph 2 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

NOTE FOR EDITORS: for more information, please contact:

Draka Holding N.V.:

Michael Bosman – Director Investor Relations +31 20 568 9805; michael.bosman@draka.com

2010 Financial calendar (provisional)

Publication of trading update for the second half of 2010	**Thursday, 11 November 2010 (before start of trading)**

Company profile

Draka Holding N.V. ('Draka') is the holding company of a number of operating companies that are active worldwide in the development, production and sale of cable and cable systems. Draka's activities are divided into three groups: Energy & Infrastructure, Industry & Specialty and Communications. Within these three groups, the activities are organised into divisions. Energy & Infrastructure consists of the Europe and Asia-Pacific divisions; Industry & Specialty consists of the Automotive & Aviation, Elevator Products, Cableteq USA, Industrial and Offshore divisions and the Communications Group comprises the Telecom Solutions, Multimedia and Specials, Americas and Optical Fiber divisions.

Draka has 68 operating companies in 31 countries throughout Europe, North and South America, Asia and Australia. Worldwide, the Draka companies employ some 9,400 people. Draka Holding N.V.'s head office is in Amsterdam. In 2009, Draka reported net sales of EUR2.0 billion and net income of EUR 48.3 million (excluding non-recurring items).

Draka Holding N.V. ordinary shares are listed on NYSE Euronext Amsterdam. The company is included in the Next150 index and the AMX index (Amsterdam Midkap index). Options on Draka shares are also traded on the NYSE Euronext Amsterdam Derivative Markets.

More information on Draka Holding N.V. can be found at www.draka.com.

10.3 Joint press release Prysmian and Draka 22 November 2010

This is a joint press release by Prysmian S.p.A. and Draka Holding N.V., pursuant to the provisions of Section 5 paragraph 1 of the Decree on Public Takeover Bids (Besluit openbare biedingen Wft) in connection with the public offer by Prysmian S.p.A. for all the issued and outstanding ordinary shares in the capital of Draka Holding N.V. This announcement does not constitute an offer, or any solicitation of any offer, to buy or subscribe for any securities in Draka Holding N.V. Any offer will be made only by means of the offer memorandum. This announcement is not for release, publication or distribution, in whole or in part, in or into, directly or indirectly, the United States, Canada, Japan and Australia.

PRYSMIAN ANNOUNCES INTENTION TO LAUNCH RECOMMENDED PUBLIC OFFER FOR DRAKA, TO CREATE A GLOBAL LEADING PLAYER IN THE ENERGY AND TELECOM CABLE INDUSTRY

Offer values Draka at €17.20 per ordinary share[1]

Compelling industrial and strategic rationale

- New leading player in high voltage, subsea, high-end industrial cables, fibers and optical cables
- Global presence in more than 50 countries with over 90 plants and more than 20,000 employees with aggregate 2009 net sales of €5.8 billion
- Highly complementary know-how, geographic footprint and product portfolio
- No break-up or material divestitures of Draka

Substantial value creation

- Significant scope to generate approximately €100 million of annual run-rate synergies within 3 years
- Strong platform for future organic growth and industry consolidation
- Expected to be earnings accretive from 2011 onwards

Transaction highlights

- Offer values Draka at €17.20 per ordinary share[10], consisting of:
- €8.60 in cash per Draka ordinary share; plus
- 0.6595 Prysmian shares per Draka ordinary share
- The Offer implies a 25% premium to the closing share price of the Reference Date and a premium of 37% to the volume weighted average share price over the 6 months ended on the Reference Date
- Implied value of €840 million for 100% of Draka's issued and outstanding ordinary shares, with a total cash consideration of €420 million, and €1.3 billion enterprise value

10 Valued at Prysmian's closing price of €13.04 on 19 November 2010.

- Draka shareholders will represent up to approximately 15% in Prysmian post-completion of the Offer; Prysmian expects to issue approximately thirty two million of new shares
- Support and unanimous recommendation from Draka's Board of Management and Supervisory Board
- Irrevocable commitment from Draka's 48.5% shareholder Flint
- Closing expected during Q2 2011

Valerio Battista, Prysmian CEO

"We believe that this is the most logical and compelling combination one could envision in our industry. The value creation opportunity is substantial and the geographic footprint and product portfolio are highly complementary. I am very excited about the opportunity to work with Frank Dorjee and his team. This transaction is a major step for both our companies as well as the industry. Together we will be the leading operator in the energy and telecom cable industry."

Frank Dorjee, Draka CEO

"We believe the Prysmian offer provides an attractive valuation and represents an unique opportunity for Draka and its stakeholders to preserve the Company's history, heritage and culture while at the same time being able to participate in the sector consolidation and join forces with a leading global cable manufacturer. With Prysmian, we are able to join a partner of choice. As both companies have an extensive track record in integrating cable assets, the process of combining the two businesses will be smooth."

Milan/Amsterdam, 22 November 2010 – Prysmian S.p.A. ("Prysmian") and Draka Holding N.V. ('Draka") jointly announce they have reached a conditional agreement in connection with a public offer by Prysmian for all issued and outstanding ordinary shares of Draka at an offer price of €8.60 in cash plus 0.6595 newly issued Prysmian ordinary shares for each Draka ordinary share (the "Offer"). The Offer values Draka at €17.20 per ordinary share (the "Offer Price") and represents a 25% and 37% premium versus Draka's share price as at 13 October 2010[11] and Draka's weighted average price over the previous 6 months, respectively. The Offer is subject to customary conditions. It is anticipated that Prysmian will make a separate proposal to holders of Draka's preference shares.

Unanimous support from Prysmian

The Board of Directors of Prysmian unanimously support the Offer. A Prysmian EGM, resolving on the issuance of new shares to Draka shareholders, is expected to be convened by January 2011. The Board of Directors of Prysmian shall propose and recommend such resolution to its shareholders.

Unanimous support from Draka

The Supervisory Board and the Board of Management of Draka support and unanimously recommend the Offer to its shareholders. Representatives of Flint have not participated in the deliberations and decision-making of the Supervisory Board of Draka in connection with the intended Offer. After careful consideration of all of Draka's strategic alternatives, the Boards of Draka believe this transaction creates premium value including the potential upside from synergies, provides maximum transaction certainty and is in the best interest of all stakeholders.

The financial advisor to Draka, J.P. Morgan, has opined that the intended Offer is fair to the shareholders of Draka from a financial point of view.

Irrevocable from Flint

As the intended Offer is supported and unanimously recommended by the Supervisory Board and the Board of Management of Draka, Prysmian has obtained an irrevocable commitment from Flint, Draka's largest shareholder with a 48.5% interest, to support the Offer and tender its shares under the terms of the intended Offer.

11 Last date before the rumours of a possible bid from Nexans became widely spread

Strong strategic rationale and substantial value creation opportunities

The combined group will be a new leading player in the worldwide energy and telecom cable and systems industry, in particular in several of its high-technology segments. Based on 2009 aggregate figures, the combination had net sales of €5.8 billion and EBITDA[3] of €541 million in 2009. In subsea and high voltage, the combination serves the main national grid operators and leads several of the most important transmission projects worldwide. In the industrial segment, the combination will become the top player by turnover in several high-end sub-segments including industries such as oil & gas, renewable energy, elevators, crane and mining. With fiber production facilities across the globe, the company will also be the new leader in the optical cable segment. A better manufacturing footprint will also allow to improve service level and product offering in the Trade & Installers market segment.

The combined group will have operations in more than 50 countries, with a manufacturing footprint of over 90 plants, and a total workforce of more than 20,000 employees. The geographic presence as well as the industry portfolio is complementary and well balanced. Net sales in 2009 in EMEA represented 65% of the total aggregate, with Americas 17%, Asia & Oceania 14% and Rest of the World 3%. The aggregate net sales split by segment of the new combination in 2009 was as follows: Utilities 28%, Trade & Installers 29%[4], Industrial 23% and Telecom 20%. The geographic footprint is highly complementary and the combination will be able to exploit Draka's strength in Northern Europe and Prysmian's strong position in Southern Europe.

The combination is well positioned to capture the significant growth opportunities available in the market through its leadership positions in key areas and segments and to deliver substantial benefits from sharing best practices and processes. Prysmian and Draka each have an impressive track record in implementing cost savings and efficiencies and have identified significant scope for further improvements.

The combined group is expected to generate approximately €100 million of annual run-rate pre-tax synergies within 3 years primarily from the optimization of the manufacturing footprint, procurement of raw materials, overhead savings and implementing operating efficiency improvements. Integration costs to capture these synergies are estimated to amount to a total of €170 million over 3 years.

In addition to the cost savings identified above, the combination expects to generate additional synergy upside through sharing of best practices, introduction of proven concepts and procedures into the respective client bases and across each others footprint. Furthermore, increased scale and scope will allow the combination to be more competitive in international tenders.

The transaction is expected to be earnings accretive from 2011 onwards, excluding one-off charges.

Financing of the Offer

Prysmian expects to fund the Offer via existing cash on balance sheet, committed credit lines and the issue of new ordinary Prysmian shares.

Pre-Offer and Offer conditions

The Offer and the conditional agreement reached between Prysmian and Draka are subject to the satisfaction or waiver of certain pre-offer conditions, such as compliance with the notification procedures pursuant to the Dutch Merger Code (*SER-besluit Fusiegedragsregels 2000*), obtaining works council advice and the absence of a material adverse effect.

When the Offer has been made, declaring the Offer unconditional will be subject to the satisfaction or waiver of certain offer conditions, such as relevant antitrust clearances for the Offer and the absence of a material adverse effect and a minimum acceptance threshold of 85%.

Competing Offer

Draka may terminate the conditional agreement with Prysmian in the event that a *bona fide* third-party offeror makes an offer which is, in the reasonable opinion of the Boards, a more beneficial offer than the Offer, which is binding upon such party and exceeds the Offer Price by 15% (a "Competing Offer"). In the event of a Competing Offer, Prysmian will be given the opportunity to revise its Offer. If this revised Offer by Prysmian is at least equally beneficial to the Competing Offer, Draka may not terminate the conditional agreement with Prysmian. The same is true for any

3 Adjusted for non-recurring items as reported by Prysmian and Draka.

4 Including Draka's Energy and Infrastructure Business.

subsequent Competing Offers. If Draka terminates the agreement in the event of a Competing Offer which is not matched by Prysmian in accordance with the agreement, Prysmian is entitled to an amount of €12.5 million.

Governance and social aspects

Prysmian and Draka do not expect any material negative consequences for their respective employees as a result of the Offer. The existing rights and benefits of Draka's employees will be honoured.

Prysmian does not envisage any break-up of the business of the Draka group or material divestitures of any of its business units, and believes that the integration can be successfully executed with minimal disruptions, taking into account both companies' strengths and culture.

Subject to the successful completion of the Offer, Prysmian undertakes to use its best efforts to allow Mr. Fritz Fröhlich, Chairman of Draka's Supervisory Board, and Mr. Frank Dorjee, CEO of Draka, to join the Board of Directors of Prysmian.

Indicative timetable

Prysmian and Draka will seek to obtain all the necessary approvals and competition clearances as soon as practicable and will complete the required recommendation and consultation procedures with Draka's works councils and unions before launch of the Offer.

The offer memorandum is expected to be published and the Offer is expected to commence during Q1 2011 in accordance with the applicable timetable. In January 2011, Prysmian will hold an EGM in order to obtain shareholder approval for the issuance of new Prysmian shares. Draka will hold an informative EGM before closing of the offer period.

Advisors

Goldman Sachs International, Leonardo & Co. and Mediobanca are acting as financial advisors to Prysmian; J.P. Morgan is acting as financial advisor to Draka.

Bonelli, Erede e Pappalardo and Freshfields Bruckhaus Deringer are acting as legal counsels to Prysmian; Allen & Overy is acting as legal counsel to Draka.

Analyst & Investor conference call

Today at 11:30a.m. CET/10:30a.m. GMT a presentation and a conference call for analysts and institutional investors will be hosted by Valerio Battista, CEO of Prysmian and Frank Dorjee, CEO of Draka.

The details of the call are as follows:

- a live conference call by dialing +39 02 6968 2337 (Italy), +31 (0)20 713 2936 (NL) or +44 (0)20 7784 1036 (all other locations)
- a live webcast of the event is available at www.prysmian.com and www.draka.com

Slide presentation packs will be available at www.prysmian.com and www.draka.com. The webcast and live conference call provide an opportunity to listen remotely to the live presentation and join in the Q&A session.

A replay of the conference call will be available until 5th December 2010 by dialing:

Italy: +39 02 3041 3127, Netherlands: +31 (0)20 713 2791, other countries: +44 (0)20 7111 1244 and entering the access code: 6406907#. Listen only numbers for Press and Wires: Italy and other countries: +39 02 3626 9650, Netherlands: +31 (0)20 713 2860.

Further information

The information in this press release is not intended to be complete and for further information explicit reference is made to the offer memorandum, which is expected to be published during Q1 2011. The offer memorandum will contain details of the Offer. The Draka shareholders are advised to review the offer memorandum in detail and to seek independent advice where appropriate in order to reach a reasoned judgment in respect of the content of the offer memorandum and the Offer itself.

For more information

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Prysmian profile

A leading player in the industry of high-tech cables and systems for energy and telecommunications, the Prysmian Group is a global business with more than €3.7 billion in net sales in 2009 and a strong position in higher value-added market segments. With its two businesses, Energy Cables & Systems (submarine and underground cables for power transmission and distribution, for industrial applications and for the distribution of electricity to residential and commercial buildings) and Telecom Cables & Systems (optical cables and fibers and copper cables for video, data and voice transmission), Prysmian boasts a global presence with subsidiaries in 39 countries, 56 plants in 24 countries, 7 Research & Development Centres in Europe, USA and South America, and around 12,000 employees.

Prysmian is listed on the Milan Stock Exchange in the Blue Chip index. More information on Prysmian can be found at www.prysmian.com.

Draka profile

Draka Holding N.V. ('Draka') is the holding company of a number of operating companies that are active worldwide in the development, production and sale of cable and cable systems. Draka's activities are divided into three groups: Energy & Infrastructure, Industry & Specialty and Communications. Within these three groups, the activities are organised into divisions. Energy & Infrastructure consists of the Europe and Asia-Pacific divisions; Industry & Specialty consists of the Automotive & Aviation, Elevator Products, Cableteq USA, Industrial and Offshore divisions and the Communications Group comprises the Telecom Solutions, Multimedia and Specials, Americas and Optical Fiber divisions.

Draka has 68 operating companies in 31 countries throughout Europe, North and South America, Asia and Australia. Worldwide, the Draka companies employ some 9,400 people. Draka Holding N.V.'s head office is in Amsterdam. In 2009, Draka reported net sales of €2.0 billion and net income of €48.3 million (excluding non-recurring items).

Draka Holding N.V. ordinary shares are listed on NYSE Euronext Amsterdam. The company is included in the Next150 index and the AMX index (Amsterdam Midkap index). Options on Draka shares are also traded on the NYSE Euronext Amsterdam Derivative Markets.

More information on Draka Holding N.V. can be found at www.draka.com.

Forward looking statements

This announcement includes certain "forward-looking" statements. These statements are based on the current expectations of Prysmian and Draka and are naturally subject to uncertainty and changes and circumstances. Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects", anticipates", "targets", estimates" and words of similar impact.

10.4 Press release Prysmian 15 December 2010

Certainty of funds for Draka offer

15 December 2010, Milan. With reference to the joint press release of 22 November 2010 issued by Prysmian S.p.A. (***Prysmian***) and Draka Holding N.V. (***Draka***), Prysmian announces that it has taken

all necessary measures to secure the funding of its intended public offer for Draka and that it will submit its draft offer document for approval with the Dutch regulator AFM later today.

The combined cash and exchange offer consists of €8.60 in cash (the ***Cash Consideration***) plus 0.6595 Prysmian shares (the ***Share Consideration***) in respect of each Draka share (the ***Offer***). Based on Prysmian's closing price of €13.04 on 19 November 2010, the Offer values Draka at €17.20 per share.

Share Consideration

Today, an Extraordinary General Meeting of Prysmian Shareholders (the ***Prysmian EGM***) has been convened. At the Prysmian EGM, which will be held in Milan, Via Filodrammatici 3 (at the premises of Mediobanca) on 21 January 2011 (and, to the extent required, on 22 January 2011 on second call and 24 January 2011 on third call), the shareholders of Prysmian will be asked to approve the increase of Prysmian's authorised share capital and the issue of the new ordinary Prysmian shares in order for Prysmian to be in a position to deliver the Share Consideration. The board of directors of Prysmian will recommend to Prysmian shareholders such capital increase and the related issuance of shares.

Cash Consideration

Prysmian will finance the maximum total amount of the Cash Consideration of approximately €420 million with cash on its balance sheet and on the basis of existing committed credit facilities.

It is expected that the Offer will be launched in the beginning of January 2011.

This is a public announcement by Prysmian S.p.A. as referred to in Section 7 paragraph 4 of the Public Offers Decree (Besluit Openbare Biedingen Wft). This announcement is not to be published or distributed in or to the United States of America, Japan, Australia or Canada. This announcement does not constitute an offer, or any solicitation of any offer, to buy or subscribe for any securities in Prysmian and/or Draka.

*The Prysmian Shares being offered as part of the Share Consideration (the **New Prysmian Shares**) will not be registered under the US Securities Act of 1933, as amended (the **US Securities Act**) or any other applicable law of the United States and accordingly, the New Prysmian Shares may not be reoffered, resold or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, US persons (as defined in Regulation S of the US Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act.*

*The New Prysmian Shares are being offered outside the United States to non-US persons in reliance on the exemption from registration provided by Regulation S of the US Securities Act. The New Prysmian Shares may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined under the US Securities Act), except to persons who (i) are qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the US Securities Act, and (ii) have received a copy of a US Private Placement Memorandum and followed the procedures set forth therein.*

A leading player in the industry of high-tech cables and systems for energy and telecommunications, the Prysmian Group is a global business with more than €3.7 billion in net sales in 2009 and a strong position in higher value-added market segments. With its two businesses, Energy Cables & Systems (submarine and underground cables for power transmission and distribution, for industrial applications and for the distribution of electricity to residential and commercial buildings) and Telecom Cables & Systems (optical cables and fibers and copper cables for video, data and voice transmission), Prysmian boasts a global presence with subsidiaries in 39 countries, 56 plants in 24 countries, 7 Research & Development Centres in Europe, USA and South America, and around 12,000 employees.

For further information please contact:

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This press release is also available on our website www.prysmian.com

10.5 Press release Draka 15 December 2010

NOTICE TO CONVENE A DRAKA EGM AND UPDATE ON XINMAO

Draka Holding N.V. ("Draka") has noted today's press release by Prysmian S.p.A. ("Prysmian") in which Prysmian announces the convocation of an extraordinary shareholders' meeting on 24 January 2011 and in which Prysmian confirms certainty of funds in relation to the intended offer for all outstanding shares in Draka. In anticipation of the actual offer by Prysmian, Draka announces today that it has convened an extraordinary shareholders' meeting to be held on 26 January 2011, pursuant to public offer regulations. More information in this respect is available on Draka's website www.draka.com.

With respect to Tianjin Xinmao S&T Investment Corp. Ltd. ("Xinmao"), Draka remains in discussions with representatives of Xinmao and their advisors, however at this stage there is no certainty that a transaction will be agreed.

Draka will keep its shareholders and all other stakeholders informed of all significant developments, and will issue additional statements if and when appropriate.

This is an announcement in accordance with Section 5:25i paragraph 2 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

NOTE FOR EDITORS: for more information, please contact:

Draka Holding N.V.:

Michael Bosman – Director Investor Relations +31 20 568 9805;
michael.bosman@draka.com

2011 Financial calendar (provisional)

Publication of 2010 full-year figures	***Tuesday 15 February 2011 (before start of trading)***
General Meeting of Shareholders, Holiday Inn	***Monday 9 May 2011***
Amsterdam	***Start at 14.30h***
Publication of trading update for the first half of 2011	***Wednesday 18 May 2011 (before start of trading)***
Publication of 2011 half-year figures	***Thursday 4 August 2011 (before start of trading)***
Publication of trading update for the second half of 2011	***Tuesday 15 November 2011 (before start of trading)***

Company profile

Draka Holding N.V. ('Draka') is the holding company of a number of operating companies that are active worldwide in the development, production and sale of cable and cable systems. Draka's activities are divided into three groups: Energy & Infrastructure, Industry & Specialty and Communications.

Within these three groups, the activities are organised into divisions. Energy & Infrastructure consists of the Europe and Asia-Pacific divisions; Industry & Specialty consists of the Automotive & Aviation, Elevator Products, Cableteq USA, Industrial and Offshore divisions and the Communications Group comprises the Telecom Solutions, Multimedia and Specials, Americas and Optical Fiber divisions.

Draka has 68 operating companies in 31 countries throughout Europe, North and South America, Asia and Australia. Worldwide, the Draka companies employ some 9,400 people. Draka Holding N.V.'s head office is in Amsterdam. In 2009, Draka reported revenue of €2.0 billion and net income of €48.3 million (excluding non-recurring items).

Draka Holding N.V. ordinary shares are listed on NYSE Euronext Amsterdam. The company is included in the Next150 index and the AMX index (Amsterdam Midkap index). Options on Draka shares are also traded on the NYSE Euronext Amsterdam Derivative Markets.

More information on Draka Holding N.V. can be found at www.draka.com.

11. DUTCH LANGUAGE SUMMARY

Hoofdstuk 11 is de Nederlandse samenvatting van het Biedingsbericht, dat is uitgegeven ter zake van het openbaar bod dat is uitgebracht door de Bieder op alle Aandelen in het geplaatste kapitaal van Draka onder de voorwaarden en bepalingen zoals beschreven in het Biedingsbericht.

De gedefinieerde termen in dit Hoofdstuk van het Biedingsbericht hebben de betekenis die daaraan wordt gegeven in Hoofdstuk 11.2 (Nederlandse Definities). Deze Nederlandse samenvatting maakt deel uit van het Biedingsbericht, maar vervangt dit niet. Deze Nederlandse samenvatting is niet volledig en bevat niet alle informatie die voor de Aandeelhouders van belang is om zich een afgewogen oordeel te kunnen vormen omtrent het Bod.

Het lezen van deze Nederlandse samenvatting mag derhalve niet worden beschouwd als een alternatief voor het bestuderen van het volledige Biedingsbericht. Aandeelhouders wordt geadviseerd het volledige Biedingsbericht zorgvuldig te bestuderen en zo nodig onafhankelijk advies in te winnen teneinde een afgewogen oordeel te kunnen vormen omtrent het Bod en de beschrijving van het Bod in deze samenvatting en in het Biedingsbericht. Waar deze Nederlandse samenvatting verschilt van de Engelse tekst van het Biedingsbericht, prevaleert de Engelse tekst van het Biedingsbericht.

11.1 Belangrijke Informatie

Het uitbrengen van het Bod, de verkrijgbaarstelling van het Biedingsbericht en deze Nederlandse samenvatting, en/of de verspreiding van enige andere informatie met betrekking tot het Bod, kunnen in bepaalde jurisdicties aan restricties onderhevig zijn. Zie Hoofdstukken 2 (*Restrictions*) en 3 (*Important Information*) van dit Biedingsbericht. Het Bod wordt direct noch indirect gedaan in, en mag niet worden geaccepteerd door of namens Aandeelhouders vanuit een jurisdictie waarin het uitbrengen van het Bod of het aanvaarden daarvan niet in overeenstemming is met de in die jurisdictie geldende wet- en regelgeving. Het niet in acht nemen van deze restricties kan een overtreding van de effectenwet- en regelgeving van de desbetreffende jurisdictie opleveren. Noch de Bieder, noch Draka, noch hun respectievelijke adviseurs aanvaarden enige aansprakelijkheid ter zake van overtredingen van voornoemde restricties. Aandeelhouders dienen zonodig onverwijld onafhankelijk advies in te winnen omtrent hun positie dienaangaande.

De Bieder behoudt zich het recht voor om door een Aandeelhouder in het kader van het Bod aangeboden Aandelen te accepteren, zelfs indien dit niet gebeurt in overeenstemming met de bepalingen en voorwaarden zoals uiteengezet in het Biedingsbericht.

Het Biedingsbericht bevat belangrijke informatie die zorgvuldig dient te worden gelezen alvorens een besluit wordt genomen omtrent het aanmelden van Aandelen onder het Bod. Zie Hoofdstukken 2 (*Restrictions*) en 3 (*Important Information*) van dit Biedingsbericht. Aandeelhouders wordt aangeraden waar nodig onafhankelijk advies in te winnen. Daarnaast zullen Aandeelhouders mogelijk hun belastingadviseur willen raadplegen met betrekking tot de fiscale gevolgen van het aanmelden van Aandelen onder het Bod.

De informatie opgenomen in de Hoofdstukken 1-6 (met uitzondering van de informatie opgenomen in de Hoofdstukken 6.6, 6.9, 6.10, 6.14.2 en 6.16) en Hoofdstukken 9-10 van Deel I van het Biedingsbericht is uitsluitend door de Bieder verstrekt. De informatie opgenomen in de Hoofdstukken 6.6, 6.9 en 7 van Deel I van het Biedingsbericht is uitsluitend door Draka verstrekt. De informatie opgenomen op pagina's 1-3 en in de Hoofdstukken 6.10, 6.14.2, 6.16 en 8 van Deel I van het Biedingsbericht is door de Bieder en Draka gezamenlijk verstrekt. Hoofstuk 11 van deel I is een Nederlandse samenvatting van de informatie die is verschaft door de Bieder en/of Draka in het Engels.

De informatie opgenomen in Deel II en Deel III ten aanzien van Prysmian is uitsluitend door de Bieder verstrekt, met uitzondering van de accountantsverklaringen opgenomen in Hoofdstukken 1.1.4, 1.2.2 en 1.3.2 van Deel III, welke zijn verstrekt door PWC en die identiek zijn aan de originele accountantverklaringen verstrekt op dezelfde data. De information opgenomen in Deel IV ten aanzien van Draka is uitsluitend door Draka verstrekt, met uitzondering van de accountantsverklaringen opgenomen in Deel IV, welke zijn verstrekt door Deloitte en die identiek zijn aan de originele accountantverklaringen verstrekt op dezelfde data.

Uitsluitend de Bieder en Draka zijn verantwoordelijk voor de juistheid en volledigheid van de informatie die in het Biedingsbericht is opgenomen, ieder afzonderlijk voor de informatie die door henzelf is verstrekt, en gezamenlijk voor de informatie die door hen gezamenlijk is verstrekt, met uitzondering van informatie die noch door een van hen afzonderlijk, noch door hen gezamenlijk is verstrekt (waaronder de informatie opgenomen in de Hoofdstukken 1.1.4, 1.2.2 en 1.3.2 van Deel III

waar PWC verantwoordelijk voor is en de informatie opgenomen in Deel IV waar Deloitte verantwoordelijk voor is).

De Bieder en Draka verklaren ieder afzonderlijk ten aanzien van de informatie die door henzelf in het Biedingsbericht is verstrekt en gezamenlijk ten aanzien van de informatie die door hen gezamenlijk is verstrekt, dat de informatie in dit Biedingsbericht op de publicatiedatum van het Biedingsbericht, voor zover hen redelijkerwijs bekend kan zijn, in overeenstemming is met de werkelijkheid en dat geen gegevens zijn weggelaten waarvan de vermelding de strekking van dit Biedingsbericht zou wijzigen. Getallen in het Biedingsbericht kunnen naar boven of beneden zijn afgerond en dienen derhalve niet als exact te worden beschouwd.

De informatie in het Biedingsbericht geeft de situatie weer op de datum van het Biedingsbericht. Onder geen beding houden de uitgifte en verspreiding van het Biedingsbericht in dat de hierin opgenomen informatie ook na de datum van het Biedingsbericht juist en volledig is of dat er sinds deze datum geen wijziging is opgetreden in de in het Biedingsbericht opgenomen informatie of in de gang van zaken bij Prysmian, Draka, hun dochtermaatschappijen en/of aan hen gelieerde ondernemingen.

Op grond van een van de AFM verkregen ontheffing heeft Prysmian bij de in het Biedingsbericht opgenomen derdekwartaalcijfers 2010 geen reviewverklaring van een externe accountant bijgevoegd. Op basis van de in de ontheffing gestelde voorwaarden zal Prysmian de desbetreffende reviewverklaring zo spoedig mogelijk, doch in ieder geval voorafgaand aan de Draka Aandeelhoudersvergadering, publiceren door middel van een persbericht. De reviewverklaring ten aanzien van de derdekwartaalcijfers 2010 zal tevens worden gepubliceerd op de website van Prysmian.

11.2 Nederlandse Definities

Aandeelhouder(s) — houder(s) van één of meer Aandelen;

Aandelen — alle geplaatste en uitstaande gewone Aandelen in het kapitaal van Draka, elk met een nominale waarde van EUR 0,50;

Aandelenvergoeding — 0,6595 Nieuwe Prysmian Aandelen;

Aangemelde Aandelen — elk Aandeel dat voorafgaand aan of op de Uiterste Dag van Aanmelding op juiste wijze is aangemeld (of op onjuiste wijze, indien de Bieder de Aanmelding desalniettemin heeft aanvaard) en geleverd onder het Bod;

Aanmelding — de aanmelding van Aandelen door de Aandeelhouders ter aanvaarding van het Bod;

Aanmeldingstermijn — de periode gedurende welke de Aandeelhouders hun Aandelen kunnen aanmelden bij de Bieder, beginnend op 6 januari 2011 om 09:00 uur, Amsterdamse tijd, en eindigend op de Uiterste Dag van Aanmelding om 18:00 uur, Amsterdamse tijd;

AFM — de Stichting Autoriteit Financiële Markten;

Algemene Vergadering — de algemene vergadering van Aandeelhouders;

Bieder of Prysmian — Prysmian S.p.A., een vennootschap naar Italiaans recht (*società per azioni*) gevestigd te Viale Sarca 222, 20126 Milaan, Italië, en geregistreerd bij het Register van Ondernemingen van Milaan onder nummer 1777895;

Biedingsbericht — dit biedingsbericht (Delen I, II, III en IV) met betrekking tot het Bod;

Biedprijs — de Cash Vergoeding en de Aandelenvergoeding tezamen

Bindend Concurrerend Bod — een Concurrerend Bod dat:

(a) is uitgebracht, of bindend is voor de biedende partij doordat deze biedende partij (i) zichzelf voorwaardelijk heeft verbonden om een Concurrend Bod binnen zes (6) weken uit te brengen en (ii) de intentie tot het uitbrengen van een Concurrerend Bod openbaar heeft gemaakt, welke

openbaarmaking de voorgenomen pijs per Aandeel en de relevante voorwaarden in verband met het Concurrerend Bod en het uitbrengen daarvan bevat;

(b) naar het oordeel van de Raden, na overleg met financiële en juridische adviseurs en handelend te goeder trouw met inachtneming van de geldende verplichtingen onder het Nederlands recht, substiantieel gunstiger is voor de Vennootschap en haar stakeholders, waarbij met name de door de aandeelhouder te ontvangen vergoeding en de mate van zekerheid van gestanddoening van het bod in acht zullen worden genomen; en

(c) voor zover (i) het een openbaar bod op de Aandelen betreft, de biedprijs de Impliciete Waarde overstijgt met ten minste 15% (gewaardeerd per de datum waarop het Bindend Concurrerende Bod is aangekondigd), of (ii) het een bod betreft op de gehele of nagenoeg de gehele onderneming van de Draka Groep, de netto opbrengst voor de Aandeelhouders als gevolg van een dergelijke transactie (gewaardeerd per de datum waarop het Bindend Concurrerende Bod is aangekondigd) de Impliciete Waarde overstijgt met ten minste 15% per Aandeel;

Bob Besluit Openbare Biedingen Wft;

Bod het bod zoals in dit Biedingsbericht beschreven;

Cash Vergoeding een bedrag in contanten van EUR 8,60 per Aandeel;

Concurrerend Bod een op schrift gesteld *bona fide* voorstel om een openbaar bod te doen op alle Aandelen of de gehele of nagenoeg de gehele onderneming van Draka, dat niet is uitgelokt, aangemoedigd of geïnitieerd door de Vennootschap, afkomstig van een partij die, naar het redelijke oordeel van de Vennootschap (met inbegrip van de Raad van Commissarissen), een *bona fide* derde partij is, en van welk voorstel naar het redelijke oordeel van de Vennootschap (met inbegrip van de Raad van Commissarissen), na overleg met haar financiële en juridische adviseurs en na, onder andere, de hoogte en samenstelling van de biedprijs, de mate van zekerheid van financiering, de aan het bod verbonden voorwaarden, de integriteit van de onderneming en de positie van werknemers in overweging te hebben genomen, in redelijkheid kan worden verwacht dat het een Bindend Concurrerend Bod zal worden;

Consob de Italiaanse Autoriteit voor Financiële Markten, *Commissione nazionale per le società e la borsa*;

Dag van Gestanddoening heeft de betekenis die daaraan is gegeven in Hoofdstuk 11.9.2;

Dag van Overdracht de datum, die niet later zal zijn dan de tiende (10de) Werkdag na de Dag van Gestanddoening, waarop, in overeenstemming met de bepalingen van het Bod, de Bieder de Biedprijs zal betalen aan Aandeelhouders voor elk Aangemeld Aandeel;

Draka Aandeelhoudersvergadering de informatieve aandeelhoudersvergardering van Draka, welke zal worden gehouden ingevolge artikel 18, paragraaf 1 van het Bob ten minste 6 Werkdagen voor het aflopen van de Aanmeldingstermijn;

Deloitte Deloitte Accountants B.V.;

Draka Group Draka en haar dochtermaatschappijen;

Euronext Amsterdam de beurs van Euronext Amsterdam N.V. door NYSE Euronext, de gereguleerde markt van Euronext N.V.;

Fusieovereenkomst de fusieovereenkomst tussen Draka en Prysmian zoals overeengekomen en ondertekend op 22 november 2010;

Fusieregels	alle toepasselijke wet en regelgeving, inclusief maar niet beperkt tot de toepasselijke artikelen van en alle nadere regelgeving en beleidsregels afgekondigd onder de Wft, het Bob, het SER-Besluit Fusiegedragsregels 2000, de Wet op de ondernemingsraden, de regelgeving en beleidsregels van Euronext en het Burgerlijk Wetboek;
Gecommitteerde Aandelen	heeft de betekenis die daaraan is gegeven in Hoofdstuk 11.8.1(a);
Impliciete Waarde	de samengestelde impliciete waarde van de Biedprijs, zijnde EUR 17,20 per Aandeel;
Materieel Negatief Effect	een of meerdere gebeurtenissen of omstandigheden, die leiden tot, of waarvan redelijkerwijs te verwachten is dat deze zullen leiden tot, een algemeen erkende en langdurige teruggang van de wereldwijde economie die een duurzaam materieel negatief effect zal hebben op de onderneming van de Draka Groep als geheel of de onderneming van de Prysmian Groep als geheel;
Minimale Acceptatie Voorwaarde	heeft de betekenis die daaraan is gegeven in Hoofdstuk 11.8.1(b);
Na-aanmeldingstermijn	een periode van niet meer dan twee (2) weken na afloop van de Aanmeldingstermijn gedurende welke Aandeelhouders die hun Aandelen nog niet hebben aangemeld onder het Bod de kans wordt gegeven dit alsnog te doen, op dezelfde wijze en onder dezelfde voorwaarden als opgenomen in dit Biedingsbericht;
Nexans	Nexans S.A.;
Nieuwe Prysmian Aandelen	de nieuwe gewone Prysmian aandelen met een nominale waarde van EUR 0,10 per aandeel, die worden uitgegeven in het kader van het Bod;
Omwissel- en Betaalkantoor	ING Bank N.V.;
Peildatum	13 oktober 2010, de laatste handelsdag voordat geruchten omtrent een mogelijk openbaar bod van Nexans de ronde deden;
Peilkapitaal	heeft de betekenis die daaraan is gegeven in Hoofdstuk 11.8.1(a);
Position Statement	de standpuntbepaling van de Vennootschap die geen onderdeel uitmaakt van het Biedingsbericht;
Prysmian BAVA	heeft de betekenis die daaraan is gegeven in Hoofdstuk 11.7;
Prysmian Groep	Prysmian en haar dochtermaatschappijen;
PwC	PricewaterhouseCoopers S.p.A., met kantooradres te 91 Via Monte Rosa, 20149, Milaan, Italië;
Raad van Bestuur	de raad van bestuur van Draka;
Raad van Commissarissen	de raad van commissarissen van Draka;
Raden	de Raad van Bestuur en de Raad van Commissarissen;
Toegelaten Instellingen	de tot Euronext Amsterdam toegelaten instellingen;
Uiterste Dag van Aanmelding	de tijd en datum waarop het Bod afloopt, zijnde om 18:00 uur, Amsterdamse tijd, op 3 februari 2011, tenzij de Aanmeldingstermijn is verlengd in overeenstemming met Artikel 15 van het Bob, in welk geval de Uiterste Dag van Aanmelding zal zijn de dag waarop de verlengde Aanmeldingstermijn afloopt;
Vennootschap of Draka	Draka Holding N.V., een naamloze vennootschap, met statutaire zetel ite Amsterdam, geregistreerd in het Handelsregister van de Nederlandse Kamer van Koophandel onder nummer: 33185253;
Voorwaarden	de opschortende voorwaarden met betrekking tot het Bod zoals uiteengezet in Hoofdstuk 11.8;
Werkdag(en)	een dag anders dan een zaterdag of zondag waarop in het algemeen banken in Nederland, ingevolge de Algemene Bank-CAO, en Euronext Amsterdam open zijn; en
Wft	Wet op het financieel toezicht.

11.3 Uitnodiging aan de Aandeelhouders

Onder verwijzing naar de verklaringen, voorwaarden en beperkingen zoals opgenomen in de Hoofdstukken 2 (*Restrictions*) en 3 (*Important Information*) van dit Biedingsbericht worden Aandeelhouders uitgenodigd om hun Aandelen aan te bieden op de wijze en onder de voorwaarden zoals in het Biedingsbericht beschreven.

11.4 Het Bod

De Bieder brengt het Bod uit teneinde alle Aandelen te verwerven van de Aandeelhouders, onder de voorwaarden en conform de bepalingen en beperkingen zoals opgenomen in dit Biedingsbericht.

Op basis van de slotkoers van het aandeel Prysmian van EUR 13,04 op 19 november 2010, de laatste Werkdag voorafgaand aan de dag waarop Prysmian haar intentie tot het uitbrengen van een openbaar bod op de Aandelen aankondigde, wordt de Biedprijs gewaardeerd op EUR 17,20 per Aandeel, hetgeen inhoudt:

- een premie van 25,4% ten opzichte van de slotkoers van de Aandelen van EUR 13,72 op de Peildatum;
- een premie van 34,6% ten opzichte van de gemiddelde slotkoers van de Aandelen van EUR 12,78 gedurende een periode van één (1) maand eindigend op de Peildatum;
- een premie van 43,5% ten opzichte van de gemiddelde slotkoers van de Aandelen van EUR 11,98 gedurende een periode van drie (3) maanden eindigend op de Peildatum;
- een premie van 36,7% ten opzichte van de gemiddelde slotkoers van de Aandelen van EUR 12,58 gedurende een periode van zes (6) maanden eindigend op de Peildatum; en
- een premie van 36,7% ten opzichte van de gemiddelde slotkoers van de Aandelen van EUR 12,59 gedurende een periode van twaalf (12) maanden eindigend op de Peildatum.

11.5 Rationale van het Bod

Door het samengaan van de ondernemingen van Draka en Prysmian zal op het gebied van energie- en telecomkabels en -systemen een wereldwijde marktleider ontstaan, in het bijzonder in een aantal *high tech* segmenten, waaronder de olie- en gasindustrie, de duurzame energiesector, de mijnbouw en op het gebied van de productie van liften en kranen. Daarnaast heeft de gecombineerde onderneming wereldwijd productiefaciliteiten voor glasvezelkabels.

De gecombineerde onderneming van Draka en Prysmian zal activiteiten hebben in vijftig (50) verschillende landen, met 20.000 werknemers. De geografische spreiding van beide ondernemingen sluit goed op elkaar aan: zo heeft Draka een sterke marktpositie in Noord-Europa, terwijl Prysmian juist een sterke marktpositie in Zuid-Europa heeft.

De gecombineerde onderneming zal zodoende voor de toekomst goed gepositioneerd zijn teneinde haar voordeel te doen met de significante groeimogelijkheden in de sector. De combinatie zal daarnaast naar verwachting synergieën ten bedrage van circa EUR 100 miljoen opleveren.

Zie tevens Hoofdstuk 6.4 (*Rationale for the Offer*).

11.6 Biedprijs

Onder de voorwaarde dat het Bod gestand zal worden gedaan, zullen Aandeelhouders die hun Aandelen aanmelden onder het Bod (i) 0,6595 Nieuwe Prysmian Aandelen voor elk Aandeel (de *Aandelenvergoeding*) en (ii) een bedrag in contanten van EUR 8,60 per Aandeel (de *Cash Vergoeding* en gezamenlijk met de Aandelenvergoeding, de *Biedprijs*) ontvangen voor elk Aandeel dat op juiste wijze is aangemeld (of op onjuiste wijze, indien de Bieder de Aanmelding desalniettemin heeft aanvaard) en geleverd.

De Biedprijs per Aandeel is cum dividend 2010. Indien enig dividend of andere uitkering op de Aandelen is vastgesteld door Draka (waarbij de *record date* die bepalend is voor gerechtigdheid tot een dergelijke uitkering gelegen is vóór de Dag van Overdracht), zal de Cash Vergoeding worden verminderd met het volledige bedrag van een dergelijke uitkering. Indien enig dividend of andere uitkering op de aandelen Prysmian is vastgesteld door Prysmian (waarbij de *record date* die bepalend is voor gerechtigdheid tot een dergelijke uitkering gelegen is vóór de Dag van Overdracht), zal de Cash Vergoeding worden vermeerderd met een bedrag gelijk aan het bedrag van een dergelijke uitkering door Prysmian te vermenigvuldigen met 0,695.

In het kader van het Bod zal Prysmian alleen gehele Nieuwe Prysmian Aandelen uitgeven. In het geval dat Aandeelhouders als gevolg van de ruilverhouding een fractie van één (1) Nieuw Prysmian Aandeel zouden verkrijgen ontvangen zij in plaats daarvan een bedrag in contanten (in euro, afgerond naar eurocenten), welk bedrag gelijk zal zijn aan het product van de fractie van het Nieuwe Prysmian Aandeel waartoe zij gerechtigd zouden zijn te vermenigvuldigen met de marktprijs van de aandelen Prysmian gepubliceerd als *prezzo di riferimento* op *Il Sole 24 Ore* (http://www.ilsole24ore.com) op de derde Werkdag voorafgaand aan de Dag van Overdracht.

11.7 Financiering van het Bod

Onder verwijzing naar Artikel 7 lid 4 van het Bob, heeft Prysmian op 15 december 2010 aangekondigd over voldoende middelen te beschikken om het Bod te financieren.

Ter voldoening van de Aandelenvergoeding zal Prysmian Nieuwe Prysmian Aandelen uitgeven, onder de voorwaarde dat de buitengewone aandeelhoudersvergadering van Prysmian een besluit zal nemen tot kapitaalvermeerdering en uitgifte van de Nieuwe Prysmian Aandelen (de ***Prysmian BAVA***).

Zie tevens Hoofdstuk 10 (*Press releases*).

11.8 Voorwaarden

11.8.1 Niettegenstaande de andere bepalingen in het Biedingsbericht, is de Bieder verplicht het Bod gestand te doen indien aan elk van de volgende Voorwaarden wordt voldaan, tenzij daarvan afstand wordt gedaan:

(a) dat (i) alle wettelijke *pre-completion en completion* goedkeuringen of, indien van toepassing, verklaringen van geen bezwaar van nationale en internationale autoriteiten die vereist zijn in verband met het Bod en de voorgenomen overgang van zeggenschap, zijn verkregen danwel de toepasselijke wachttermijnen (en eventuele verlenging daarvan) in verband met het Bod, inclusief onder de Hart ScottRodino Antitrust Improvements Act 1976, zoals gewijzigd, en de toepasselijke Europese regelgeving, zijn beëindigd of verstreken; (ii) alle overige materiële goedkeuringen, licenties, vrijstellingen en toestemmingen van nationale en internationale autoriteiten die vereist zijn in verband met het Bod en de voorgenomen overgang van zeggenschap zijn verkregen; (iii) met betrekking tot (i) en (ii) hiervoor omschreven, alle wachttermijnen (en eventuele verlenging daarvan) krachtens van toepassing zijnde wetgeving zijn beëindigd of verstreken waarin nationale en internationale autoriteiten bezwaar mogen maken tegen het Bod en/of de voorgenomen wijziging van zeggenschap of stappen kunnen ondernemen of aankondigen die het Bod en/of de voorgenomen overgang van zeggenschap zouden kunnen belemmeren of op andere wijze zouden kunnen resulteren in materiële negatieve consequenties voor de Vennootschap of de Bieder in verband met het Bod; en (iv) met betrekking tot (i) en (ii) hiervoor omschreven, nationale of internationale autoriteiten geen stappen hebben ondernomen of aangekondigd die het Bod en/of de voorgenomen overgang van zeggenschap zouden kunnen belemmeren of op andere wijze materiële negatieve consequenties voor de Vennootschap of de Bieder zouden kunnen hebben in verband met het Bod;

(b) dat op de, al dan niet verlengde, Uiterste Dag van Aanmelding een zodanig aantal Aandelen ter aanvaarding wordt aangemeld dat dit, tezamen met de Aandelen die rechtstreeks of indirect door de Bieder op de Uiterste Dag van Aanmelding worden gehouden plus de Aandelen waartoe de Bieder is gerechtigd (gekocht maar nog niet geleverd) (tezamen de ***Gecommitteerde Aandelen***), ten minste 85% vertegenwoordigt van het geplaatste en uitstaande aandelenkapitaal van de Vennootschap (met uitzondering van Aandelen die worden gehouden door de Vennootschap zelf op de Uiterste Dag van Aanmelding) (het ***Peilkapitaal***) op basis van volledige verwatering op de, al dan niet verlengde, Uiterste Dag van Aanmelding (de ***Minimale Acceptatie Voorwaarde***);

(c) dat zich op of voor de Uiterste Dag van Aanmelding geen Materieel Negatief Effect heeft voorgedaan;

(d) dat de Prysmian BAVA de uitgifte van de Nieuwe Prysmian Aandelen heeft goedgekeurd;

(e) dat geen openbare aankondiging is gedaan waarin voor het eerst wordt aangegeven dat een derde partij een bod uitbrengt, aan het voorbereiden is of zal verhogen overeenkomstig artikel 5 van het Bob of artikel 5:70 van de Wft, met betrekking tot alle Aandelen, Opties of effecten die converteerbaar zijn in aandelen in het kapitaal van de Vennootschap, mits een dergelijk bod of aangekondigd bod een waarde vertegenwoordigt die de Biedprijs te boven gaat en met

dien verstande dat de Bieder deze Voorwaarde uitsluitend mag inroepen, ofwel (i) teneinde de Biedprijs te verhogen in overeenstemming met de Fusieregels, ofwel (ii) indien een dergelijk bod van een derde partij een Bindend Concurrerend Bod is;

(f) dat de aanbeveling van de Raden niet is ingetrokken of gewijzigd;

(g) dat de Vennootschap geen inbreuk heeft gemaakt op de Fusieovereenkomst, die naar verwachting redelijkerwijs een materieel negatief effect (niet gedefinieerd)[12] kan hebben voor de Vennootschap, Prysmian of het Bod en welke van een zodanig wezenlijke aard is dat redelijkerwijs niet kan worden verwacht dat de Bieder het Bod gestand doet;

(h) dat de Bieder geen inbreuk heeft gemaakt op de Fusieovereenkomst, die naar verwachting redelijkerwijs een materieel negatief effect (niet gedefinieerd)[13] kan hebben voor de Vennootschap, Prysmian of het Bod en welke van een zodanig wezenlijke aard is dat redelijkerwijs niet kan worden verwacht dat de Vennootschap het Bod ondersteunt en daaraan haar medewerking verleent;

(i) dat geen vonnis of beschikking is uitgesproken en geen maatregel of onderzoek is bevolen, en van kracht is, door enige rechtbank, arbitraal college, regering, overheidsinstantie of andere toezichthoudende of administratieve instantie en van kracht is, of enig statuut, regel, wetgeving, overheidsaanwijzing of maatregel van toepassing is verklaard op het Bod welke het afronden van het Bod op enige wezenlijke wijze kan beperken of verbieden;

(j) dat geen mededeling is ontvangen van de AFM, waarin wordt gesteld dat het Bod is gedaan in strijd met een of meer Fusieregels en dat op grond van deze regels de effecteninstellingen niet zouden mogen meewerken aan de uitvoering en voltooiïng van het bod, en dat de handel in Aandelen op Euronext Amsterdam niet permanent is geschorst als gevolg van een noteringsmaatregel genomen door Euronext;

(k) dat geen mededeling is ontvangen van Consob, waarin wordt gesteld dat het Bod is gedaan in strijd met een of meerdere regels van Italiaans recht, en dat de handel in aandelen Prysmian niet permanent is geschorst; en

(l) dat geen Preferente Aandelen B zijn uitgegeven en uitstaan.

11.8.2 Afstand

(a) De Voorwaarden uiteengezet in Hoofdstukken 11.8.1(c) en 11.8.1(i) zijn opgenomen ten behoeve van de Bieder en de Vennootschap en hiervan mag, voorzover toegestaan op grond van de wet, (gedeeltelijk) afstand worden gedaan door de Bieder en de Vennootschap gezamenlijk.

(b) De Voorwaarden uiteengezet in Hoofdstukken 11.8.1(a), 11.8.1(e), 11.8.1(f), 11.8.1(g) en 11.8.1(l) zijn opgenomen ten behoeve van de Bieder en hiervan mag, voorzover toegestaan op grond van de wet, (gedeeltelijk) afstand worden gedaan door de Bieder door middel van een schriftelijke verklaring aan de Vennootschap.

(c) De Voorwaarde uiteengezet in Hoofdstuk 11.8.1(h) is opgenomen ten behoeve van de Vennootschap en hiervan mag (gedeeltelijk) afstand worden gedaan door de Vennootschap door middel van een schriftelijke verklaring aan de Bieder.

(d) Van de Voorwaarden uiteengezet in Hoofdstukken 11.8.1(d), 11.8.1(j) en 11.8.1(k) kan geen afstand worden gedaan.

(e) Van de Minimale Acceptatie Voorwaarde uiteengezet in Hoofdstuk 11.8.1(b) mag alleen afstand worden gedaan met inachtneming van het volgende:

   (i) indien de Gecommitteerde Aandelen op de Uiterste Datum van Aanmelding een percentage tussen 66 2/3% en 85% van het Peilkapitaal vertegenwoordigen, mag de Bieder afstand doen van deze Voorwaarde door middel van een schriftelijke verklaring aan de Vennootschap; en

12 Alle Voorwwaarden zijn indentiek aan de tekst van de Fusieovereenkomst, waarbij materieel nadelig effect ten aanzien van Voorwaarde (g) niet gedefinieerd is. In dit verband is het niet de bedoeling geweest om een "business MAC" te introduceren, maar eerder om het begrip "inbreuk op de Fusieovereenkomst" nader te bepalen teineinde geen van de Partijen het recht te geven om zonder zwaarwegende redenen weg te lopen.

13 Alle Voorwwaarden zijn indentiek aan de tekst van de Fusieovereenkomst, waarbij materieel nadelig effect ten aanzien van Voorwaarde (h) niet gedefinieerd is. In dit verband is het niet de bedoeling geweest om een "business MAC" te introduceren, maar eerder om het begrip "inbreuk op de Fusieovereenkomst" nader te bepalen teineinde geen van de Partijen het recht te geven om zonder zwaarwegende redenen weg te lopen.

(ii) indien de Gecommitteerde Aandelen op de Uiterste Datum van Aanmelding een percentage gelijk aan of lager dan 66 2/3% van het Peilkapitaal vertegenwoordigen, mag van deze Voorwaarde slechts afstand worden gedaan door de Bieder en de Vennootschap gezamenlijk.

11.8.3 Vervulling van Voorwaarden

De vervulling van elk van de Voorwaarden hangt niet enkel af van de wil van de Bieder, zoals verboden door Artikel 12, paragraaf 2 van het Bob.

Zowel de Bieder als de Vennootschap zullen hun uiterste best doen om zo snel als redelijkerwijs mogelijk de vervulling van de Voorwaarden te bewerkstelligen. Wanneer op enig moment de Bieder of de Vennootschap zich bewust wordt van feiten of omstandigheden die ertoe zouden kunnen leiden dat een Voorwaarde niet wordt vervuld, zal de Bieder respectievelijk de Vennootschap daarvan onmiddellijk schriftelijk op de hoogte worden gesteld. Wanneer op enig moment de Bieder of de Vennootschap kennis neemt van het feit dat een Voorwaarde is vervuld, zal de Bieder respectievelijk de Vennootschap daarvan onmiddellijk schriftelijk op de hoogte worden gesteld.

Ten aanzien van Voorwaarde 11.8.1(a), zal de Bieder zich inspannen om deze Voorwaarde zo snel als mogelijk in vervulling te doen gaan. Indien door een nationale of internationale autoriteit een vereiste mededingingsgoedkeuring of verklaring van geen bezwaar wordt gegeven onder bepaalde voorwaarden of verplichtingen, dan zal de Bieder, indien deze voorwaarden en/of verplichtingen redelijkerwijs bevredigend zijn voor de Bieder, die in dit verband redelijk zal handelen, deze voorwaarden en/of verplichtingen aanvaarden, met dien verstande dat de Bieder verplicht zal zijn om enige voorwaarde of verplichting die niet materieel is te aanvaarden.

11.9 Aanmelding

11.9.1 Aanmeldingstermijn

De aanmeldingstermijn vangt aan om 09:00 uur, Amsterdamse tijd, op 6 januari 2011 en eindigt op 3 februari 2011 om 18:00 uur, Amsterdamse tijd, tenzij de Aanmeldingstermijn wordt verlengd in overeenstemming met Hoofdstuk 11.9.3 (*Extension*).

Aandelen die reeds zijn aangemeld op of voorafgaande aan de Uiterste Dag van Aanmelding blijven onderworpen aan het Bod gedurende de verlenging van de Aanmeldingstermijn, behoudens het recht van een Aandeelhouder om de Aandelen die hij of zij reeds heeft aangemeld in te trekken in overeenstemming met Artikel 15, paragraaf 3 van het Bob.

Gedurende een verlenging van de Aanmeldingstermijn blijft elk Aandeel dat is aangemeld en niet is ingetrokken onderworpen aan het Bod, behoudens het recht van elke Aandeelhouder om de Aandelen die hij of zij reeds heeft aangemeld in te trekken.

Indien aan alle Voorwaarden van het Bod is voldaan of, voor zover van toepassing, daarvan afstand is gedaan, zal de Bieder alle Aandelen aanvaarden die op geldige wijze zijn aangemeld (of op ongeldige wijze, indien de Bieder de Aanmelding desalniettemin heeft aanvaard) en niet zijn ingetrokken ingevolge Artikel 15, paragraaf 3 van het Bob, met inachtneming van de procedures zoals uiteengezet in Hoofdstuk 11.10 (*Aanvaarding door Aandeelhouders*).

11.9.2 Gestanddoening

Het Bod wordt gedaan onder voorbehoud van de vervulling van de Voorwaarden zoals uiteengezet in Hoofdstuk 11.10 (*Aanvaarding door Aandeelhouders*). Van de Voorwaarden kan afstand worden gedaan, voor zover wettelijk toegestaan, zoals uiteengezet in Hoofdstuk 11.8.2 (*Afstand*). Indien de Bieder of de Vennootschap voornemens is afstand te doen van een of meerdere Voorwaarden in overeenstemming met het bepaalde in Hoofdstuk 11.8.2 (*Afstand*), zal de Bieder daarvan kennisgeven aan de Aandeelhouders, zoals voorgeschreven door de Fusieregels.

De Bieder zal niet later dan op de derde (3e) Werkdag na de Uiterste Dag van Aanmelding, zijnde de ***Dag van Gestanddoening***, vaststellen of aan de Voorwaarden is voldaan of dat daarvan afstand wordt gedaan (voor zover wettelijk toegestaan als uiteengezet in Hoofdstuk 11.8 (*Voorwaarden*)). Bovendien zal de Bieder op de Dag van Gestanddoening een openbare mededeling doen inhoudende dat ofwel (i) het Bod gestand wordt gedaan, ofwel (ii) het Bod wordt verlengd in overeenstemming met Artikel 15 van het Bob, ofwel (iii) het Bod wordt ingetrokken omdat niet is voldaan aan de Voorwaarden en daarvan geen afstand is gedaan, alles met inachtneming van Artikel 16 van het Bob. Indien het Bod niet gestand wordt gedaan, zal de Bieder dit besluit motiveren.

Indien de Bieder aankondigt het Bod gestand te doen, zal de Bieder de aangemelde Aandelen accepteren tegen betaling van de Biedprijs en kan een Na-aanmeldingstermijn worden aangekondigd.

11.9.3 Verlenging

Indien en voorzover één of meer van de Voorwaarden als uiteengezet in Hoofdstuk 11.8 (*Voorwaarden*) niet is vervuld op de Uiterste Dag van Aanmelding, kan de Bieder in overeenstemming met Artikel 15, paragraaf 1 en 2 van het Bob, de Aanmeldingstermijn verlengen voor een minimale periode van twee (2) weken en een maximale periode van tien (10) weken teineinde deze Voorwaarden in vervulling te doen gaan of daarvan afstand te doen. Verlenging van de Aanmeldingstermijn kan éénmalig (verlening voor meer dan één periode is onder voorbehoud van goedkeuring van de AFM, welke alleen in uitzonderlijke omstandigheden gegeven zal worden). Ingeval van een dergelijke verlenging zullen alle verwijzingen in dit Biedingsbericht naar 18:00 uur, Amsterdamse Tijd op de Uiterste Dag van Aanmelding, wijzigen naar de laatste datum en tijd van de verlengde Aanmeldingstermijn, tenzij uit de context anderszins blijkt.

11.9.4 Na-aanmeldingstermijn

Indien de Bieder aankondigt het Bod gestand te doen, heeft de Bieder de mogelijkheid om binnen drie (3) Werkdagen na de Dag van Gestanddoening een Na-aanmeldingstermijn aan te kondigen van maximaal twee (2) weken, gedurende welke Aandeelhouders alsnog Aandelen onder het Bod mogen aanmelden die nog niet zijn aangemeld.

Overdracht met betrekking tot de Aandelen die zijn aangemeld gedurende de Na-Aanmeldingstermijn zal direct plaatsvinden, althans uiterlijk binnen tien (10) Werkdagen na het aflopen van de Na-aanmeldingstermijn.

Gedurende de Na-aanmeldingstermijn hebben Aandeelhouders die hun Aandelen gedurende de Aanmeldingstermijn hebben aangemeld en welke Aandelen onder de voorwaarden en bepalingen van het Bod zijn geaccepteerd en Aandeelhouders die hun Aandelen hebben aangemeld gedurende de Na-aanmeldingstermijn, niet het recht om hun Aandelen in te trekken.

11.9.5 Overdracht

Indien de Bieder aankondigt het Bod gestand te doen, zullen Aandeelhouders die hun Aandelen hebben aangemeld en aan de Bieder hebben geleverd binnen tien (10) Werkdagen volgend op de Dag van Gestanddoening (de ***Dag van Overdracht***), de Biedprijs ontvangen voor elk Aangemeld Aandeel.

Het is de intentie dat op de Dag van Overdracht Nieuwe Prysmian Aandelen worden uitgegeven. De Nieuwe Prysmian Aandelen zullen zijn volgestort, zullen van dezelfde categorie zijn als bestaande Prysmian Aandelen en zullen gerechtigd zijn tot alle dividenden en overige uitkeringen vastgesteld of uitgekeerd door Prysmian, voorzover de *record date* daarvan gelegen is na de Dag van Overdracht.

11.10 Aanvaarding door Aandeelhouders

Aandeelhouders die hun Aandelen houden via een Toegelaten Instelling worden gevraagd om hun Aanmelding via hun bank of commissionair niet later dan op de Uiterste Dag van Aanmelding om 18:00 uur Amsterdamse tijd bekend te maken, tenzij de Aanmeldingstermijn is verlengd overeenkomstig Hoofdstuk 11.9.3 (*Verlenging*). De relevante bank of commissionair kan een eerdere deadline vaststellen voor Aanmelding door Aandeelhouders zodat deze bank of commissionair voldoende tijd heeft om de Aanmelding door te geven aan het Omwissel- en Betaalkantoor.

De desbetreffende Toegelaten Instellingen mogen de Aanmeldingen slechts indienen bij het Omwissel- en Betaalkantoor en alleen in schriftelijke vorm. Bij het indienen van de Aanmeldingen dient iedere Toegelaten Instelling te verklaren dat: (i) zij de aangemelde Aandelen in hun administratie hebben opgenomen; (ii) de betrokken Aandeelhouder onherroepelijk garandeert dat hij/zij zal voldoen aan alle restricties die worden genoemd in de Hoofdstukken 2 (*Restrictions*) en 3 (*Important Information*) van het Biedingsbericht; en (iii) zij zich verplicht om de aangemelde Aandelen te leveren aan de Bieder op de Dag van Overdracht, onder voorwaarde dat het Bod gestand is gedaan.

Aandeelhouders die individueel zijn geregistreerd in het aandeelhoudersregister van Draka en die hun Aandelen willen aanmelden onder het Bod, dienen een compleet en getekend aanmeldingsformulier te overhandigen aan het Omwissel- en Betaalkantoor in overeenstemming met de voorwaarden van het Bod, niet later dan op de Uiterste Dag van Aanmelding om 18:00 uur Amsterdamse tijd, tenzij de Aanmeldingstermijn is verlengd ingevolge Hoofdstuk 11.9.3 (*Verlenging*). De aanmeldingsformulieren zijn op verzoek verkrijgbaar bij het Omwissel- en Betaalkantoor. Het aanmeldingsformulier zal dienen als een akte van levering met betrekking tot de Aandelen waarnaar hierin verwezen wordt.

11.11 Besluitvorming en aanbeveling van de Raad van Bestuur en de Raad van Commissarissen

Zoals vermeld in het Position Statement hebben de Raad van Bestuur en de Raad van Commissarissen, na zorgvuldige afweging van de strategische, operationele, financiële en sociale aspecten van de voorgenomen transactie, geconcludeerd dat het Bod zoals uiteengezet in dit Biedingsbericht in het beste belang is van de Vennootschap en haar *stakeholders* (met inbegrip van de Aandeelhouders).

De Raad van Bestuur en de Raad van Commissarissen zijn van oordeel dat de Biedprijs, alsmede de overige voorwaarden van het Bod, redelijk (*fair*) zijn jegens de Aandeelhouders vanuit financieel oogpunt. In dit verband wordt verwezen naar de *fairness* opinie, zoals opgenomen in het Position Statement.

Onder verwijzing naar het bovenstaande, ondersteunen de Raad van Bestuur en de Raad van Commissarissen het Bod en bevelen zij de Aandeelhouders aan om het Bod te aanvaarden en bevelen daarom aan om op de Draka Aandeelhoudersvergadering, als bedoeld in het Position Statement, vóór alle aldaar in verband met het Bod voor te stellen besluiten te stemmen.

Met het oog op het vermijden van een tegenstrijdig belang onder de van toepassing zijnde regelgeving hebben twee (2) leden van de Raad van Commissarissen, mevr. A.M. Fentener van Vlissingen en dhr. F.H. Fentener van Vlissingen, niet deelgenomen aan de beraadslaging en besluitvorming ten aanzien van het Bod.

De raad van bestuur van Prysmian ondersteunt het Bod en beveelt de aandeelhouders van Prysmian unaniem aan de vermeerdering van het maatschappelijk kapitaal van de Bieder en de uitgifte van de Nieuwe Prysmian Aandelen goed te keuren en beveelt daarom aan om op de Prysmian BAVA vóór de geagendeerde besluiten te stemmen.

11.12 Toezeggingen

Flint Investments B.V., houdster van 48.48% van de Aandelen, heeft onherroepelijk toegezegd de door haar gehouden Aandelen aan te bieden onder de voorwaarden en bepalingen van het Bod. De onherroepelijke toezegging bevat de gebruikelijke voorwaarden, waaronder de bepaling dat Flint Investments B.V. niet gehouden is haar Aandelen aan te bieden of gerechtigd zal zijn de door haar gehouden Aandelen die reeds zijn aangemeld onder het Bod in te trekken indien (i) een *bona fide* derde partij een openbaar bod doet, waarbij de biedprijs de Impliciete Waarde overstijgt met ten minste 16,3% (gewaardeerd per de laatste Werkdag voorafgaand aan de dag waarop een dergelijk bod is aangekondigd), of (ii) een bod wordt gedaan op de gehele of nagenoeg de gehele onderneming van de Draka Groep, waarbij (a) de netto opbrengst voor Aandeelhouders als gevolg van een dergelijke transactie (gewaardeerd per de datum waarop een dergelijk bod wordt aangekondigd) de Impliciete Waarde overstijgt met ten minste 16,3% per Aandeel en (b) de voorwaardelijkheid van een dergelijk bod zodanig van aard is dat Aandeelhouders niet minder zekerheid hebben dat de desbetreffende transactie tot stand komt dan onder het Bod.

De onherroepelijke toezegging vervalt indien (i) de Fusieovereenkomst wordt beëindigd conform de voorwaarden als uiteengezet in Hoofdstuk 6.16.2 (*Termination events*), (ii) het Bod wordt ingetrokken, (iii) het Bod niet gestand wordt gedaan binnen drie (3) Werkdagen na afloop van de (verlengde) Aanmeldingstermijn, of (iv) de Bieder tekort is geschoten in de nakoming van zijn verplichtingen jegens Flint Investments B.V., welke tekortkoming, indien zij zich naar haar aard voor herstel leent, niet is hersteld binnen zeven (7) dagen na het ontstaan daarvan.

11.13 Gevolgen van het Bod met betrekking tot liquiditeit en beëindiging beursnotering

De aankoop van de Aandelen door de Bieder onder het Bod zal, onder andere, het aantal Aandeelhouders en het aantal Aandelen dat nadien openbaar verhandeld zou kunnen worden verminderen en zou bovendien een negatieve invloed kunnen hebben op de liquiditeit en de marktwaarde van de overige Aandelen die niet zijn aangemeld of niet worden gehouden door de Bieder en/of de Prysmian Groep na afronding van het Bod.

De Bieder is voornemens om, indien het Bod gestand wordt gedaan, zo spoedig mogelijk de notering van de Aandelen aan Euronext Amsterdam te beëindigen. Het beëindigen van de beursnotering zou negatieve invloed kunnen hebben op de liquiditeit van de Aandelen die niet zijn aangemeld. Verder zou de Bieder één of meerdere van de procedures zoals beschreven in Hoofdstuk 6.13 (*Consequences of the Offer*) kunnen starten, daaronder mede begrepen procedures die zouden kunnen leiden tot de beëindiging van de beursnotering van de Aandelen.

11.14 Juridische Structuur Draka na het Bod

Aandeelhouders die hun Aandelen niet aanmelden onder het Bod zullen Hoofdstuk 6.13 (*Consequences of the Offer*) aandachtig moeten lezen. Hierin worden bepaalde risico's beschreven die verbonden zijn aan het niet aanvaarden van het Bod na gestanddoening van het Bod. Deze risico's moeten in aanmerking worden genomen naast de risico's gerelateerd aan de onderneming Draka en de Draka Groep, aangezien de structuur van Draka kan veranderen na de Dag van Overdracht.

11.15 Werknemers

De Bieder en Draka zijn overeengekomen dat zij bestaande verplichtingen die voortvloeien uit arbeidsovereenkomsten van werknemers van Draka en Prysmian en bestaand beleid, dat mede tot stand is gekomen naar aanleiding van werknemersconsultaties, zullen respecteren. Als direct gevolg van het Bod zullen geen gedwongen ontslagen plaatsvinden.

Zie tevens Hoofdstuk 6.14.1 (*Integration and employees*).

11.16 Aankondigingen

Iedere aankondiging met betrekking tot het Bod zal door middel van een persbericht worden uitgebracht. Onder voorbehoud van de wettelijke vereisten op grond van de Fusieregels en zonder afbreuk te doen aan de manier waarop de Bieder een publieke aankondiging zou willen doen, zal op de Bieder geen enkele verplichting rusten om een publieke aankondiging te verrichten anders dan zoals hierboven uiteengezet.

11.17 Beoogd tijdschema

Verwachte datum en tijd (Alle tijden zijn vermeld in Amsterdamse tijd)	**Gebeurtenis**
17:00 uur, 5 januari 2011	Publicatie van het persbericht met betrekking tot de verkrijgbaarstelling van het Biedingsbericht en de aanvang van het Bod
09:00 uur, 6 januari 2011	Aanvang van de Aanmeldingstermijn onder het Bod
10:30 uur, 21 januari 2011 [*NB: en 10:30 uur, 22 januari 2011 en 14:30 uur, 24 januari 2011 bij tweede respectievelijk derde bijeenroeping*]	Prysmian BAVA, op welke vergadering de vermeerdering van het maatschappelijk kapitaal en de uitgifte van Nieuwe Prysmian Aandelen ter stemming zal worden voorgelegd
14:00 uur, 26 januari 2011	Draka Aandeelhoudersvergadering, op welke vergadering onder andere het Bod zal worden besproken en waar de besluiten als bedoeld in het Position Statement ter stemming zullen worden voorgelegd
18:00 uur, 3 februari 2011	Uiterste Dag van Aanmelding Uiterste datum waarop Aandeelhouders hun Aandelen kunnen aanmelden, tenzij de termijn wordt verlengd in overeenstemming met Artikel 15 van het Bob
Uiterlijk drie Werkdagen na de Uiterste Dag van Aanmelding	Dag van Gestanddoening Op deze dag zal de Bieder in overeenstemming met artikel 16 van het Bob aankondigen of het Bod al dan niet gestand wordt gedaan
Uiterlijk tien (10) Werkdagen na de Dag van Gestanddoening	Dag van Overdracht De dag waarop, overeenkomstig de Voorwaarden van het Bod, de Bieder de Biedprijs zal betalen aan de Aandeelhouders die op geldige wijze hun Aandelen hebben aangemeld (of op ongeldige wijze mits de Bieder de aanmelding daarvan niettemin heeft aanvaard) en geleverd onder het Bod

ADVISERS

Advisers to Offeror

Financial advisers	Legal advisers	Accountant
Goldman Sachs International	Bonelli Erede Pappalardo	PwC
Banco Leonardo	Freshfields Bruckhaus Deringer LLP	
Mediobanca		

Advisers to Company

Financial advisers	Legal advisers	Accountant
J.P. Morgan	Allen & Overy LLP	Deloitte

PART II

INFORMATION ON PRYSMIAN

1. SUMMARY

1.1 Introduction

This Offer Memorandum contains the details of the recommended public offer by Prysmian to all holders of issued and outstanding ordinary shares in the share capital of Draka to exchange all or part of their Shares for ordinary shares to be issued by Prysmian (the ***New Prysmian Shares***) and cash, on the terms and subject to the conditions and restrictions set forth in this Offer Memorandum.

Section II of this Offer Memorandum also contains the information required under Article 5 of the Directive 2003/71/EC and under the Prospectus Regulation regarding (i) the issuance and offering of the New Prysmian Shares and (ii) the listing of the New Prysmian Shares on the *Mercato Telematico Azionario*, organised and managed by *Borsa Italiana S.p.A.*

1.2 Risk factors

Below is a list of the specific risk factors concerning Prysmian, the Offer and the New Prysmian Shares that should be carefully considered when reading this Offer Memorandum.

1.2.1 Risks related to the business of Prysmian

- Market conditions directly affect demand for products;
- The Prysmian Group faces competition and pricing pressures in certain of its leading businesses;
- The Prysmian Group is exposed to fluctuations in the price and supply of raw materials;
- Results of operations may be affected by exchange rate fluctuations;
- The Prysmian Group faces interest rate risk in relation to its long-term indebtedness;
- The Prysmian Group is subject to changes in industry standards and the regulatory environment;
- The Prysmian Group may experience difficulties in executing its business strategy;
- Disruptions in markets where the Prysmian Group operates will affect its business;
- Prysmian faces risks associated with sources of financing;
- Working capital is subject to seasonal variations;
- Many of the Prysmian Group's products expose it to product liability risks;
- The Prysmian Group may experience difficulties in enforcing its intellectual property rights;
- The Prysmian Group is exposed to various legal proceedings;
- Anti-trust investigations;
- The Prysmian Group may be subject to claims under certain of its contracts with customers;
- An unanticipated or prolonged interruption of operations at production facilities would have a material adverse effect on the Prysmian Group's financial condition and results of operations;
- Dependency of the Submarine Power Systems business line on specific assets;
- The Offeror is in the process of renewing its information technology system;
- Risks in relation to acquisitions, including the Offer.

1.2.2 Risks related to the Offer

- The Offer may not be completed successfully;
- The Offer may be completed but the Offeror may not acquire 100% of the Shares;
- Limited information on Draka;
- Prysmian may not be able to realise the benefits of the Offer and successfully integrate the business of the Draka Group with Prysmian;
- Risks Related to the Presentation of Pro Forma Financial Information in the Offer Memorandum.

1.2.3 Risks related to holding ordinary shares in Prysmian

- There can be no assurance that an active trading market will continue for the Prysmian shares;
- In the future, Prysmian may not be able to pay dividends in similar amounts or at similar rates to its historic ratio, or pay any dividends at all;
- The marketability of the Prysmian shares may decline and the market price of the Prysmian shares may fluctuate and fall below the market price of the New Prysmian Shares at the time of the Offer;
- Existing Prysmian Shareholders will be affected by dilution of their interest

1.3 Prysmian business

1.3.1 History and Developments

Prysmian's predecessor business was established in Italy in 1879 when Giovanni Battista Pirelli, the founder of the Pirelli Group, decided to diversify his rubber manufacturing business by establishing a factory for the production of insulated telegraph cables and of energy cables. This business, then known as "Pirelli Cavi," began producing submarine telegraph cables in 1886 with the opening of a manufacturing facility in La Spezia, Italy, and progressively extended its product portfolio and expanded its operations internationally in subsequent decades. As part of its expansion, manufacturing facilities were opened in Spain (1902), Great Britain (1914), Argentina (1917) and Brazil (1929), among other countries. In the 1930s, studies and experiments were conducted in connection with the production of telecom cable to expand the carrying capacity of individual circuits, foreshadowing the use of direct distance dialling systems. In the 1950s, the business opened a submarine cables plant near Naples, Italy, a manufacturing facility in Canada and commenced the production and commercialisation of the first energy cables used for the transmission of voltages over 270 kV. As a result of continued research, development and planning, the first cable to transmit electricity at voltages above 400 kV was introduced in the 1960s. In 1982, the business became the first Italian producer of optical fibre when production commenced at its plant in Battipaglia, Italy.

Between 1998 and 2000, four significant acquisitions were completed with the goal of taking advantage of economies of scale, further increasing the size of product portfolio, acquiring know how in certain targeted market segments and entering new geographic markets. In particular:

- In 1998, the energy cables operations of Siemens AG were acquired, which comprised 12 manufacturing plants in Europe, Asia and Africa.
- In 1999, the MM Energy Products Division of Metal Manufacturers, Ltd. in Australia was acquired.
- In 2000, certain energy cables operations from BICC General were acquired in Italy, the United Kingdom, Zimbabwe, Mozambique, Malaysia and China.
- In 2000, two energy cables manufacturing plants were acquired in the Netherlands and Finland from Draka Holding.

At the end of 2001 the Pirelli group (of which the Prysmian Group was part until July 2005) separated its business into two segments under the holding companies Pirelli Cavi e Sistemi Energia S.p.A. and Pirelli Cavi e Sistemi Telecom S.p.A., as part of a restructuring plan.

In 2005, the Pirelli group disposed the energy and telecom cable divisions by selling its energy and telecom cable divisions to subsidiaries of the Goldman Sachs group for a total consideration (including transaction expenses) of approximately Euro 1.4 billion.

In particular, Prysmian Cavi e Sistemi Energia S.r.l. (previously Pirelli Cavi e Sistemi Energia S.p.A.) and Prysmian Cavi e Sistemi Telecom S.r.l. (previously Pirelli Cavi e Sistemi Telecom S.p.A.) were acquired by Prysmian S.r.l. (formerly under the name GSCP ATHENA S.r.l.).

On 16 January 2007, Prysmian S.r.l. was transformed into a joint stock corporation called Prysmian S.p.A. In May 2007, Prysmian S.p.A. became a listed company on the MTA through a global offering of its ordinary shares comprised of an institutional offering and a public offering to retail investors in Italy.

In December 2009, Prysmian acquired 100 per cent. of Rybinsk Electrokabel in Russia as first step of a broader expansion project of Prysmian in the Russian market.

On 19 January 2010, the Prysmian Group acquired the controlling stake in the Indian group of Ravin Cables Limited (equal to 51% membership interest) for the gross amount of Euro 26 million.

On 5 March 2010, the Offeror received notice from Prysmian (Lux) II S.à r.l. that it had sold 29,432,421 ordinary shares of the Offeror (or 16.240 per cent. of the issued share capital) to selected institutional investors. Goldman Sachs International also sold 1,021,592 ordinary shares of the Offeror (or 0.564 per cent. of the issued share capital). The CEO of the Offeror has purchased, in the context of such disposals, 1,500,000 shares of the Offeror.

On 30 March 2010, Prysmian completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400,000,000. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market.

On 22 November 2010, Prysmian and Draka jointly announced that they had reached conditional agreement on the terms and conditions of a public offer to be launched by Prysmian to all holders of issued and outstanding ordinary shares of Draka to exchange all or part of their Shares for ordinary shares to be issued by Prysmian and cash. The Offer values Draka at EUR 17.20 per Share (the Initial Announcement).

On 15 December 2010, the Offeror announced that it had sufficient funds available to secure the Offer and that the Offer Memorandum was submitted for approval to the AFM in accordance with Article 7, paragraph 4 of the Bob. On 16 December 2010 the Offer Memorandum was submitted to Consob in order to obtain a qualification that it is "equivalent" for the purpose of Article 57, paragraph 1, letter c) of the Consob Regulation.

On 4 January 2011 the AFM approved the Offer Memorandum and on 4 January 2011 the Offer Memorandum has been qualified by Consob as "equivalent" document.

1.3.2 Overview of Prysmian Activities

Prysmian conducts its business through two business segments, which are its reportable segments for financial reporting purposes:

- Energy Cables & Systems: This segment designs, develops, manufactures, distributes and installs a full range of products and related accessories for the underground and submarine transmission and distribution of energy in the form of low, medium, high and extra-high voltage electricity. The Energy Cables & Systems segment is divided into three principal business areas:
  - *Utilities*, which includes high and extra-high voltage power transmission systems, submarine power systems, low and medium power distribution cables and network components;
  - *Trade and Installers*, which includes low and medium voltage insulated cables for the distribution of electricity to residential and commercial buildings; and
  - *Industrial Applications*, which includes customised products used for various speciality applications by customers in the oil and gas, renewable energies, crane, mining, shipbuilding, railway and rolling stock, appliance, automotive, chemical, electrical equipment and infrastructure sectors, among others.

Through its Energy Cables & Systems segment, Prysmian provides power transmission systems, submarine power systems, power distribution cables and related network components to many of the largest power utilities around the world; builds wires to contractors and distributors in the trade and installers market segment; and cables for various specialty applications to a variety of customers operating in a range of industries, including companies in the OEMs (Original Equipment Manufacturers), oil, gas, petrochemicals, infrastructure, automotive, and white goods industries.

- Telecom Cables & Systems: This segment designs, develops, manufactures, distributes and installs fibre-optic cables for voice, data, video and control applications, as well as broadband connectivity components and accessories. This segment is vertically integrated and manufactures most of the optical fibre used in the production of its fibre-optic cables in its facilities located in Battipaglia (Italy) and Sorocaba (Brazil). Prysmian also manufactures, distributes and installs copper telecom cables.

The Prysmian Group operates on an international basis in Europe (primarily in Italy, France, Spain, the United Kingdom and Germany) and Africa, North America (primarily in the United States and Canada), Central and South America (primarily in Brazil and Argentina) and Asia and Oceania

(primarily in China and Australia). As of the date of this Offer Memorandum, Prysmian operates 56 production facilities in 24 countries and employed, as of 31 October 2010, 12,675 people worldwide.

1.4 The Offer

1.4.1 Description of the Offer

Shareholders tendering their Shares under the Offer will be paid on the terms and subject to the conditions and restrictions contained in this Offer Memorandum in consideration for each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and transferred (geleverd) (i) 0.6595 New Prysmian Shares (the ***Share Consideration***) and (ii) an amount in cash of EUR 8.60 (the ***Cash Consideration***) (the Cash Consideration and the Share Consideration together the ***Offer Price***). The Offer Price per Share is cum dividend 2010. In the event any dividend or other distribution (each, a ***Distribution*** and collectively, the ***Distributions***), on the Shares is declared by Draka (whereby the record date that is decisive for entitlement to such Distribution takes place prior to Settlement), the Cash Consideration will be decreased by the full amount of any such Distribution made by the Company in respect of each Share. In the event any Distribution on the Prysmian shares is declared by Prysmian (whereby the record date that is decisive for entitlement to such distribution takes place prior to Settlement), the Cash Consideration per Share will be increased by an amount equal to the amount of any such Distribution made by Prysmian in respect of each of its shares multiplied by 0.6595.

Flint Investments B.V. has irrevocably undertaken to tender all Shares held by it as per the Closing Date under the terms and conditions of this Offer Memorandum.

The supervisory board and the board of management of Draka fully support and unanimously recommend the Offer to the Shareholders for acceptance.

It is expected that *Borsa Italiana S.p.A.* admits the New Prysmian Shares to listing on the *Mercato Telematico Azionario* after the date on which Prysmian's shareholders resolve to issue the New Prismian Shares and on or prior to the Settlement Date.

1.4.2 Offer Price

For each Tendered Share, the Offeror offers a consideration of:

(i) 0.6595 New Prysmian Shares; and

(ii) an amount of EUR 8.60 in cash,

the Cash Consideration together with the Share Consideration for each Tendered Share shall be hereinafter referred to as the Offer Price.

Shares tendered in the Offer will be treated by Prysmian: (i) in part as Shares contributed for subscribing the capital increase of the Offeror; and (ii) in part as Shares acquired by the Offeror.

The Offeror capital increase will be resolved by means of the issuance of a maximum number of 32,704,099 New Prysmian Shares, having a nominal value of EUR 0.10 each, to be offered for subscription to the Shareholders tendering their Shares to the Offer, at a subscription price equal to EUR 13.04 for each Share (of which 0.10 as nominal value and EUR 12.94 as share premium), for a maximum amount of EUR 426,461,450.96 (of which 3,270,409.90 as total maximum nominal value and EUR 423,191,041.06 as total maximum share premium).

In relation to the issue of the New Prysmian Shares and the increase of Prysmian's authorised share capital, an extraordinary general meeting of shareholders of Prysmian has been convened at 10:30 hours, Amsterdam time, on January 21, 2011 on first call, at 10.30 hours, Amsterdam time, on January 22, 2011 on second call and at 14.30 hours, Amsterdam time, on January 24, 2011, on third call at Via Filodrammatici 3, Milan, Italy.

1.4.3 Rationale of combining Draka and Prysmian

The Offer is backed by a strong strategic rational and significant value creation opportunities.

The Combined Group will be a new leading player in the worldwide energy and telecom cable and systems industry, in particular in several of its high-technology segments.

(a) Main highlights of the transaction

The strategic, operational and financial merits of the Combined Group are compelling and will provide significant benefits to both Prysmian's and Draka's shareholders, employees, customers and other stakeholders, as the combination will create a new player with:

- a leading position in high voltage, subsea, high-end industrial cables, fibers and optical cables;
- a global presence in more than 50 countries with over 90 plants and more than 20,000 employees;
- based on 2009 aggregate figures, net sales of EUR 5.8 billion and adjusted EBITDA of EUR 541 million (excluding non recurring items) and based on 2010 aggregate estimated figures, net sales of EUR 6.7 billion and adjusted EBITDA of EUR 530 million (excluding non recurring items)[14];
- a highly complementary know-how and product portfolio with aggregate 2009 net sales split by business channels as follows: Utilities 28%, Trade & Installers 29%, Industrial 23% and Telecom 20%;
- a diverse and increased customer base with limited areas of commercial overlap;
- a balanced and diversified geographic mix with net sales in 2009 in EMEA representing 65% of the total aggregate, America 17%, Asia & Oceania 14% and Rest of the World 3%;[15]
- a combination with a highly complementary geographic footprint leveraging on Draka's strength in Northern Europe and Prysmian's strong position in Southern Europe and an increased coverage of fast growing emerging markets;
- significant synergy scope to generate approximately EUR 100 million of annual run-rate synergies within three (3) years; and
- an enhanced and strong platform well positioned to capture the significant growth opportunities available in the market through its leading positions in key areas and segments and to deliver substantial benefits from sharing best practices and processes.

The transaction is expected to be a value enhancing combination and earnings accretive for Prysmian's shareholders from 2011 onwards even on a pre-synergies basis.[16]

(b) A leading player

The Combined Group will be a new leading player in the worldwide energy and telecom cable and systems industry, in particular in several of its high-technology segments.

Based on 2009 aggregate figures, the Combined Group had net sales of EUR 5.8 billion and adjusted EBITDA of EUR 541 million (excluding non recurring items). In 2010, and based on IBES median estimate as of 23 December 2010, the Combined Group is expected to reach net sales of EUR 6.7 billion and adjusted EBITDA of EUR 530 million (excluding non recurring items).

In subsea and high voltage, the Combined Group will continue to serve the main national grid operators and will be involved in the most important transmission projects worldwide.

In the industrial segment, the Combined Group will leverage on an extended product offering and will be in the position to exploit cross selling opportunities in its industrial cables portfolio; for some high value-added industrial applications, as for example wind energy, the Combined Group will be in the unique position to offer to its enlarged customer base an even more complete offering, thanks to the product and technological complementarity of Prysmian and Draka. The Combined Group's manufacturing footprint will also allow to enhance the service level and product offering to the Trade & Installers channel, thanks to improved logistics flows (due to increased geographic presence and coverage) and, once again, thanks to the complementarity of Draka's and Prysmian's product portfolios.

Thanks to the access to Draka's fiber production technology, the Combined Group will have fiber production facilities spread across the globe and will be a leading player in the optical cable segment, leveraging on an even wider product range.

The Combined Group will also benefit from its strengthened geographic presence which will count on:

- possibility to exploit Draka's strength in Northern Europe and Prysmian's strong position in Southern Europe;

14 Source: median of IBES estimates as of 23 December 2010.

15 Preliminary segmentation based on existing reporting by Prysmian and Draka. Actual segmentation post-transaction may differ from the one presented above as the two companies' reported geographic segmentation is not fully consistent.

16 Excluding net one-off costs.

- leading presence in Industrial cables with local manufacturing facilities in the key markets of North America, Europe (Germany, France and Italy) and China; in particular, Draka will contribute into the combination its strong position in the North American , where Draka operates in complementary applications such as the one for applications for the Elevator industry; in China, both companies have significant presence and will leverage on the strengths of their respective product portfolios;
- increased presence in attractive emerging markets (e.g. China, Middle East, Brazil, Mexico, ASEAN, India and Russia); in China, Prysmian is mainly present in the Energy sector, whereas Draka's main focus is in Telecommunications; in the Middle East, Prysmian is mainly active in Power Transmission projects, whereas Draka has a well rooted presence in the fast growing Oman market, through a partnership in a leading local player; in South America, the presence of the two companies is highly complementary, being Prysmian mainly active in Brazil and Draka in Mexico; also, in ASEAN, the geographical footprints have limited overlaps, where the historical presence of Prysmian in Indonesia and Malaysia is well integrated by Draka's leading positioning in Singapore and Hong Kong;
- increased presence in the Telecom business (mainly optical cables and fiber) through complementary geographical presence in EMEA, North and South America and China; Draka's manufacturing presence in North America will provide an excellent balance in terms of currency exposure in a market which is mainly denominated in US dollars.

(c) Industry trends

The reference industries in which both Prysmian's and Draka's customers operate are expanding on a global scale, with companies buying products and services globally and on a centralised basis. Also, a consolidation trend can be observed in the cable industry, both at suppliers' and at customers' level.

The globalisation and consolidation of the industry is increasing the need for scale, wide product offering, efficiency and constant innovation.

The transaction will allow the Combined Group to better tackle the evolving industry trends, as the new player will leverage on:

- complementary business and product portfolios;
- increased customer base with limited areas of commercial overlap and potential cross-selling opportunities;
- increased coverage of fast growing emerging markets;
- industry leading R&D capabilities, crucial to effectively respond to the need for innovation;
- financial strength to invest in organic and external growth opportunities across the world; and
- a strong positioning for further industry consolidation at global level.

Thanks to the extended industrial and geographical footprint, the Combined Group is expected to optimize logistics flows, reach a wider customer base and definitely increase its proximity to the market, with an overall improvement in the service level to its customers. The Combined Group is also expected to increase its cost competitiveness thanks to significant economies of scale generated by the transaction.

(d) Expected synergies

Thanks to the significant experience matured by both Prysmian and Draka in implementing efficiency and cost saving measures, the Combined Group is expected to generate approximately EUR 100 million of annual run-rate pre-tax cost synergies to be achieved within three (3) years.

Synergies will derive mainly from the following areas:

- optimization of the manufacturing footprint, aiming at improving the efficiency of the plants and reorganizing the various production lines; other than efficiencies and cost competitiveness, the industrial reorganisation will maintain a special focus on enhancing the service level to the customers and exploit cross-selling opportunities;
- raw materials procurement and purchase of other supplies and services, leveraging on the increased scale of the Combined Group and aligning the terms and conditions of the two companies with the different suppliers;
- effective reshaping and integration of the two organizations at corporate, country and business level, with the specific aim to enhance the best human resources of the two companies;

- optical fiber sourcing, complementing the production of Prysmian plant in Southern Italy with Draka's North American facility and rebalancing fiber in-house production and out-sourcing;
- exploitation of the complementarities in product portfolios and cross-selling opportunities.

In addition, the combination is expected to generate additional benefits (not included in the afore mentioned estimate of approximately EUR 100 million) through sharing of best practices, cross-fertilization in lean manufacturing and R&D know-how, introduction of proven concepts and procedures into the respective client bases and across each other footprints, improved logistic flows and a natural hedge against currency fluctuations in the Telecom business. Furthermore, increased scale and scope will allow the combination to be more competitive in international tenders, also leveraging on the wider geographical presence.

1.4.4 Indicative Timetable

The Offer Period under the Offer will commence at 09:00 hours, Amsterdam time, on 6 January 2011 and will expire at 18:00 hours, Amsterdam time, on 3 February 2011, unless the Offeror extends the Offer Period in accordance with Section 5.5 (Extension), Part I, of this Offer Memorandum, in which case the closing date shall be the date on which the extended Offer Period expires (such initial or postponed date, the Closing Date).

Shares tendered on or prior to the Closing Date may not be withdrawn, subject to the right of withdrawal of any tender during any extension of the Offer Period in accordance with the provisions of Article 15, paragraph 3 of the Bob.

If all conditions to the Offer are satisfied or, where appropriate, waived, the Offeror will accept all Shares that have been validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and not previously withdrawn pursuant to provisions of Article 15, paragraph 3 of the Bob in accordance with the procedures set forth in Section 5.1 (Offer Price), Part I, of this Offer Memorandum.

2. INDEPENDENT AUDITORS

2.1 Appointment of Independent Auditors

PricewaterhouseCoopers S.p.A., with registered office at 91 Via Monte Rosa, Milan, Italy (***PwC***), is the audit firm appointed as external auditor (the ***Independent Auditor***) for the financial periods covered by this Offer Memorandum. PwC is registered in the special register for auditing companies provided by Article 161 of Legislative Decree No. 58 of 24 February 1998 (the ***Italian Finance Act***), which, although cancelled by Article 40 of Legislative Decree No 39 of 27 January 2010, remains in force until regulations of the Italian Ministry of Economy and Finance are issued.

PwC was appointed as Independent Auditor, in accordance with the provisions of Article 155 and subsequent of the Italian Finance Act, at the shareholders' meeting held on 16 January 2007, until the approval of the financial statements for 2015. The appointment given to PWC for such periods includes:

- the audit of the standalone and consolidated financial statements of Prysmian (in accordance with Article 155 of the Italian Finance Act, now Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010);
- to perform a limited review of the Prysmian Group's half year financial statements, in accordance with CONSOB requirement No. 97001574 of 20 February 1997; and
- verifying, during the financial period, that the accounts are properly kept (in accordance with Article 155 of the Italian Finance Act, now Articles 14 and 16 of Legislative Decree No. 39 of 27 of January 2010).

There have been no objections, or refusal to issue opinions by the Independent Auditor in relation to the audit of the annual financial statements or the limited review of the half year financial statements.

The Independent Auditor has also:

- issued a report on 28 December 2010 relating to the assumptions, methodology, measurement criteria and accounting principles used for the preparation of the pro forma income statements for the year ended 31 December 2009 and six months ended 30 June 2010 and the statement of financial position as of 30 June 2010 which are included in Section 2 of Part III of this Offer Memorandum; and
- issued a report on 23 December 2010 relating to the forecast Adjusted EBITDA of the Prysmian Group for the year ended 31 December 2010, which is included in Section 25 Part II of this Offer Memorandum.

2.2 Relationship with the Independent Auditors

During the period covered by the financial information included in Part III or incorporated by reference in this Offer Memorandum, the Independent Auditor did not resign, has not been relieved of its duties and has not had its mandate revoked.

3. RISK FACTORS

3.1 Risks related to the business of Prysmian

Market conditions directly affect demand for products

Although the first nine months of the year 2010 provided the first signs of a recovery in demand, some of the Prysmian Group's products, mainly relating to business lines such as Trade & Installers, and Power Distribution and certain applications in the Industrial business area, are liable to cyclical fluctuations in demand and are affected by trends in the construction industry and by growth in gross domestic product. Although the diversified nature of the Prysmian Group's markets and products reduces its exposure to cyclical trends in demand in certain markets, it is not possible to exclude a future contraction in demand for the businesses mentioned above such as to have a significant impact on the Prysmian Group's activities, results of operations and statement of financial position (see Section 13 (Trend Information), Part II, of this Offer Memorandum).

The Prysmian Group faces competition and pricing pressures in certain of its leading businesses

Certain of the Prysmian Group's business areas and business lines, principally its Trade & Installers business area and, to a lesser extent, its Power Distribution business line, operate in markets in which intense competitive pressure, also owing to the fall in demand, may increase pressure on the pricing of its products. Most of the products sold in these business areas and business lines are based on industry standards and are essentially interchangeable with similar products made by the Prysmian Group's principal competitors. In such cases, pricing is a decisive factor in the competitiveness of products. The Prysmian Group's competitors consist of both an increasing number of large operators that compete on a global scale and smaller operators that, while not competing across all market segments in which the Prysmian Group operates, may have a significant competitive presence in a specific country, geographic area or market segment. In addition, the prices of certain of the Prysmian Group's products, in particular fibre-optic cables, have experienced downward pressure as a result of production overcapacity in the fibre-optic market segment (see Section 8 (Industry and Business), Part II, of this Offer Memorandum).

The Prysmian Group may not be able to reduce its costs in a manner sufficient to offset reduced demand and downward pricing pressure, which could have a material adverse effect on its results of operations and financial condition.

The Prysmian Group is exposed to fluctuations in the price and supply of raw materials

The primary raw material the Prysmian Group uses in the manufacture of its products is copper. The Prysmian Group also uses aluminium, lead and steel as well as plastic components and resins (see Section 8, Part II, of this Offer Memorandum).

All raw materials, especially oil derivatives, have experienced particularly significant price fluctuation in 2009 and 2010, which could continue in the future. The Prysmian Group aims to neutralise the impact of possible rises in the price of copper and 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), the risk of which cannot be efficiently offset through hedging.

The hedging of certain products (mainly in the Trade & Installers business) takes place, as part of established commercial practice and/or the structural characteristics of the markets concerned, by periodically updating price lists (since it is not possible to use automatic sale price adjustment mechanisms). In this case, it is possible that, in the current market context, the Prysmian Group will be unable to quickly pass on the impact of fluctuations in raw material prices to sale prices. In particular, as regards oil derivatives, by contract changes in their purchase price systematically occur with a time lag relative to changes in the oil price.

More in general, depending on the extent 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 businesses and certain businesses in the Industrial segment more exposed to cyclical trends in demand, and on the Prysmian 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 Prysmian 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 Prysmian Group's net debt).

Results of operations may be affected by exchange rate fluctuations

The Prysmian Group is exposed to exchange rate fluctuations in those currencies other than the euro in which it operates (primarily, the United States dollar, British pound, Brazilian Real and Australian dollar). The exchange rate risk arises to the extent that future transactions or assets and liabilities that are already recorded on the balance sheet are operated in a currency different from the reporting currency of the company that has put in place such transaction. This exchange rate risk is centrally co-ordinated and monitored by the Prysmian Group's Finance Department, with Prysmian Group companies entering into forward currency contracts in order to manage this risk.

Prysmian's consolidated financial statements are expressed in euro and are therefore subject to movements in exchange rates on the translation of the financial information of its subsidiaries with a different reporting currency. These fluctuations could significantly affect reported results and financial condition from year to year (see Section 7.5 (Capital Resources), Part II, of this Offer Memorandum).

The Prysmian Group faces interest rate risk in relation to its long-term indebtedness

Prysmian pays fixed and floating interest rates on the Prysmian Group's long-term indebtedness.

While Prysmian management believes that fixed rate loans do not present significant risks, it seeks to hedge the interest rate risk associated with floating rate borrowings through interest rate swaps (IRS). By using IRS contracts, the Prysmian Group swaps with counterparties for specified periods the difference between agreed fixed rates and the variable rate calculated with reference to the notional value of the relevant indebtedness. In light of the falling interest rates in the course of 2009 and 2010, the Prysmian Group entered into a series of interest rate swaps which have the effect of limiting its exposure to interest rate fluctuations through to the end of 2014. The protection offered by the interest rate swaps is limited in amount and in time and, as a result, future interest rate fluctuations may have a material negative impact on the financial conditions and results of operations of the Prysmian Group (see Section 7.5 (Capital Resources), Part II, of this Offer Memorandum).

The Prysmian Group is subject to changes in industry standards and the regulatory environment

As a manufacturer and distributor of cable products, the Prysmian Group is subject to a number of laws, regulations and manufacturing standards at the local, national and international levels that apply to companies operating in its industry and to products manufactured and distributed by it. In particular, the Prysmian Group is subject to numerous environmental laws and regulations (see Section 14 (Legal Proceedings), Part II, of this Offer Memorandum). Notwithstanding the Prysmian Group's efforts to reduce its exposure to environmental risks and stipulation of insurance policies to cover costs that result from environmental damage to third parties, there can be no assurance that all relevant environmental risks have been identified or that insurance coverage obtained is adequate.

Changes in existing laws, regulations or manufacturing standards, the introduction of new laws and regulations that apply to the businesses or the development or discovery of new facts or conditions could require the Prysmian Group to incur significant costs and liabilities (whether for adapting its production facilities or the characteristics of its products or otherwise), which could have a material adverse effect on its financial condition and results of operations.

The Prysmian Group may experience difficulties in executing its business strategy

The Prysmian Group's ability to increase sales of goods and services and improve profitability depends on, among other things, success in executing the Prysmian Group's business strategy, which includes improving its overall profitability by increasing the proportion of its total sales of goods and services from high value-added products, the development of an industrial structure in support of such strategy, continuing to improve its variable costs structure, improving its logistics and customers assistance service and a continuing focus on research and development of new products and manufacturing processes. The Prysmian Group may not succeed in implementing its current business strategy in full or part, or within the envisaged times. Although the Prysmian Group aims to fund the implementation of its business strategy mostly through its own cash flow without recourse to significant external financing, the execution of its business strategy may still impose significant strains on its management and operating systems (see Section 8 (Industry and Business), Part II, of this Offer Memorandum).

Disruptions in markets where the Prysmian Group operates will affect its business

The Prysmian Group operates production facilities, runs businesses, engages in sales and marketing activities and is present through subsidiaries in Asian and central and south American countries. The

Prysmian Group's operations in these countries are exposed to a number of risks relating to their legal systems, judicial procedures, tariffs, duties and other trade barriers, political and economic instability and foreign currency risk.

Significant changes in the macroeconomic, political, fiscal or legislative framework of these countries could harm international operations and negatively affect the Prysmian Group's financial condition and results of operations (see Section 7.5 (Capital Resources), Part II, of this Offer Memorandum).

Prysmian faces risks associated with sources of financing

In January 2010, the Offeror and certain other Prysmian Group companies entered into the Euro 1,070,000,000 Forward Start Multi-currency Term and Revolving Credit Facilities (the FSF) to replace the term loan and revolving credit facilities under the Euro 1,700,000,000 facility agreement entered into by the Offeror in April 2007 (the Existing Facilities Agreement) upon the scheduled maturity on 3 May 2012. The FSF has a maturity date of 31 December 2014. Under the FSF, a loyalty fee is payable on the existing commitments rolled over into the FSF from the Existing Facilities Agreement as well as on any additional commitments. On 30 March 2010, Prysmian completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400,000,000 (the Bond). The bond was settled on 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market.

The Offeror believes that the Existing Facilities Agreement, the FSF and the Bond should provide the Prysmian Group with sufficient financing through to 2014, thus limiting the need to procure additional external indebtedness. The Offeror is however subject to two financial covenants on a consolidated level under both the Existing Facilities Agreement and the FSF (the ***Financial Covenant***s) that require it to maintain certain financial ratios. These two covenants limit Prysmian's ability to further increase its net debt and should the Offeror breach any one of them, this would result in an event of default and, if such default is not cured in accordance with the terms of the Existing Facilities Agreement and the FSF, the Existing Facilities Agreement and the FSF may be cancelled and/or any amounts drawn down and outstanding (including the Bond) may be accelerated (in which case they would become due and payable immediately). As at 30 June 2010 the ratio between Consolidated EBITDA and the Consolidated Total Net Interest Cost (as such terms are defined in the Existing Facilities Agreement and the FSF) was 8.45x, against a covenant of the ratio not to be lower than 5.50x, and the ratio between the Consolidated Total Net Debt and the Consolidated EBITDA (as such terms are defined in the Existing Facilities Agreement and FSF) was 1.65x against a covenant of the ratio not to exceed 2.50x. The Existing Facilities Agreement, the FSF and the Bond also place certain customary restrictions on the Prysmian Group's ability to dispose of assets, issue guarantees in the interest of third parties, create liens, make acquisitions (although the making of the Offer is not so restricted) and distribute dividends. Although (i) these restrictions are subject to materiality exceptions and qualifications and (ii) Prysmian has never reported, in accordance with the terms of Existing Facilities, the FSF and the Bond, a breach of the covenants (including the Financial Covenants) or an event of default under said agreements, and (iii) Prysmian launched a process, in December 2010, aimed at widening the value of the Financial Covenants (see Section 8.8 (Recent developments), Part II, of this Offer Memorandum), breach of any of the covenants could result in a default under the Existing Facilities Agreement or, as the case may be, the FSF and the Bond. If the indebtedness under the Existing Facilities Agreement and the Bond or, upon its drawdown, the FSF were to be accelerated, the Prysmian Group can offer no assurances that its assets would be sufficient to repay that indebtedness in full.

For a more detailed description of sources of financing, see Section 7.5 (Capital Resources), Part II, of this Offer Memorandum.

Working capital is subject to seasonal variations

The Prysmian Group's working capital needs generally increase during the first half of each year as relevant Prysmian Group companies build up their product inventory in response to and in anticipation of customer orders that have historically been concentrated in the first half of each year, whereas they tend to decrease during the fourth quarter of each year. The increase in working capital needs in the first half of each year typically leads to temporary increases in the Prysmian Group net financial indebtedness (i.e. higher indebtedness) during this period. The Prysmian Group seeks to manage its working capital requirements by maintaining an adequate level of liquid assets, short term investments and committed credit lines but there can be no assurance that such measures will be sufficient. (see Section 7, Part II, of this Offer Memorandum).

Many of the Prysmian Group's products expose it to product liability risks

Many of the Prysmian Group's products expose it to product liability risks or allegations that such products could cause harm to persons and property, with potential civil and criminal liabilities to clients and third parties in the countries where the Prysmian Group operates. The Prysmian Group's current policy is to maintain product liability insurance at a level that it believes is consistent with current industry practice (see Section 12 (Insurance), Part II, of this Offer Memorandum). However, there is no guarantee that current insurance coverage is sufficient to meet claims that may be filed against the Prysmian Group, or that the Prysmian Group will be able to obtain or maintain insurance on acceptable terms or at appropriate levels in the future. A successful product liability claim against the Offeror or a Prysmian Group company could have a material adverse effect on the Prysmian Group's business, financial condition and results of operations. Moreover, a judgment against a Prysmian Group company in such a liability claim could result in a loss of reputation and marketability for the Prysmian Group.

The Prysmian Group may experience difficulties in enforcing its intellectual property rights

Although the Prysmian Group holds a wide portfolio of patent families, these patents may not provide it with sufficient protection against its competitors. The Prysmian Group may encounter difficulties in obtaining rights to additional intellectual property necessary to continue or expand its business as a result of third party patent rights on technologies used in its industries. As a result the Prysmian Group may have to become involved in litigation or other legal proceedings to enforce its intellectual property rights. The outcome of litigation and other legal proceedings can often be unpredictable. The Prysmian Group may also become subject to claims of intellectual property infringement or misappropriation that may result in loss of revenue, require it to incur substantial costs or lead to monetary damages or injunctive relief against it, which may negatively affect its business.

The Prysmian Group is exposed to various legal proceedings

In connection with its operations, the Offeror and certain of its consolidated subsidiaries are currently involved in various legal proceedings, including civil, criminal and administrative proceedings, in respect of some of which the Offeror or, as the case may be, the relevant subsidiary, is not able to quantify the risk of damages or penalties. The Offeror and its relevant subsidiaries, as the case may be, have allocated reserves to cover damages and penalties in relation to certain proceedings. On 30 September 2010 the amount of those reserves were equal to €109 million, which the management believes to be appropriate to cover the damages and penalties that may arise out of the relevant proceedings. However, those reserves may not be sufficient to cover all possible damages and penalties and other damages or penalties may result from proceedings for which no reserves have been allocated (see, in particular, Section 14 (Legal Proceedings), Part II, of this Offer Memorandum, paragraphs "Tax Matters" and "Anti-trust investigations"). This could have a material adverse effect on the Prysmian Group's financial condition and results of operations.

For a more detailed description of the legal proceedings involving the Prysmian Group, see Section 14 (Legal Proceedings), Part II, of this Offer Memorandum.

A member of the board of directors and a member of the board of statutory auditors are or have been involved in judicial and disciplinary proceedings. For a more detailed description of those proceedings, see Section 17.7 (Judicial and disciplinary proceedings involving members of the Board of Directors and Board of Statutory Auditors and senior managers of the Offeror), Part II, of this Offer Memorandum.

Anti-trust investigations

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

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

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

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

See Section 14 (Legal Proceedings), Part II, of this Offer Memorandum.

The Prysmian Group may be subject to claims under certain of its contracts with customers

Some of the Prysmian Group's contracts with customers for the production and/or installation of products contain penalty clauses that are triggered in the event the relevant Prysmian Group company is unable to meet agreed delivery times or quality commitments.

Although none of the Prysmian Group companies has been forced to pay significant penalties for delays in product delivery or for not meeting quality commitments over the last three years, there is no guarantee that all Prysmian Group companies will always be able to meet their time and quality commitments in the future. Any significant penalty payments or compensation for damages could adversely affect the Prysmian Group's financial condition and results of operations.

An unanticipated or prolonged interruption of operations at production facilities would have a material adverse effect on the Prysmian Group's financial condition and results of operations

The Prysmian Group's business is dependent on the continued and uninterrupted performance of its production facilities. However, these facilities are subject to operating risks, including equipment failures, failures to comply with applicable regulations, revocation of licences and permits, increases in transportation costs, interruption in the supply of energy and raw materials, natural disasters and acts of sabotage or terrorist attacks. Operations may also be disputed by work force-related interruptions due to labour shortages, strikes or other labour issues.

Save for a prolonged interruption of the Canadian plant of St. Jean in 2009 due to a strike of the work force, there have been no interruptions at any of the Prysmian Group's production facilities of such a nature over the last three years so as to cause a material adverse effect on its operations. However, there is no guarantee that no significant interruptions will occur in the future, or that the relevant insurance coverage (where available) would be adequate.

The Prysmian Group's risk management identifies and quantifies the operating risks of all Prysmian Group companies, and establishes and manages the Prysmian Group's strategies for handling these risks.

Despite such prevention measures, the Prysmian Group's production facilities may experience interruptions or delays in its production process due to the above circumstances beyond its control, which could have material adverse effects on its financial condition and results of operations.

Dependency of the Submarine Power Systems business line on specific assets

The operation of the Submarine Power Systems business line is largely dependant on the Arco Felice Plant and the cable-laying vessel Giulio Verne owned by Prysmian PowerLink S.r.l. Any material unanticipated or prolonged interruption of operations of such assets would have a material adverse effect on Prysmian PowerLink S.r.l. and on the financial condition and results of operations of the Prysmian Group as a whole (see Section 8 (Industry and Business), Part II, of this Offer Memorandum).

The Offeror is in the process of renewing its information technology system

The Offeror has launched an information technology renewal program to upgrade and substitute an important part of the Prysmian Group's current information technology systems. It is expected that the new systems will become fully operative by 2013. Until such time, inaccuracies in data handling and other inconveniences may occur, which management seeks to mitigate through active testing, staff training and commercial arrangements with suppliers of substitute technologies.

Risks in relation to acquisitions, including the Offer

The successful completion of the Offer and the acquisition of Shares by Prysmian may result in a material increase of the Prysmian Group's net debt, thus increasing the risk that applicable financial covenants under the Existing Facilities Agreement and the FSF may not be met.

Upon completion of the Offer, Prysmian expects to incur significant expenses and costs associated with combining the operations of Prysmian and Draka, currently estimated to be approximately Euro 170 million, spread over three (3) years (see Section 6.4 (Rationale for the Offer), Part I, of this Offer Memorandum).

In addition, the Prysmian Group reviews on an ongoing basis acquisition targets and may from time to time incur additional indebtedness to finance such acquisitions. To the extent that any company of the Prysmian Group concludes further significant acquisitions in the near future, the above risks regarding compliance with the financial covenants under the Existing Facilities Agreement and the FSF would be enhanced.

For a detailed description of the terms and conditions of the Offer, see Part I of this Offer Memorandum.

3.2 Risks related to the Offer

The Offer may not be completed successfully

The declaration by the Offeror that the Offer is unconditional is subject to the fulfilment as at the Closing Date of the Minimum Acceptance Condition and the other conditions set forth in Part I, Section 6.7.1 (Offer Conditions). There is a risk that such conditions may not be fulfilled or waived by the Offeror, as a result of which the Offer may not be completed successfully. In such case, the capital increase resolved by the Offeror EGM would not be implemented.

For a detailed description of the terms and conditions of the Offer, see Part I of this Offer Memorandum.

The Offer may be completed but the Offeror may not acquire 100% of the Shares

The Offer may be declared unconditional, and therefore completed, but the Tendered Shares may be less than 100% of the Shares. In this event, the consequences set forth in Section 6.13 of Part I, of the Offer Memorandum may occur.

Limited information on Draka

At the time of making the Offer, Prysmian may not have been aware of certain risks and liabilities associated with the Draka Group and its business. Also Prysmian has not been granted any indemnities, warranties or securities in respect of Draka, because the acquisition of Draka takes the form of a recommended public offer. In this Offer Memorandum, historical financial information regarding Draka has been included which has been derived from financial and other information available in the public domain. There have been limitations on the ability of Prysmian to independently verify or assess the accuracy and completeness of the contents or importance of all that information. Prysmian cannot exclude the possibility that unexpected risks or liabilities relating to the Draka Group exist which could have a material adverse effects on the financial condition and results of operations of the Prysmian Group and that had Prysmian been aware of such risks or liabilities it would not have made the Offer at all or not on the terms and conditions that it was made.

For a detailed description of the terms and conditions of the Offer, see Part I of this Offer Memorandum.

Prysmian may not be able to realise the benefits of the Offer and successfully integrate the business of the Draka Group with Prysmian

The expected synergies resulting from the integration of Prysmian and Draka are set out in Part I, Section 6.4 (*Rationale for the Offer*). Achieving the expected benefits and synergies associated with the Offer will depend, in part, upon whether the business of the Draka Group can be integrated in an efficient and effective manner. The process of integrating the business of the Draka Group may be disruptive to both businesses and may take longer than anticipated. Also, it is possible that additional transaction, one-off costs or future operating expenses could arise, or that Prysmian is not able to realise the expected benefits.

For a detailed description of the terms and conditions of the Offer, see Part I of this Offer Memorandum.

Risks Related to the Presentation of Pro Forma Financial Information in the Offer Memorandum

This Offer Memorandum contains the Prysmian unaudited pro forma consolidated financial information, which includes (i) the unaudited pro forma consolidated statement of financial position as of 30 June 2010, (ii) the unaudited pro forma consolidated income statement for the six months ended 30 June 2010 and (iii) the unaudited pro forma consolidated income statement for the year ended 31 December 2009, with the related explanatory notes (together the ***Unaudited Pro Forma Consolidated Financial Information***) and has been prepared to reflect the effect of the acquisition of Draka (the ***Transaction***) on the Prysmian Group consolidated financial and economic position.

The purpose of the preparation of the Unaudited Pro Forma Consolidated Financial Information is to simulate, using accounting principles that are consistent with the historical data and compliant with the applicable legislation, the main effects of the Transaction on the consolidated financial position and result of operations of Prysmian Group, as if the Transaction had occurred on 30 June 2010, for the statement of financial position purposes, and on 1 January 2010 and on 1 January 2009, for the income statements purposes.

As mentioned above, the Unaudited Pro Forma Consolidated Financial Information represents a simulation, for illustrative purposes only, of the main potential impacts of the Transaction. In particular, as pro forma information is prepared to illustrate retrospectively the effects of operations that will occur subsequently using generally accepted regulations and reasonable assumptions, there are limitations that are inherent to the nature of pro forma information; hence, had the Transaction taken place on the dates assumed above, the actual effects would not necessarily have been the same as those presented in the Unaudited Pro Forma Consolidated Financial Information. Furthermore, in consideration of the different purposes of the Unaudited Pro Forma Consolidated Financial Information as compared to the historical financial statements and the different methods of calculation of the effects of the Transaction on the pro forma consolidated statements of financial position and on the pro forma consolidated income statements, the latter two statements should be read and interpreted without comparisons between them.

The Unaudited Pro Forma Consolidated Financial Information does not attempt to predict or estimate the future results of the Prysmian Group and should not be used for this purpose (see Section 2, Part III of this Offer Memorandum).

3.3 Risks related to holding ordinary shares in Prysmian

There can be no assurance that an active trading market will continue for the Prysmian shares

The liquidity of the trading market for the Prysmian shares and any market price quoted for the Prysmian shares may be adversely affected by changes in the overall market for similar securities, by changes in Prysmian's financial performance or prospects or by changes in the cable industry generally. As a result, there can be no assurance that an active trading market will continue for the Prysmian shares.

In the future, Prysmian may not be able to pay dividends in similar amounts or at similar rates to its historic ratio, or pay any dividends at all

In the future, Prysmian may not be able to pay dividends in similar amounts or at similar rates to its historic ratio, or pay any dividends at all, also as a result of restrictions imposed by the Existing Facilities Agreement and the FSF on the Prysmian Group's ability to distribute dividends and the impact that the completion of the Offer may have on such restrictions.

Past dividends should not be used as a reference for Prysmian's dividend policy nor used as a basis to forecast dividends payable in the future (see Section 4 (Dividends and Dividend Policy), Part II of this Offer Memorandum).

The marketability of the Prysmian shares may decline and the market price of the Prysmian shares may fluctuate and fall below the market price of the New Prysmian Shares at the time of the Offer

Although the free float will significantly improve, Prysmian cannot assure prospective holders of the New Prysmian Shares that the marketability of the New Prysmian Shares will improve or remain consistent with the marketability of the Prysmian shares before the Offer.

The market price of the New Prysmian Shares at the time of the Offer may not be indicative for the market price of the Prysmian shares after the Offer has been completed. The market price of the Prysmian shares has experienced volatility in the past, and may continue to fluctuate, depending upon many factors beyond Prysmian's control. These factors include, among other things, actual or

anticipated variations in operating results and earnings by Prysmian and its competitors, changes in financial estimates by securities analysts, market conditions in the industry, the general state of the securities market, governmental legislation or regulation, as well as general economic and market conditions, such as recessions.

The market price of the Prysmian shares is also subject to fluctuations in response to issues of the Prysmian shares, sales of Prysmian shares by major shareholders, the liquidity of trading in the Prysmian shares and capital reduction or purchases of the Prysmian shares, as well as investor perception of the success and impact of the Offer.

As a result of these or other factors, the Prysmian shares may trade at prices significantly below their fair value. Prysmian cannot assure that the public trading market price of the Prysmian shares will not fall below the market price of the New Prysmian Shares at the time of the Offer.

Existing Prysmian Shareholders will be affected by dilution of their interest

In the event all the New Prysmian Shares will be issued and exchanged with Tendered Shares, existing Prysmian shareholders will be affected by a maximum dilution of their interest, in terms of percentage of share capital of Prysmian, of approximately 15% (see Section 5.1.1 (Consideration), Part I, of this Offer Memorandum).

4. DIVIDENDS AND DIVIDEND POLICY

The following is a summary of certain information concerning dividends, if any, payable by Prysmian and certain provisions of Prysmian's bylaws and of Italian law applicable to listed companies as in effect as of the date of this Offer Memorandum. This summary contains all information that Prysmian considers to be material regarding dividends, if any, payable by Prysmian, but does not purport to be complete and is qualified in its entirety by reference to Prysmian's bylaws, Italian law and regulations or existing and future financing arrangements, as the case may be.

4.1 General

Prysmian has not adopted a formal dividend policy, other than that required by Italian law. Any distribution of dividends is subject to the satisfaction of a number of conditions, including those imposed by the financing agreements (described above) and Italian law (described in more detail below). In particular, in compliance with Italian law, any possible annual dividends by Prysmian would be paid out of its distributable profits and reserves on an unconsolidated basis for each relevant year pursuant to a resolution of the general shareholders' meeting and upon proposal by the board of directors. The annual general shareholders' meeting must be convened for the approval of the annual financial statements within 120 days after the end of the fiscal year to which such financial statements relate.

Prysmian's by-laws allow distribution of interim dividends (*acconti sui dividendi*) pursuant to the provisions, and subject to the satisfaction of the conditions, set forth in the applicable law.

In the case that Prysmian is permitted to distribute dividends under the Existing Facilities Agreement or, as the case may be, the FSF, the declaration and payment of future dividends on Prysmian's issued and outstanding ordinary shares will be at the discretion of the shareholders upon proposal of the board of directors. If Prysmian declares and pays annual dividends on its issued and outstanding ordinary shares, the declaration and payment of such dividends, and the amounts thereof, will depend on a number of factors, including, but not limited to, the ongoing implementation of its business plan, any distributable profits and reserves or earnings, the financial condition and results of operations, the cash and capital requirements, applicable restrictions on the payment of dividends under Italian law and such other factors as the board of directors may deem relevant in proposing the distribution of dividends to the shareholders' meeting.

4.2 Mandatory Reserves

Under Italian law, before dividends may be paid with respect to any fiscal year, Prysmian must allocate at least 5% of its net income for such year on an unconsolidated basis to a legal reserve until such reserve, including amounts set aside during prior years, is equal to at least 20% of the aggregate nominal value of the issued share capital. Since Prysmian is a holding company, its ability to distribute income from its operations is mainly dependent on receipt of dividends from its subsidiaries.

4.3 Repayment and Forfeiture

Shareholders will not be required to repay to Prysmian annual dividends paid on the basis of duly approved financial statements, if the shareholders collected such dividends in good faith. Dividends not collected within five years from the date they become payable will be forfeited in favour of the Offeror and will be added to its reserves.

4.4 Manner and Time of Payment

Dividends Prysmian declares, if any, are expected to be paid to shareholders through Monte Titoli or such other authorized centralized securities custody and administration systems with which the intermediaries instructed by the shareholders have deposited their shares, in accordance with Decree No. 213 of 24 June, 1998, as amended and Consob Regulation No. 11768 of 23 December, 1998, as amended.

4.5 Restrictions under Financing Arrangements

Under the current terms of the Existing Facilities Agreement and the FSF, Prysmian is in certain circumstances limited in its ability to declare or distribute dividends or make any other distribution of share capital that is of a similar nature as follows.

Pursuant to the Existing Facilities Agreement and the FSF, Prysmian may:

(i) redeem, purchase, defease, retire or repay any of its shares or share capital (or any instrument convertible into shares or share capital) or resolve to do so;

(ii) declare, make or pay, or pay interest on any unpaid amount of, any dividend, charge, fee or other distribution (whether in cash or in kind) on or in respect of its shares or share capital (or any class of its share capital); or

(iii) repay or distribute any share premium account,

each, a ***Distribution***, only in respect of any Distribution:

(i) which when aggregated with the aggregate amount of each other Distribution made since May 2007 would not exceed 50% of the consolidated net result of the Prysmian Group since such date; or

(ii) which is declared at a time when the most recent compliance certificate at that time (adjusted on a pro forma basis to take into account the payment of that Distribution) demonstrates that the applicable leverage ratio is less than 3.00:1, in case of the Existing Facilities Agreement or less than 2.75:1, in case of the FSF,

provided that no Distribution may be declared if an event of default is outstanding or if any of the repeating representations set out in the Existing Facilities Agreement or in the FSF, as the case may be, would be untrue if repeated on the date of declaration of that Distribution.

4.6 Amount of the dividend per share

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

On 9 April 2009, the shareholders of Prysmian approved the financial statements for year 2008 and the distribution of a dividend of Euro 0.417 per share, for a total of approximately Euro 74 million. The dividend was paid on 23 April 2009.

In April 2008, Prysmian paid Euro 75 million in dividends.

Prysmian has never issued a forecast on expected dividends or in general made any declaration or stated any policy as to future dividends.

4.7 Taxation

Dividends payable on the shares to Italian resident individuals and tax-exempt entities, as well as to shareholders not resident in Italy, may be subject to deduction for Italian withholding taxes. See Section 10.2 (Tax Aspects of the Offer – Italy) of Part I of this Offer Memorandum.

5. INVESTMENTS

Gross investments in year 2007 amounted to €91 million, the majority of which were related to increasing production capacity. In particular, this involved further expansion of the capacity of the Arco Felice plant (Italy) to meet growing long-term order book for submarine cables; increase and rationalisation of production capacity for high and extra high voltage cables at specialised plants such as Pikkala (Finland), Delft (Holland) and Mudanya (Turkey); new plants dedicated to the production of mixes for special cables at Neustadt (Germany), technologically advanced products such as the Airbag/Airguard cables at Abbeville (USA), LSOH cables at Vilanova (Spain) and the production of special cables at Jakarta (Indonesia) for the development of sales in emerging areas. Other investments were related to projects aimed at improving industrial efficiency (in particular the metallurgy process in Gron, France) and various initiatives to reduce waste, works on buildings or whole production lines for compliance with applicable regulations or for relocation of production. In addition, during 2007, investments to rationalise the Danube region (transfer of production from Bratislava to Balassagyarmat-Hungary) and to launch the Vila Velha plant (Brazil) were completed. Investments in intangible assets related almost entirely to the renewal of Group IT systems.

Gross investments in year 2008 amounted to Euro 116 million, the majority of which relate to projects for increasing production capacity and to structural work on buildings or for entire production lines for compliance with applicable regulation or for relocation of production. Some of those projects were already in progress in 2007. In particular, this involved further expansion of capacity at the factory in Arco Felice (Italy) to handle long-term orders for submarine cables; creation of plant and equipment to produce high and very high voltage cables in the United States for sale on the North American market; investments in plant and equipment for producing mixtures for LSOH cables in Vilanova (Spain) and for producing silanized cables in Sorocaba (Brazil) and automotive cables in Mudanya (Turkey). Other investments were related to projects to improve industrial efficiency and the commencement of the SAP Consolidation project, designed to harmonise the information system of all the Group's units in the next five years.

Gross investments in year 2009 amounted to Euro 107 million, the majority of which were related to projects for increasing production capacity and to structural work on buildings or for entire production lines for compliance with applicable regulations or for relocation of production. Some of those projects were already in progress in the previous years. In particular, this involved the expansion of the factory in Vila Velha (Brazil) for the production of flexible pipes for the oil drilling industry, the 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, the completion of a factory in Romania for optical cable production, and the completion of a factory in the United States for the manufacture of high voltage and extra high voltage cables for the North American market. Other investments were related to projects to improve industrial efficiency and the development of the SAP Consolidation project.

Investments during 2010 amounted to €31 million at 30 June, €56 million at 30 September 2010 and €75 million at 30 November 2010, with an estimate to reach the amount of €100 million of investments by the end of the year. The majority of the investments refer to projects for increasing production capacity and developing new products, and structural work on buildings or for entire production lines for compliance with applicable regulations. Other investments relate to projects to improve industrial efficiency, replacement of obsolete office equipment, research and development expenditures and the SAP Consolidation project (commenced in 2008), aimed at standardising the information system in all the Prysmian Group's companies over the next few years.

At 30 September 2010, contractual commitments to purchase property, plant, equipment and intangible assets, already given to third parties and not yet reflected in the financial statements as of that date amounted to Euro 36 million.

All investments in year 2010 have been financed by means of available liquidity and existing credit lines.

6. SELECTED OPERATING DATA AND PERFORMANCE INDICATORS

This Section contains financial and operating indicators which are used by the Prysmian Group's management to monitor the economic, financial and operating performance of the Prysmian Group.

In particular the financial indicators used by management include EBITDA, Adjusted EBITDA, Adjusted Operating Income, net working capital and the Prysmian Group net financial indebtedness. In addition management also monitors EBITDA and Adjusted EBITDA analyzed by segment and business line.

Such measures are not recognized as measures of performance or liquidity under IFRS. Investors should not place undue reliance on these measures and financial indicators and should not be considered as (a) an alternative to operating income or net income as determined in accordance with generally accepted accounting principles, or as measures of operating performance; (b) an alternative to cash flows from operating, investing or financing activities (as determined in accordance with generally accepted accounting principles), or as a measure of the Prysmian Group's ability to meet its cash needs; or (c) an alternative to any other measures of performance under generally accepted accounting principles. These measures are not indicative of the Prysmian Group's historical operating results, nor are they meant to be predictive of future results. The operating and financial indicators detailed in this Sare used by management of the Prysmian Group to monitor the underlying performance of the business and the operations. Since all companies do not calculate these measures in an identical manner, the Prysmian Group's presentation of such measures may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data.

6.1 Years ended 31 December 2009, 2008 and 2007

The following table presents the reconciliation of Prysmian Group Adjusted Operating Income to operating income for the periods indicated:

	For the year ended 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Operating income	**386**	**448**	**508**
IPO costs[(1)]	—	—	8
Company reorganisation[(2)]	13	8	6
Shutdown of production facilities[(3)]	6	3	—
Antitrust investigation legal costs[(4)]	11	—	—
IT system segregation[(5)]	—	1	1
Special project costs[(6)]	4	3	—
Environmental remediation[(7)]	3	—	—
Settlement with Pirelli & C. S.p.A.[(8)]	—	—	(21)
Acquisition price adjustment of the Energy and Telecom Cables & Systems divisions from Pirelli & C. S.p.A.[(9)]	—	—	(39)
Disposal of Submarine Telecoms Business[(10)]	—	—	1
Badwill from Facab Lynen acquisition[(11)]	—	(3)	—
Provision for tax inspections[(12)]	—	12	—
Fair value change in metal derivatives[(13)]	(91)	—	—
Impairment of production facilities[(14)]	2	5	—
Adjusted Operating Income	**334**	**477**	**464**

(1) Adjustment represents costs incurred by Prysmian in connection with Prysmian initial public offering of their ordinary shares.

(2) (3) Adjustments represent costs associated with restructuring undertaken to cut back production capacity to current levels of demand, including i) the costs of closing the St. Jean de Richelieu plant in Canada in the year ended 31 December 2009; ii) the costs of closing the factory in Eastleigh (United Kingdom) and of reorganising Facab Lynen in the year ended 31 December 2008; and iii) the cost of closing the Prescott plant in United Kingdom which produced copper wire rods (Euro 3 million) and of reorganising a plant in France (Euro 3 million) in the year ended 31 December 2007.

(4) Adjustment represents costs accrued by Prysmian Group in the year ended 31 December 2009 in connection with the antitrust 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.

(5) Adjustment represents costs incurred in the year ended 31 December 2008 and 2007 in connection with the segregation of Prysmian Group information technology systems from those of Pirelli Group following the acquisition.
(6) Adjustment represents costs associated with special acquisition projects, Euro 4 million in the year ended 31 December 2009 and Euro 3 million in the year ended 31 December 2008.
(7) Adjustment represents costs accrued in the year ended 31 December 2009 in connection with the environmental remediation in Utilities business area relating to the Arco Felice plant.
(8) Adjustment represents the guarantees issued by the Pirelli Group under the acquisition contract. In particular they refer to i) indemnifications of tax liabilities for Euro 5 million; and ii) indemnifications for Euro 16 million, relating to the redefinition of the guarantees issued by the Pirelli Group for possible future liabilities.
(9) Adjustment represents the price adjustment of Euro 39 million net of ancillary charges, relating to the purchase of the assets of the Cable and Energy Systems and Telecom divisions from Pirelli & C. S.p.A. in July 2005.
(10) Adjustment represents costs incurred in the year ended 31 December 2007 and associated with the certain disposal of Submarine Telecoms Business.
(11) Adjustment represents additional income of Euro 3 million, arising from the difference between the fair value of the net assets of Facab Lynen and its acquisition price.
(12) Adjustment represents costs accrued by Prysmian Group in the year ended 31 December 2008 and relating to additional expenses of Euro 12 million for tax provisions relating to an inspection on indirect taxes involving a foreign subsidiary.
(13) Adjustment refers to the fair value change in strategic metal prices derivatives. The relative amounts in the year ended 31 December 2008 and 2007 are classified in net finance costs.
(14) Adjustment refers to i) impairment of Euro 2 million in the year ended 31 December 2009 relating to the plant and machinery at the factories in St.Jean de Richelieu (Canada), Slatina (Romania) and Tianjin (China) and ii) impairment of Euro 5 million in the year ended 31 December 2008 relating to the plant and machinery at the factory in Eastleigh (United Kingdom).

The following table presents the reconciliation of Prysmian Group EBITDA and Adjusted EBITDA for the periods indicated:

	For the year ended 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Profit for the year	252	235	302
Fair value change in metal derivatives[a]	(91)	—	—
Amortisation, depreciation and impairment	71	70	65
Finance costs[a]	292	543	230
Finance income	(240)	(378)	(107)
Share of income from investments in associates and dividends from other companies	(3)	(3)	(2)
Taxes	85	51	85
EBITDA	**366**	**518**	**573**
IPO costs[1]	—	—	8
Company reorganisation[2]	13	8	6
Shutdown of production facilities[3]	6	3	—
Antitrust investigation legal costs[4]	11	—	—
IT system segregation[5]	—	1	1
Special project costs[6]	4	3	—
Environmental remediation[7]	3	—	—
Settlement with Pirelli & C. S.p.A.[8]	—	—	(21)
Acquisition price adjustment of the Energy and Telecom Cables & Systems divisions from Pirelli & C. S.p.A.[9]	—	—	(39)
Disposal of Submarine Telecoms Business[10]	—	—	1
Badwill from Facab Lynen acquisition[11]	—	(3)	—
Provision for tax inspections[12]	—	12	—
Adjusted EBITDA	**403**	**542**	**529**

(a) For each of the year ended 31 December 2008 and 2007 the amount relating to fair value change in metal derivatives has been reported within the line item finance costs. From 2009 the amount, including the comparative for 2008, has been separately disclosed on the income statement.
(1)-(12) See corresponding line items in the table above which reconciles Prysmian Group operating income and Adjusted Operating Income for the relevant periods from 2007 to 2009.

The following table reconciles EBITDA and Adjusted EBITDA for each business division and business area for the year ended 31 December 2009:

	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
				in millions of Euro				
EBITDA	**250**	**31**	**58**	**3**	**342**	**30**	**(6)**	**366**
Company reorganisation[2]	2	7	3	—	12	1	—	13
Shutdown of production facilities[3]	3	3	—	—	6	—	—	6
Antitrust investigation legal costs[4]	8	—	—	—	8	—	3	11
Special project costs[6]	—	—	1	—	1	—	3	4
Environmental remediation[7]	3	—	—	—	3	—	—	3
Adjusted EBITDA	**266**	**41**	**62**	**3**	**372**	**31**	**—**	**403**
EBITDA margin[a]	15.6%	3.0%	9.2%	3.1%	10.2%	7.4%	25.0%	9.8%
Adjusted EBITDA margin[b]	16.7%	4.0%	9.8%	3.1%	11.1%	7.6%	0.0%	10.8%

(1)-(5) See corresponding line items in the table which reconciles Prysmian Group operating income and Adjusted Operating Income for each business division and business area in the year ended 31 December 2009.

(6) Represents EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

(7) Represents Adjusted EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

The following table reconciles EBITDA and Adjusted EBITDA for each business division and business area for the year ended 31 December 2008:

	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
				in millions of Euro				
EBITDA	**284**	**105**	**81**	**—**	**470**	**49**	**(1)**	**518**
Company reorganisation[2]	—	—	8	—	8	—	—	8
Shutdown of production facilities[3]	3	—	—	—	3	—	—	3
IT system segregation[5]	—	—	—	—	—	—	1	1
Special project costs[6]	—	—	3	—	3	—	—	3
Badwill from Facab Lynen acquisition[11]	—	—	(3)	—	(3)	—	—	(3)
Provision for tax inspections[12]	—	8	4	—	12	—	—	12
Adjusted EBITDA	**287**	**113**	**93**	**—**	**493**	**49**	**—**	**542**
EBITDA margin[a]	14.0%	6.4%	9.5%	0.0%	10.1%	9.0%	3.8%	10.1%
Adjusted EBITDA margin[b]	14.2%	6.9%	10.9%	0.0%	10.6%	9.0%	0.0%	10.5%

(1)-(6) See corresponding line items in the table which reconciles Prysmian Group operating income and Adjusted Operating Income for each business division and business area in the year ended 31 December 2008.

(7) Represents EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

(8) Represents Adjusted EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

The following table reconciles EBITDA and Adjusted EBITDA for each business division and business area for the year ended 31 December 2007:

	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
				in millions of Euro				
EBITDA	**236**	**154**	**83**	**2**	**475**	**47**	**51**	**573**
IPO costs[1]	—	—	—	—	—	—	8	8
Company reorganisation[2]	1	1	1	3	6	—	—	6
IT system segregation[5]	—	—	—	—	—	—	1	1
Settlement with Pirelli & C.S.p.A.[8]	—	—	—	—	—	—	(21)	(21)
Acquisition price adjustment of the Energy and Telecom Cables & Systems divisions from Pirelli & C.S.p.A.[9]	—	—	—	—	—	—	(39)	(39)
Disposal of Submarine Telecoms Business[10]	—	—	—	—	—	1	—	1
Adjusted EBITDA	**237**	**155**	**84**	**5**	**481**	**48**	**—**	**529**
EBITDA margin[a]	12.5%	8.5%	10.4%	1.6%	10.3%	8.6%	(106.3%)	11.2%
Adjusted EBITDA margin[b]	12.5%	8.6%	10.6%	4.0%	10.4%	8.6%	0.0%	10.3%

(1)-(6) (1)-(10) See corresponding line items in the table which reconciles Prysmian Group operating income and Adjusted Operating Income for each business division and business area in the year ended 31 December 2007.

(a) Represents EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

(b) Represents Adjusted EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

The following table presents the reconciliation of Prysmian Group Net fixed assets as at 31 December 2009, 2008 and 2007:

	As at 31 December		
	2009	2008	2007
	in millions of Euro		
Property, plant and equipment	872	806	838
Intangible assets	43	31	21
Investments in associates	9	9	9
Available-for-sale financial assets	6	10	13
Assets held for sale	28	26	—
Net fixed assets	**958**	**882**	**881**

The following table presents the reconciliation of Prysmian Group Net working capital as at 31 December 2009, 2008 and 2007:

	As at 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Inventories	443	514	582
Trade receivables	622	734	833
Trade payables	(561)	(650)	(738)
Other receivables/(payables)[(*)]	(25)	(228)	(141)
Net working capital	**479**	**370**	**536**

(*) Other receivables/(payables) include i) Other non-current receivables and payables, net of long-term financial receivables classified in the Prysmian Group net financial indebtedness; ii) Other current receivables and payables, net of short-term financial receivables classified in the Prysmian Group net financial indebtedness; iii) Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the Prysmian Group net financial indebtedness; and iv) current tax payables.

The following table presents the reconciliation of Prysmian Group net financial indebtedness as at 31 December 2009, 2008 and 2007:

	As at 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Long-term financial payables			
Term Loan Facility	864	967	990
Bank fees	(4)	(6)	(8)
New Credit Agreement	**860**	**961**	**982**
Finance leases	2	3	4
Forward currency contracts on financial transactions	3	16	1
Interest rate swaps	2	7	1
Other financial payables	22	5	5
Total long-term financial payables	**889**	**992**	**993**
Short-term financial payables			
Term Loan Facility	100	34	5
Finance leases	2	1	1
Securitization	—	99	—
Interest rate swaps	12	—	—
Forward currency contracts on financial transactions	8	10	7
Other financial payables	50	55	55
Total short-term financial payables	**172**	**199**	**68**
Total financial liabilities	**1,061**	**1,191**	**1,061**
Long term financial receivables	2	1	1
Long term bank fees	4	7	10
Interest rate swaps	—	1	20
Forward currency contracts on financial transactions (non current)	5	12	1
Forward currency contracts on financial transactions	6	15	3
Short term financial receivables	33	45	15
Short term bank fees	3	3	3
Financial assets held for trading	42	38	40
Cash and cash equivalents	492	492	252
Prysmian Group net financial indebtedness	**474**	**577**	**716**

The Prysmian Group net financial position at 31 December 2009, 2008 and 2007 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":

	As at 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Prysmian Group net financial indebtedness	**474**	**577**	**716**
Long term financial receivables	2	1	1
Long term bank fees	4	7	10
Net forward currency contracts on commercial transactions	(3)	3	(22)
Net metal derivatives	(11)	78	11
Net financial indebtedness CESR	**466**	**666**	**716**

6.2 Six months ended 30 June 2010 and 2009 and nine months ended 30 September 2010 and 2009

The following table presents the reconciliation of Prysmian Group Adjusted Operating Income to operating income for the periods indicated:

	For the nine months ended 30 September		For the six months ended 30 June	
	2010	**2009**	**2010**	**2009**
	in millions of Euro			
Operating income	**212**	**309**	**115**	**223**
Company reorganisation[(1)]	6	10	4	6
Antitrust investigation legal costs[(2)]	1	7	—	5
Release of provision for tax inspections[(3)]	(2)	—	(2)	—
Special project costs[(4)]	3	4	3	2
Environmental remediation[(5)]	1	—	1	—
Fair value change in metal derivatives[(6)]	(3)	(88)	17	(75)
Impairment of assets held for sale[(7)]	6	—	5	—
Adjusted Operating Income	**224**	**242**	**143**	**161**

(1) Adjustments represent costs associated with restructuring undertaken to cut back production capacity to current levels of demand, including i) the costs of reorganising some plants primarily in Spain; and ii) the costs relating to the St. Jean de Richelieu plant in Canada, described above, in France and in Spain.

(2) Adjustment represents costs accrued by Prysmian Group in connection with the antitrust 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.

(3) Adjustment represents the income from the release of provisions for a tax inspection involving a foreign subsidiary.

(4) Adjustment represents costs associated with special acquisition projects.

(5) Adjustment represents costs accrued in connection with the environmental remediation relating to the St. Jean de Richelieu plant in Canada.

(6) Adjustment refers to the fair value change in strategic metal prices.

(7) Adjustment refers to impairment mainly relating to the factory in Eastleigh (United Kingdom).

The following table presents the reconciliation of Prysmian Group EBITDA and Adjusted EBITDA for the periods indicated:

	For the nine months ended 30 September		For the six months ended 30 June	
	2010	**2009**	**2010**	**2009**
	in millions of Euro			
Profit for the period	92	204	44	150
Fair value change in metal derivatives	(3)	(88)	17	(75)
Amortisation, depreciation and impairment	63	50	43	32
Finance costs	247	237	185	175
Finance income	(168)	(206)	(133)	(157)
Share of income from investments in associates and dividends from other companies	(2)	(2)	(1)	(2)
Taxes	43	76	20	57
EBITDA	**272**	**271**	**175**	**180**
Company reorganisation[(1)]	6	10	4	6
Antitrust investigation legal costs[(2)]	1	7	—	5
Release of provision for tax inspections[(3)]	(2)	—	(2)	—
Special project costs[(4)]	3	4	3	2
Environmental remediation[(5)]	1	—	1	—
Adjusted EBITDA	**281**	**292**	**181**	**193**

(1)-(5) See corresponding line items in the table above which reconciles Prysmian Group operating income and Adjusted Operating Income for the nine months ended 30 September 2010 and 2009 and for the six months ended 30 June 2010 and 2009.

The following table reconciles EBITDA and Adjusted EBITDA for each business division and business area for the nine months ended 30 September 2010:

	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	**Trade & Installers**	**Industrial**	**Other**	**Total**			
				in millions of Euro				
EBITDA	**179**	**29**	**41**	**(1)**	**248**	**25**	**(1)**	**272**
Company reorganisation[(1)]	1	4	—	—	5	—	1	6
Antitrust investigation legal costs[(2)]	1	—	—	—	1	—	—	1
Release of provision for tax inspections[(3)]	—	(1)	(1)	—	(2)	—	—	(2)
Special project costs[(4)]	—	—	1	2	3	—	—	3
Environmental remediation[(5)]	1	—	—	—	1	—	—	1
Adjusted EBITDA	**182**	**32**	**41**	**1**	**256**	**25**	**—**	**281**
EBITDA margin[(a)]	13.8%	2.6%	7.7%	—	8.3%	7.3%	—	8.2%
Adjusted EBITDA margin[(b)]	14.1%	2.9%	7.7%	—	8.5%	7.3%	—	8.4%

(1)-(5) See corresponding line items in the table which reconciles Prysmian Group operating income and Adjusted Operating Income for each business division and business area in the nine months ended 30 September 2010.

(a) Represents EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

(b) Represents Adjusted EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

The following table reconciles EBITDA and Adjusted EBITDA for each business division and business area for the nine months ended 30 September 2009:

	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
				in millions of Euro				
EBITDA	**183**	**27**	**39**	**3**	**252**	**24**	**(5)**	**271**
Company reorganisation[1]	3	5	1	—	9	1	—	10
Antitrust investigation legal costs[2]	6	—	—	—	6	—	1	7
Environmental remediation[5]	—	—	—	—	—	—	4	4
Adjusted EBITDA	**192**	**32**	**40**	**3**	**267**	**25**	**—**	**292**
EBITDA margin[a]	15.4%	3.6%	8.5%	—	10.2%	7.5%	—	9.8%
Adjusted EBITDA margin[b]	16.2%	4.3%	8.7%	—	10.8%	7.7%	—	10.5%

(1)-(5) See corresponding line items in the table which reconciles Prysmian Group operating income and Adjusted Operating Income for each business division and business area in the nine months ended 30 September 2009.

(a) Represents EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

(b) Represents Adjusted EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

The following table reconciles EBITDA and Adjusted EBITDA for each business division and business area for the six months ended 30 June 2010:

	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
				in millions of Euro				
EBITDA	**119**	**18**	**26**	**(4)**	**159**	**17**	**(1)**	**175**
Company reorganisation[1]	—	3	—	—	3	—	1	4
Release of provision for tax inspections[3]	—	(1)	(1)	—	(2)	—	—	(2)
Special project costs[4]	—	—	1	2	3	—	—	3
Environmental remediation[5]	1	—	—	—	1	—	—	1
Adjusted EBITDA	**120**	**20**	**26**	**(2)**	**164**	**17**	**—**	**181**
EBITDA margin[a]	14.4%	2.6%	7.7%	(6.3%)	8.2%	7.4%	8.3%	8.2%
Adjusted EBITDA margin[b]	14.4%	2.9%	7.7%	(3.2%)	8.5%	7.4%	0.0%	8.4%

(1)-(5) See corresponding line items in the table which reconciles Prysmian Group operating income and Adjusted Operating Income for each business division and business area in the six months ended 30 June 2010.

(a) Represents EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

(b) Represents Adjusted EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

The following table reconciles EBITDA and Adjusted EBITDA for each business division and business area for the six months ended 30 June 2009:

	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	**Trade & Installers**	**Industrial**	**Other**	**Total**			
				in millions of Euro				
EBITDA	**120**	**20**	**25**	**2**	**167**	**16**	**(3)**	**180**
Company reorganisation[1]	2	3	1	—	6	—	—	6
Antitrust investigation legal costs[2]	4	—	—	—	4	—	1	5
Special project costs[4]	—	—	—	—	—	—	2	2
Adjusted EBITDA	**126**	**23**	**26**	**2**	**177**	**16**	**—**	**193**
EBITDA margin[a]	15.0%	4.1%	8.0%	4.4%	10.1%	7.6%	25.0%	9.8%
Adjusted EBITDA margin[b]	15.8%	4.6%	8.4%	4.4%	10.7%	7.6%	0.0%	10.5%

(1)-(4) See corresponding line items in the table which reconciles Prysmian Group operating income and Adjusted Operating Income for each business division and business area in the six months ended 30 June 2009.

(a) Represents EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

(b) Represents Adjusted EBITDA as a percentage of Prysmian Group total sales of goods and services for each business division and business area.

The following table presents the reconciliation of Prysmian Group Net fixed assets as at 30 September 2010 and 30 June 2010:

	As at 30 September	As at 30 June	As at 31 December
	2010	**2010**	**2009**
		in millions of Euro	
Property, plant and equipment	906	931	872
Intangible assets	69	67	43
Investments in associates	9	9	9
Available-for-sale financial assets[*]	3	2	6
Assets held for sale	17	25	28
Net fixed assets	**1,004**	**1,034**	**958**

(*) Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in the Prysmian Group Net financial indebtedness.

The following table presents the reconciliation of Prysmian Group Net working capital as at 30 September 2010 and 30 June 2010:

	As at 30 September	As at 30 June	As at 31 December
	2010	2010	2009
	in millions of Euro		
Inventories	639	608	443
Trade receivables	856	828	622
Trade payables	(814)	(818)	(561)
Other receivables/(payables)(*)	(63)	(21)	(39)
Derivatives (**)	23	(27)	14
Net working capital	**641**	**570**	**479**

(*) Other receivables/(payables) include i) Other non-current receivables and payables, net of long-term financial receivables classified in the Prysmian Group net financial indebtedness; ii) Other current receivables and payables, net of short-term financial receivables classified in the Prysmian Group net financial indebtedness; and iii) current tax payables.

(**) Derivatives include Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the Prysmian Group net financial indebtedness.

The following table presents the reconciliation of Prysmian Group Net financial indebtedness as at 30 September 2010 and 30 June 2010:

	As at 30 September 2010	As at 30 June 2010	As at 31 December 2009
	in millions of Euro		
Long-term financial payables			
Term Loan Facility	770	780	864
Bank fees	(3)	(3)	(4)
New Credit Agreement	**767**	**777**	**860**
Bond	395	396	—
Finance leases	1	2	2
Forward currency contracts on financial transactions	23	35	3
Interest rate swaps	21	20	2
Other financial payables	43	44	22
Total long-term financial payables	**1,250**	**1,274**	**889**
Short-term financial payables			
Term Loan Facility	4	1	100
Bond	10	4	—
Finance leases	1	1	2
Securitization	—	50	—
Interest rate swaps	—	4	12
Forward currency contracts on financial transactions	7	17	8
Other financial payables	58	92	50
Total short-term financial payables	**80**	**169**	**172**
Total financial liabilities	**1,330**	**1,443**	**1,061**
Long term financial receivables	1	2	2
Available-for-sale financial assets (non-current)	80	102	—
Long term bank fees	16	16	4
Interest rate swaps	—	—	—
Forward currency contracts on financial transactions (non current)	2	7	5
Forward currency contracts on financial transactions	3	12	6
Short term financial receivables	66	63	33
Available-for-sale financial assets (current)	71	50	—
Short term bank fees	3	3	3
Financial assets held for trading	44	51	42
Cash and cash equivalents	390	462	492
Prysmian Group net financial indebtedness	**654**	**675**	**474**

The Prysmian Group net financial indebtedness as at 30 September 2010, 30 June 2010 and 31 December 2009 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":

	As at 30 September 2010	As at 30 June 2010	As at 31 December 2009
	in millions of Euro		
Prysmian Group net financial indebtedness	**654**	**675**	**474**
Long term financial receivables	1	2	2
Long term bank fees	16	16	4
Net forward currency contracts on commercial transactions	(10)	22	(3)
Net metal derivatives	(13)	5	(11)
Net financial indebtedness CESR	**648**	**720**	**466**

For information on net financial indebtedness subsequent to 30 September 2010 see Section 28.1.2 (Capitalisation and indebtedness) op Part II of the Offer Memorandum.

7. OPERATING AND FINANCIAL REVIEW AND CAPITAL RESOURCES

7.1 Comparison of the Financial Year 2009 with the Financial Year 2008

7.1.1 General

Prysmian Group sales of goods and services amounted to Euro 3,731 million in 2009 and decreased by 27.5% compared with 2008. The Prysmian Group adjusted EBITDA (after adjusting EBITDA for non recurring income and expenses of Euro 37 million) amounted to Euro 403 million in 2009, and as percentage of sales of goods and services amounted to 10.8% compared to 10.5% in 2008. Profit for 2009 amounted to Euro 252 million increasing by 7.2% compared with 2008.

Starting from 2009 fair value change in metal derivatives are included as a separate line item in the income statement. Prior to 2009 such costs were included within finance income and costs. The discussion below is based on the relevant reclassification of the 2008 information so as to allow a homogeneous comparison.

7.1.2 Income statement

(a) Sales of goods and services

Prysmian Group sales of goods and services decreased by Euro 1,413 million from Euro 5,144 million in 2008 to Euro 3,731 million in 2009. This decrease was due to the combined effect of:

- organic decrease of sales by Euro 894 million due to the negative trend in volumes and prices;
- decrease of sales prices by Euro 428 million due to fluctuations in metal prices (copper, aluminium and lead);
- negative exchange rate effect of Euro 107 million, mainly arising from the average appreciation of the Euro in 2009 against some of the currencies in which the Prysmian Group operates outside the Eurozone.

These factors were only partially offset by the increase in sales of goods and services of Euro 16 million arising from consolidating Facab Lynen Gmbh and Co.Kg. (''Facab Lynen'') for the full year in 2009. Prysmian completed the acquisition of 100% of the share capital of the German cables manufacturer Facab Lynen in June 2008. The results of operations of this entity were only consolidated by Prysmian from the date that control was obtained.

The decrease in organic growth was mainly attributed to the contraction in global demand arising from the world economic crisis. However, the reduction in volumes was greatest in certain lower value-added areas of business with less effect in the higher-value added lines such as High Voltage and Submarine.

(b) Energy Cables and Systems Segment

Sales to third parties in the Energy Cables and Systems segment decreased by Euro 1,280 million from Euro 4,608 million in 2008 to Euro 3,328 million in 2009. The decrease was attributable to an organic decrease in sales of Euro 783 million due to a contraction in volumes, prices and mix as well as a decrease of Euro 414 million in sales prices due to fluctuations in metal prices. Additionally, exchange rates had a negative impact of Euro 98 million. These factors were partially offset by the positive effect of Euro 15 million from consolidating Facab Lynen for the full year.

(i) Utilities

Sales to third parties in the Utilities business area decreased by Euro 430 million from Euro 2,028 million in 2008 to Euro 1,598 million in 2009. The reduction in sales was mainly due to a reduction in organic sales of Euro 282 million due to a reduction in volumes and mix. The reduction in organic sales was mainly related to the Power Distribution line of business, particularly in Central and Eastern Europe and the United States where customers were affected by the absence of policies in support of the sector and tighter credit. Sales related to High Voltage activities were affected by the contraction of demand in North America and Spain and by requests to postpone projects in Russia. Sales in Submarine activities increased due to certain large projects as well as a series of smaller projects carried out in Prysmian's major European markets.

Additionally, the sales of the Utilities business area were negatively impacted by the effects of metal prices and exchange rates.

(ii) Trade and Installers

Sales to third parties in the Trade & Installers business decreased by Euro 609 million from Euro 1,629 million in 2008 to Euro 1,020 million in 2009. The decrease was mainly due to a Euro 350 million decrease in organic sales, Euro 203 million decrease from sales prices due to fluctuations in metal prices and Euro 62 million from negative exchange rate effects.

The organic decrease in sales, due to a decrease in volumes and mix, is mainly due to the general contraction of demand in 2009. In addition to Spain, Great Britain and North America, which were already severely hit by the construction downturn, demand contracted in the major European markets, putting increased pressure on finished products despite the rising price of metals, particularly in the last quarter of 2009.

(iii) Industrial

Sales to third parties in the Industrial business area decreased by Euro 222 million from Euro 850 million in 2008 to Euro 628 million in 2009 due mainly to the combined effect of a Euro 136 million decrease in organic sales and a Euro 85 million reduction arising from reduction in metal prices.

(iv) Other

Sales to third parties in the Other business area decreased by Euro 19 million from Euro 101 million in 2008 to Euro 82 million in 2009. This business area comprises the sale of semi-finished products, raw materials or other goods which are used for the production process of Prysmian Group.

(c) Telecom Segment

Sales to third parties in the Telecom segment decreased by Euro 133 million from Euro 536 million in 2008 to Euro 403 million in 2009. The decrease was due to the following factors:

- organic decrease of sales by Euro 111 million;
- decrease by Euro 14 million of sale prices following a reduction in metal prices;
- negative exchange rate effects of Euro 9 million;
- only partially offset by the positive effect on full year income statement of Euro 1 million from consolidation of Facab Lynen.

The decrease in sales in 2009 primarily reflects the temporary postponement by the principal operators of major investment projects involving copper cables.

(d) Sales by geographical location

Sales in Europe, Middle East and Africa decreased by Euro 958 million from Euro 3,594 million 2008 to Euro 2,636 million in 2009 due to the following factors:

- organic decrease of Euro 540 million, mainly driven by lower volumes in the Trade & Installers, Power Distribution lines of business and Telecom segment;
- decrease of Euro 321 million in metal prices, mainly in the first six months of 2009 and due to the depreciation of the Euro against the US dollar relative to 2008;
- negative effect on sales of goods and services of Euro 113 million due to appreciation of the Euro against other currencies in which Prysmian Group's European companies operate (mainly British pound, Romania leu and Turkish lira);
- only partially offset by the increase by Euro 16 million (+0.4%) due to the consolidation of Facab Lynen.

(i) North America

Sales in North America decreased by Euro 256 million from Euro 605 million in 2008 to Euro 349 million in 2009. The decrease was due to the following factors:

- organic decrease of Euro 244 million, due to lower demand and the closure of a manufacturing facility in Canada;
- decrease of Euro 34 million in metal prices;
- only partially offset by the depreciation of the Euro against the US dollar, which generated a positive exchange rate effects of Euro 22 million (+3.7%).

(ii) Central and South America

Sales in Central and South America decreased by Euro 113 million from Euro 478 million in 2008 to Euro 365 million in 2009. The decrease was due to the combined effects of a Euro 65 million reduction in organic sales, particularly relating to the Trade & Installers business area, and a Euro 48 million reduction due to the combined effect of metals prices and exchange rates.

(iii) Asia and Oceania

Sales in Asia and Oceania decreased by Euro 86 million from Euro 467 million in 2008 to Euro 381 million in 2009 due to an organic reduction in sales of Euro 46 million, especially in the Power distribution line of business in South-East Asia, particularly in Malaysia and Indonesia and negative effects of metal prices and exchange rates for a combined amount of Euro 40 million.

(e) Change in inventories of work in progress, semi-finished and finished goods

The income statement effect of changes in inventories of work in progress, semi-finished and finished goods remained substantially unchanged, amounting to an expense of Euro 51 million and Euro 50 million in 2008 and 2009 respectively.

(f) Other income

Other income decreased by Euro 7 million from Euro 39 million in 2008 to Euro 32 million in 2009. The decrease is due to a decrease of Euro 3 million in miscellaneous other income and a decrease of Euro 3 million in non-recurring other income. In 2008 non-recurring other income amounted to Euro 3 million, compared to nil in 2009, and related to badwill from the Facab Lynen acquisition.

(g) Raw materials and consumables used

Raw materials and consumables used decreased by Euro 1,067 million from Euro 3,127 million in 2008 to Euro 2,060 million in 2009 and as a percentage of Prysmian Group sales of goods and services, decreased by 6% to 55% from 61%. This decrease was mainly driven by a decrease in costs for raw materials of Euro 1,032 million.

(h) Personnel costs

Personnel costs decreased by Euro 34 million from Euro 551 million in 2008 to Euro 517 million in 2009 mainly due to a decrease of Euro 39 million in wages and salaries primarily due to a decrease in the average number of employees from 12,726 in 2008 to 11,852 in 2009. Personnel costs included non-recurring costs of Euro 11 million in 2008 and Euro 17 million in 2009 relating to the closure of production facilities and re-organisation. In 2009 these costs mainly related to the closure of the factory St Jean de Richelieu in Canada and reorganising production in various other countries.

(i) Other expenses

Other expenses decreased by Euro 166 million from Euro 936 million in 2008 to Euro 770 million in 2009. The decrease was mainly driven by the reduction of volumes and the relative associated costs.

Other expenses in 2009 included Euro 20 million of non-recurring costs compared to Euro 16 million in 2008. In 2009 these costs include (i) Euro 11 million relating to antitrust legal costs (ii) Euro 3 million relating to environmental remediation (iii) Euro 4 million special project costs and (iv) Euro 1 million for each of shutdown of production facilities and company reorganisation.

(j) EBITDA and Adjusted EBITDA

As a result of the factors explained above EBITDA decreased by Euro 152 million from Euro 518 million in 2008 to Euro 366 million in 2009. After considering the effects of non-recurring items, adjusted EBITDA decreased by Euro 139 million from Euro 542 million in 2008 to Euro 403 million in 2009. As percentage of sale of goods and services, adjusted EBITDA increased by 0.3% to 10.8% in 2009 from 10.5% in 2008 as the Group focused maximum attention on high-value added businesses which are less exposed to economic cyclical trends and on geographical markets with greater future potential. Adjusted EBITDA was also negatively impacted by the effects of the appreciation of the Euro in 2009 against some of the currencies in which the Group operates outside of the Eurozone.

(k) Energy Cables and Systems Segment

EBITDA of the Energy Cables and Systems segment decreased by Euro 128 million from Euro 470 million in 2008 to Euro 342 million in 2009 whilst adjusted EBITDA decreased by Euro 121 million from Euro 493 million to Euro 372 million. The decrease in adjusted EBITDA is due to the decrease

in contribution margin of Euro 155 million which was only partially offset by a reduction in fixed costs. As a percentage of sales of goods and services adjusted EBITDA increased from 10.6% to 11.1% as the reduction in sales and volumes mainly impacted the lower value-added lines.

The Energy Cables and Systems segment includes the business lines (i) Utilities, (ii) Trade and installers, (iii) Industrial, (iv) Other.

(i) Utilities

Utilities adjusted EBITDA decreased by Euro 21 million from Euro 287 million in 2008 to Euro 266 million in 2009. The decrease in adjusted EBITDA is due to a decrease in contribution margin of Euro 29 million which was only partially offset by a reduction in fixed costs. As a percentage of sales of goods and services, adjusted EBITDA increased from 14.2% to 16.7% due to a higher contribution from more profitable lines of business.

(ii) Trade and Installers

Trade and Installers adjusted EBITDA decreased by Euro 72 million from Euro 113 million in 2008 to Euro 41 million in 2009 and as a percentage of sales of goods and services decreased from 6.9% to 4.0% mainly due to a decrease in the contribution margin of Euro 93 million which was partially offset by a reduction in fixed costs due to cost-cutting actions.

(iii) Industrial

Industrial adjusted EBITDA decreased by Euro 31 million from Euro 93 million in 2008 to Euro 62 million in 2009 and as a percentage of sales of goods and services decreased from 10.9% to 9.8% mainly due to a decrease in contribution margin reflecting the negative sales performance in Europe.

(iv) Other

Others adjusted EBITDA was nil in 2008 compared to Euro 3 million in 2009. Sales in this business area are normally associated with local commercial decisions, do not generate high margins and can vary in size from year to year.

(l) Telecom Segment

Telecom adjusted EBITDA decreased by Euro 18 million from Euro 49 million in 2008 to Euro 31 million in 2009 and as a percentage of sales of goods and services decreased from 9.0% to 7.6%. The decrease in adjusted EBITDA is due to a decrease in contribution margin of Euro 24 million which was partially offset by a decrease in fixed costs.

(m) Amortisation, depreciation and impairment

Amortisation, depreciation and impairment remained substantially unchanged, amounting to Euro 71 million in 2009 compared to Euro 70 million in 2008. Non-recurring amortisation, depreciation and impairment amounted to Euro 5 million in 2008 and Euro 2 million in 2009 relating to impairment of production facilities.

(n) Fair value change in metal derivatives

Fair value change in metal derivatives was a gain of Euro 91 million in 2009 compared to a loss of Euro 68 million in 2008. This reflects the recovery in strategic metal prices starting in July 2009 relative to average prices in the first half of 2009 and at the end of 2008.

(o) Finance costs and income

Net finance income and costs decreased by Euro 45 million from net finance costs of Euro 97 million in 2008 to net finance costs of Euro 52 million in 2009. The decrease in net finance costs was mainly due to:

- a decrease of Euro 24 million in costs related to exchange rate differences and currency hedges;
- a decrease of Euro 12 million in net finance costs due to a reduction in the spread applied to the term loan under the New Credit Agreement from March 2008 and a decrease in the average debt during 2009; and
- the release of Euro 9 million to income after settling a tax dispute in Brazil.

(p) Share of income from investments in associates and dividends from other companies

Share of income from investments in associates and dividends from other companies remained unchanged, amounting to Euro 3 million in 2009 and 2008.

(q) Profit before taxes

As a result of the factors explained above, profit before taxes increased by Euro 51 million to Euro 337 million in 2009 from Euro 286 million in 2008.

(r) Taxes

Taxes amounted to Euro 85 million in 2009 compared to Euro 51 million in 2008. The effective tax rate increased from 18% in 2008 to 25% in 2009. The higher tax rate primarily depends on the reduced utilisation of carry forward tax losses for which no deferred tax assets were recognised in previous years.

(s) Profit

As a result of the factors explained above profit for the year 2009 attributable to owners of the parent increased by Euro 11 million from Euro 237 million in 2008 to Euro 248 million in 2009. Profit or loss attributable to non-controlling interests changed from a loss of Euro 2 million in 2008 to a profit of Euro 4 million in 2009.

7.1.3 Balance Sheet

(a) Net fixed assets

Net fixed assets are calculated as the sum of 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 Prysmian Group net financial indebtedness and assets held for sale.

Net fixed assets increased by Euro 76 million from Euro 882 million as at 31 December 2008 to Euro 958 million as at 31 December 2009. The increase in net fixed assets was mainly due to investments of Euro 91 million in property, plant and equipment mainly driven by projects relating to expansion of a factory in Brazil, completion of the increase in capacity for a factory in Italy, completion of a new factory in Romania for optical cable production and completion of the factory in the United States for the manufacture of high voltage and extra high voltage cables for the North American market. Intangible assets increased by Euro 12 million mainly driven by the development of the SAP consolidation project, aimed at harmonising the information systems in all the Prysmian Group's operations by 2012.

(b) Net working capital

Net working capital is calculated as the sum of inventories, trade receivables, other current and non-current receivables (net of long-term and short-term financial receivables classified in Prysmian Group net financial indebtedness), derivatives (net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the Prysmian Group net financial indebtedness) and less the sum of trade payables, current tax payables and other current and non-current payables

Net working capital increased by Euro 109 million from Euro 370 million as at 31 December 2008 to Euro 479 million as at 31 December 2009. The increase mainly relates to the increase in working capital employed in High Voltage and Submarine projects. This increase was partially offset by a decrease of Euro 71 million in inventories, relating to the reduction in metal prices, which lowered the value of metal in the Group's inventory compared to December 2008 and due to the Group's strategy to lower inventory levels in view of the lower operating volumes.

(c) Provisions

Provisions is calculated as the sum of current and non-current portion of provisions for risk and charges, provisions for deferred tax liabilities and less deferred tax assets. Provisions increased by Euro 36 million from Euro 87 million as at 31 December 2008 to Euro 123 million as at 31 December 2009. The change in provisions mainly relates to movements in deferred taxes.

(d) Employee benefit obligations

Employee benefit obligations increased by Euro 17 million from Euro 125 million as at 31 December 2008 to Euro 142 million as at 31 December 2009 mainly relating to change in the actuarial assumptions primarily relating to German pension funds.

(e) Prysmian Group net financial indebtedness

Prysmian Group net financial indebtedness decreased by Euro 103 million from Euro 577 million as at 31 December 2008 to Euro 474 million as at 31 December 2009 mainly due to repayments of amounts due under securitization agreements whereby an amount of Euro 99 million was outstanding as at 31 December 2008 compared to nil as at 31 December 2009.

7.1.4 Cash flow statement

Net cash and cash equivalents amounted to Euro 492 million as at 31 December 2008 and 2009.

(a) Net cash flow provided by operating activities

Net cash flow provided by operating activities decreased by Euro 173 million to Euro 329 million in 2009 from Euro 502 million in 2008 mainly due to the reduction of Euro 152 million in EBITDA and the increase in working capital employed in long-term projects which generated cash of Euro 66 million in 2008 compared to Euro 36 million in 2009.

(b) Net cash used in investing activities

Net cash flow used in investing activities remained substantially unchanged showing a decrease of Euro 5 million to Euro 95 million in 2009 from Euro 100 million in 2008. Net investments in 2009 amounted to Euro 106 million, Euro 9 million less than in the previous year. Investments in 2009 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) and to the construction of a new plant in North America to produce Extra High Voltage cables and to investments in improving industrial efficiency.

(c) Net cash used in financing activities

Net cash flow used in financing activities increased by Euro 89 million to Euro 240 million in 2009 from Euro 151 million in 2008 mainly due to i) changes in net finance payables of Euro 165 million only partially offset by ii) decrease of Euro 42 million in net finance costs paid and iii) purchase of treasury shares of Euro 30 million in 2008 (nil in 2009).

7.2 Comparison of the Financial Year 2008 with the Financial Year 2007

7.2.1 General

Prysmian Group sales of goods and services amounted to Euro 5,144 million in 2008 and increased by 0.5% compared with 2007. The Prysmian Group adjusted EBITDA (after adjusting EBITDA for non recurring income and expenses of Euro 24 million) amounted to Euro 542 million in 2008, and as percentage of sales of goods and services increased from 10.3% in 2007 to 10.5% in 2008. Profit in 2008 amounted to Euro 235 million decreasing by 22% compared with 2007.

At the beginning of June 2008, Prysmian completed the acquisition of 100% of the German cables manufacturer Facab Lynen Gmbh & Co.Kg. (now Prysmian Kabelwerk Lynen Gmbh & Co.Kg.). This entity contributed Euro 31 million to the Prysmian Group's sales of goods and services in 2008.

7.2.2 Income statement

(a) Sales of goods and services

Prysmian Group sales of goods and services remained substantially stable, amounting to Euro 5,144 million in 2008 compared to Euro 5,118 million in 2007. The positive impacts from organic growth in sales of Euro 213 million arising from positive trends in volumes and mix together with the impact of consolidating Facab Lynen, which contributed Euro 31 million during the period that it was consolidated in 2008 were almost entirely offset by a decrease of Euro 51 million in sales prices due to metal price fluctuations and negative exchange rate effects of Euro 167 million and in particular the negative impacts deriving from the average appreciation of the Euro against almost all of the currencies in which the Prysmian Group operates outside of the Eurozone.

(b) Energy Cables and Systems Segment

Sales to third parties in the Energy Cables and Systems segment increased by Euro 25 million from Euro 4,583 million in 2007 to Euro 4,608 million in 2008. This increase was attributable to organic growth in sales of Euro 185 million and consolidation of Facab Lynen which contributed sales of Euro 29 million. These positive factors were only partially offset by negative exchange rate effects of Euro 144 million and a decrease of Euro 45 million in sales prices due to fluctuations in metal prices.

The Energy Cables and Systems segment includes the business lines (i) Utilities (ii) Trade and Installers (iii) Industrial and (iv) Other.

(i) Utilities

Sales to third parties in the Utilities business increased by Euro 134 million from Euro 1,894 million in 2007 to Euro 2,028 million in 2008 due to an organic growth in sales of Euro 230 million which was only partially offset by a decrease of Euro 14 million in sales prices due to fluctuations in metals prices and negative exchange rate effects of Euro 82 million.

The organic growth arose from an increase in volumes and a change in mix. Growth was mainly concentrated in the High Voltage, Accessories and Submarine businesses due to strong demand for major projects worldwide together with a focus on customised, high-tech products. In order to meet the strong demand the Prysmian Group, during the previous 2 years, expanded production facilities in Italy, Finland, Holland and France. As well as major projects in Italy, the USA, the United Kingdom and Qatar, Prysmian performed a series of smaller projects in its major European markets and developed projects in Russia and the Persian Gulf during the first nine months of 2008.

(ii) Trade and Installers

Sales to third parties in the Trade and Installers business decreased by Euro 173 million from Euro 1,802 million in 2007 to Euro 1,629 million 2008 due to the negative impacts of Euro 54 million relating to exchange rate movements, a decrease of Euro 28 million relating to fluctuations in metal prices and a decrease of Euro 91 million in organic growth.

The markets in which Prysmian operates showed significant signs of contraction in the second half of 2008. Spain, the United Kingdom and North America were already deeply affected by the downturn in the construction sector and demand also began to contract in the major European markets, with increased pressure on finished product prices. Prysmian sought to limit the contraction in sales volumes as far as possible and to avoid pressure in sales prices. The focus has been to react quickly to changes in specific markets by increasing penetration of high value-added products and demand for non-residential applications.

(iii) Industrial

Sales to third parties in the Industrial business increased by Euro 55 million from Euro 795 million in 2007 to Euro 850 million in 2008 due to the first-time consolidation of Facab Lynen, which contributed sales to third parties of Euro 29 million and an increase in organic sales of Euro 39 million mainly due to the growth of sales in Europe, where the main focus was on special-application products, a high increase in oil and gas projects throughout the world and a 15.9% increase in sales volumes relating to umbilical cables at Via Velha plant in Brazil.

(iv) Others

Sales to third parties in the Others business increased by Euro 9 million from Euro 92 million in 2007 to Euro 101 million in 2008. This business area relates to the sale of semi-finished products, raw materials or other goods which are part of the production process and occasionally produced by the operating units of the Prysmian Group.

(c) Telecom Segment

Sales to third parties in the Telecom segment were substantially unchanged amounting to Euro 535 million in 2007 compared to Euro 536 million in 2008. The organic growth of Euro 28 million was substantially offset by negative effects from exchange rates of Euro 23 million and a decrease in sales price of Euro 6 million.

Organic growth was strong in 2008 due to the development of the optical cables business. Sales of optical cables continued to grow significantly in Europe, Australia and in North America, which allowed the Group to limit the negative effects of a weaker Indian market. As well as launching several projects in the field of optical fibres performance was strong in Brazil with high volumes in the domestic and export markets.

(d) Sales by geographical location

Sales in Europe, Middle East and Africa increased by Euro 38 million from Euro 3,556 million in 2007 to Euro 3,594 million in 2008 mainly due to the organic growth of Euro 135 million principally driven by High Voltage and Submarine projects. However, the increase in volumes was partially offset by negative exchange rate effects of Euro 94 million due to the appreciation of the Euro against the other currencies in which Prysmian's Group European entities operate and a decrease of Euro 34

million in metal prices arising from a combined effect of the reduction in metal prices and the depreciation of the Euro against the US dollar in the second half of the year.

(i) North America

Sales in North America decreased by Euro 27 million from Euro 632 million in 2007 to Euro 605 million in 2008 mainly due to the negative exchange rate effects of Euro 41 million following the appreciation of the Euro against the US dollar which was only partially offset by organic growth of Euro 18 million mainly driven from growth in High Voltage and Telecoms businesses.

(ii) Latin America

Sales in Central and South America increased by Euro 17 million from Euro 461 million in 2007 to Euro 478 million in 2008 due to organic growth, particularly in the second half of the year and mainly from cables for the Oil and Gas industry.

(iii) Asia Pacific

Sales in Asia and Oceania were substantially unchanged, amounting to Euro 469 million in 2007 and Euro 467 million in 2008, as the strong organic growth from new projects was offset by negative exchange rate effects and the impact of movements in metal prices.

(e) Change in inventories of work in progress, semi-finished and finished goods

The income statement effect of changes in inventories of work in progress, semi-finished and finished goods was a positive amount of Euro 27 million in 2007 compared to an expense of Euro 51 million in 2008 which mainly arose from the change in inventories of finished products.

(f) Other income

Other income decreased by Euro 72 million from Euro 111 million in 2007 to Euro 39 million in 2008, mainly due to a decrease of Euro 11 million in insurance reimbursements and indemnities and a decrease of Euro 57 million in non-recurring income from Euro 60 million in 2007 to Euro 3 million in 2008.

In 2008 non-recurring other income related to badwill of Euro 3 million arising from the Facab Lynen acquisition. Non –recurring other income in 2007 included Euro 39 million from the acquisition price adjustment relating to the acquisition of the Energy Cables and Systems divisions from Pirelli & C. S.p.A. in July 2005 and Euro 21 million received from Pirelli and C. S.p.A. as part of guarantees issued by them in relation to such acquisition.

(g) Raw materials and consumables used

Raw materials and consumables used decreased by Euro 71 million to Euro 3,127 million in 2008 from Euro 3,198 million in 2007. The decrease was mainly due to a decrease of Euro 95 million in raw materials purchased primarily driven by the decrease of metal prices.

(h) Personnel costs

Personnel costs were substantially consistent amounting to Euro 548 million in 2007 and Euro 551 million in 2008. Personnel costs in 2008 and 2007 included non-recurring costs of Euro 11 million and Euro 4 million respectively relating to the shutdown of production facilities and reorganisation. In 2008 this mainly relates to costs of closing the factory in Eastleigh, United Kingdom and reorganising Facab Lynen Gmbh & Co. Kg.

(i) Other expenses

Other expenses were substantially consistent amounting to Euro 937 million in 2007 and Euro 936 million in 2008. Other expenses in 2008 and 2007 included non-recurring costs of Euro 16 million and Euro 12 million respectively. The non-recurring costs in 2008 included Euro 12 million relating to provisions for tax inspections, Euro 3 million relating to costs from unsuccessful acquisition projects and Euro 1 million for costs related to IT system integration. In 2007 non-recurring costs included Euro 8 million for IPO costs, Euro 2 million for shutdown of production facilities and Euro 1 million for each of disposal of submarine telecoms business and IT systems integration.

(j) EBITDA and Adjusted EBITDA

As a result of the factors explained above EBITDA decreased by Euro 55 million from Euro 573 million in 2007 to Euro 518 million in 2008. After considering the effects of the non-recurring items explained above. Adjusted EBITDA increased by Euro 13 million from Euro 529 million in 2007 to

Euro 542 million in 2008. As a percentage of sales of goods and services, adjusted EBITDA increased from 10.3% in 2007 to 10.5% in 2008. The improvement in adjusted EBITDA is due to an increase of Euro 10 million in contribution margin and a reduction of Euro 3 million in fixed costs.

(k) Energy Cables and Systems Segment

EBITDA of the Energy Cables and Systems segment decreased by Euro 5 million from Euro 475 million in 2007 to Euro 470 million in 2008 whilst adjusted EBITDA increased by Euro 12 million from Euro 481 million in 2007 to Euro 493 million in 2008. The improvement in adjusted EBITDA is mainly due to an increase of Euro 10 million in contribution margin and a reduction of Euro 2 million in fixed costs.

(i) Utilities

Utilities adjusted EBITDA increased by Euro 50 million from Euro 237 million in 2007 to Euro 287 million in 2008 and as a percentage of sales increased from 12.5% to 14.2% mainly due to an increase in the contribution margin of Euro 51 million reflecting the higher contribution from more profitable activities.

(ii) Trade and Installers

Trade and Installers adjusted EBITDA decreased by Euro 42 million from Euro 155 million in 2007 to Euro 113 million in 2008 and as a percentage of sales decreased from 8.6% to 6.9% mainly due to a decrease in the contribution margin of Euro 49 million, which in part is attributable to volatility in raw materials prices. The decrease in contribution margin was partially offset by a reduction in fixed costs due to cost-cutting actions.

(iii) Industrial

Industrial adjusted EBITDA increased by Euro 9 million from Euro 84 million in 2007 to Euro 93 million in 2008 and as a percentage of sales increased from 10.6% to 10.9% mainly due to an increase in the contribution margin of Euro 12 million reflecting the previously discussed growth of sales in Europe and high increase in oil and gas projects.

(iv) Others

Others adjusted EBITDA was nil in 2008 compared to 5 million in 2007. Sales in this business area are normally associated with local commercial decisions, do not generate high margins and can vary in size from year to year.

(l) Telecom Segment

Telecom adjusted EBITDA was substantially unchanged amounting to Euro 48 million in 2007 and Euro 49 million in 2008 and as a percentage of sales increased from 8.6% to 9.0%.

(m) Amortisation, depreciation and impairment

Amortisation, depreciation and impairments amounted to Euro 70 million in 2008 compared to Euro 65 million in 2007. The increase of Euro 5 million is mainly due to non-recurring impairment losses of Euro 5 million in 2008 (nil in 2007) relating to plant and machinery at the plant in Eastleigh in the United Kingdom which was closed in July 2008.

(n) Finance costs and income

Net finance income and costs increased by Euro 42 million to net finance costs of Euro 165 million in 2008 from Euro 123 million in 2007. The increase in net finance costs was mainly due to the combined effects of the following factors:

- an increase of Euro 61 million in losses recognised in the income statement relating to fair value of metal derivatives (Euro 68 million in 2008 compared to Euro 7 million in 2007); and
- an increase of Euro 37 million in costs associated with exchange rate differences and currency hedges (costs of Euro 27 million in 2008 compared to gains of Euro 10 million in 2007) ;

These factors were partially offset by:

- Euro 59 million in write-offs of bank fees recorded in 2007 compared to nil in 2008. In 2007 the bank fees relating to the unamortized portion of the bank fees under the previous facility agreement were expensed in the income statement when the New Credit Agreement was agreed;

- lower finance costs due to the reduction in the average debt during the year ended 31 December 2008 compared to 2007 together with a reduction in the costs of funding under the New Credit Agreement.

(o) Share of income from investments in associates and dividends from other companies

Share of income from investments in associates and dividends from other companies remained substantially unchanged, amounting to Euro 3 million in 2008 and Euro 2 million in 2007.

(p) Profit before taxes

As a result of the factors explained above profit before taxes decreased by Euro 101 million, from Euro 387 million in 2007 to Euro 286 million in 2008.

(q) Taxes

Taxes decreased by Euro 34 million from Euro 85 million in 2007 to Euro 51 million in 2008.

(r) Profit

As a result of the factors explained above profit for 2008 attributable to owners of the parent decreased by Euro 63 million from Euro 300 million in 2007 to Euro 237 million in 2008. Profit attributable to non-controlling interest decreased from a net income of Euro 2 million in 2007 to a net loss of Euro 2 million in 2008.

7.2.3 Balance sheet

(a) Net fixed assets

Net fixed assets are calculated as the sum of intangible assets, property, plant and equipment, investments and associates, available for sale financial assets net of non-current securities classified as long-term financial receivables in Prysmian Group net financial indebtedness and assets held for sale.

Net fixed assets increased by Euro 1 million from Euro 881 million as at 31 December 2007 to Euro 882 million as at 31 December 2008. The movements in net fixed assets in 2008 mainly reflected Euro 116 million of investments, Euro 70 million in amortisation, depreciation and impairment charge for the year and Euro 14 million relating to the consolidation of the fixed assets of Facab Lynen. The carrying value of net fixed assets was negatively impacted by the depreciation of the US Dollar, the British pound and other currencies against the Euro.

(b) Net working capital

Net working capital is calculated as the sum of inventories, trade receivables, other current and non-current receivables (net of long-term and short-term financial receivables classified in Prysmian Group net financial indebtedness), derivatives (net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the Prysmian Group net financial indebtedness) and less the sum of trade payables, current tax payables and other current and non-current payables.

Net working capital decreased by Euro 166 million from Euro 536 million in 2007 to Euro 370 million in 2008. The decrease is mainly due to the trend in strategic metal process which resulted in a steep reduction in the value of metal included in the Group's working capital, the reduction in working capital relating to High Voltage and Submarine projects and an increase in liabilities as a result of the fair value measurement of trade related derivatives (metal and currency derivatives). Additionally working capital balance were negatively impacted by the effect of translating the financial statements of subsidiaries whose currency is not the Euro.

(c) Provisions

Provisions is calculated as the sum of current and non-current portion of provisions for risk and charges, provisions for deferred tax liabilities and less deferred tax assets. Provisions decreased by Euro 48 million from Euro 135 million as at 31 December 2007 to Euro 87 million as at 31 December 2008. The change in provisions mainly relates to an increase in deferred tax liabilities in the last quarter of 2008.

(d) Employee benefit obligations

Employee benefit obligations increased by Euro 13 million from Euro 112 million as at 31 December 2007 to Euro 125 million as at 31 December 2008 mainly relating to the consolidation of Facab Lynen (employee benefit liabilities of Euro 15 million).

(e) Prysmian Group net financial indebtedness

Prysmian Group net financial indebtedness decreased by Euro 139 million from Euro 716 million in 2007 to Euro 577 million in 2008 mainly arising from an increase of Euro 240 million in cash and cash equivalents partially offset by an increase of Euro 131 million in short term financial payables. The movements in cash and cash equivalents are discussed in ''Cash flow statement''. The increase in short term financial payables relates to an increase of Euro 29 million due under the credit agreement and a drawdown of Euro 99 million under the securitization credit facility.

7.2.4 Cash flow statement

Net cash and cash equivalents increased by Euro 240 million from Euro 252 million as at 31 December 2007 to Euro 492 million as at 31 December 2008.

(a) Net cash provided by operating activities

Net cash provided by operating activities increased by Euro 136 million from Euro 366 million in 2007 to Euro 502 million in 2008 mainly as a result of changes in working capital which generated cash of Euro 66 million in 2008 compared to absorbing cash of Euro 60 million in 2007.

(b) Net cash used in investing activities

Net cash used in investing activities increased by Euro 47 million from Euro 53 million in 2007 to Euro 100 million in 2008. In 2007 the Group received proceeds of Euro 45 million relating to price adjustments and other indemnifications relating to the acquisition of the Energy and Telecom Cables & Systems divisions from Pirelli & C. S.p.A. In 2008 the amount received was Euro 16 million. Additionally, investments in property, plant and equipment and intangible assets increased by Euro 27 million.

(c) Net cash used in financing activities

Net cash used in financing activities decreased by Euro 299 million from Euro 450 million in 2007 to Euro 151 million in 2008 mainly due to changes in net financial payables from payments of Euro 337 million in 2007 to proceeds of Euro 41 million in 2008. Dividends paid amounted to Euro 76 million in 2008 compared to nil in 2007.

7.3 Comparison of the Six Months Ended 30 June 2010 with the Six Months Ended 30 June 2009

7.3.1 General

Prysmian Group sales of goods and services amounted to Euro 2,148 million in the six months ended 30 June 2010 and increased by 16.2% compared with the six months ended 30 June 2009. The Prysmian Group adjusted EBITDA (after adjusting EBITDA for non recurring income and expenses of Euro 6 million) amounted to Euro 181 million in the six months ended 30 June 2010, and as percentage of sales of goods and services amounted to 8.4% compared to 10.5% in the six months ended 30 June 2009. Profit for the six months ended 30 June 2010 amounted to Euro 44 million decreasing by 70.9% compared with six months ended 30 June 2009.

On 15 December 2009 Prysmian acquired Rybinsk Elektrokabel, Russia's producer of electric cables and on 19 January 2010 the Prysmian Group acquired a controlling interest of 51% in the Indian group of Ravin Cables Limited (''***Ravin Cables***''). Ravin Cables manufactures low and medium voltage cables and has a market extending to Africa and the Middle East. Ravin Cables also participates in Power Plus Cable Co. L.L.C. (''***Power Plus Cable***''), a joint venture with the local government. Ravin Cables (including Power Plus Cable effect) and Rybinsk Elektrokabel contributed sales of goods and services of Euro 33 million in the period that they were consolidated by the Prysmian Group in the six months ended 30 June 2010.

7.3.2 Income statement

(a) Sales of goods and services

Prysmian Group sales of goods and services increased by Euro 300 million from Euro 1,848 million in the six months ended 30 June 2009 to Euro 2,148 million in the six months ended 30 June 2010. This increase was due to the combined effect of:

- increase of sales prices by Euro 253 million due to fluctuations in metal prices (copper, aluminium and lead);
- positive exchange rate effects of Euro 78 million;

- as described above, increase in sales of goods and services of Euro 33 million arising from consolidating Ravin Cables in India and Rybinsk Elektrokabel in Russia, and from the proportionate consolidation of 49% of Power Plus Cable in the Middle East.

These factors were only partially offset by the decrease in sales of goods and services of Euro 64 million due to the negative trend in volumes and prices.

(b) Energy Cables and Systems Segment

Sales to third parties in the Energy Cables and Systems segment increased by Euro 284 million from Euro 1,641 million six months ended 30 June 2009 to Euro 1,925 million in the six months ended 30 June 2010. The increase was attributable to the combined effect of:

- increase of sales prices by Euro 245 million due to fluctuations in metal prices;
- positive exchange rate effect of Euro 67 million;
- as described above, increase in sales of Euro 33 million arising from the consolidation of Ravin Cables in India together with Power Plus Cable and Rybinsk Elektrokabel.

These factors were only partially offset by the organic decrease in sales of Euro 61 million due to the negative trend in volumes, prices and mix.

(i) Utilities

Sales to third parties in the Utilities business area increased by Euro 28 million from Euro 801 million in the six months ended 30 June 2009 to Euro 829 million in the six months ended 30 June 2010. The increase in sales was mainly due to:

- increase of sales prices by Euro 41 million due to fluctuations in metal prices;
- positive exchange rate effect of Euro 22 million;
- increase in sales of Euro 12 million arising from consolidating Ravin Cables.

These factors were only partially offset by the decrease in sales of Euro 47 million due to the negative trend in volumes, prices and mix. A large part of this decrease was attributable to the Power Distribution business line due to a contraction in volumes following an absence of policies in support of the sector and tighter credit. Sales in the High Voltage business line and Accessories business line were also affected by the contraction in demand whilst Submarine business line sales increased compared to the same period in the prior year.

(ii) Trade and Installers

Sales to third parties in the Trade and Installers business increased by Euro 210 million from Euro 489 million in the six months ended 30 June 2009 to Euro 699 million in the six months ended 30 June 2010. The increase was mainly due to:

- increase of sales prices by Euro 162 million due to fluctuations in metal prices;
- positive exchange rate effect of Euro 25 million;
- increase in sales of Euro 18 million arising from acquisition of Rybinsk Elektrokabel;
- organic growth in sales of Euro 5 million primarily as a result of a second-quarter recovery in volumes in Europe, Brazil and Australia.

Prysmian Group in this period started a series of commercial initiatives to regain market share in Canada, which had been partially eroded in 2009 after closure of St. Jean de Richelieu plant. Despite price pressure in the construction sector, Prysmian Group consolidated its market share in South America thanks to its wide product range.

(iii) Industrial

Sales to third parties in the Industrial business area increased by Euro 30 million from Euro 314 million in the six months ended 30 June 2009 to Euro 344 million in the six months ended 30 June 2010 due mainly to the following factors:

- increase of sales prices by Euro 36 million due to fluctuations in metal prices;
- positive exchange rate effect of Euro 19 million;
- increase in sales of Euro 3 million relating to Power Plus Cable.

These factors were only partially offset by the decrease in organic sales of Euro 28 million.

In Europe the slight recovery in sales in the sectors of renewable energy, automotive and branchement allowed the Prysmian Group to counterbalance the reduction in volumes in the rail and mining sectors.

(iv) Other

Sales to third parties in the Other business area increased by Euro 16 million from Euro 37 million in the six months ended 30 June 2009 to Euro 53 million in the six months ended 30 June 2010. This business area comprises the sale of semi-finished products, raw materials or other goods which are used for the production process of Prysmian Group.

(c) Telecom Segment

Sales to third parties in the Telecom segment increased by Euro 16 million from Euro 207 million in the six months ended 30 June 2009 to Euro 223 million in the six months ended 30 June 2010. The increase was mainly due to the positive exchange rate effects (Euro 11 million) and an increase in sale prices by Euro 8 million due to higher metal prices. These factors were only partially offset by the decrease in organic sales of Euro 3 million mainly reflecting the temporary postponement of certain projects regarding optical fibre cables, as well as the continued decrease of demand for copper cables.

(d) Sales by geographical location

Sales in Europe, Middle East and Africa increased by Euro 209 million from Euro 1,298 million in the six months ended 30 June 2009 to Euro 1,507 million in the six months ended 30 June 2010 due to the following factors:

- increase of Euro 194 million in metal prices, mainly driven by a rise in prices in the six months ended 30 June 2010 that was amplified by the depreciation of the Euro against the US dollar;
- increase in sales of Euro 18 million arising from the acquisition of Rybinsk Elektrokabel in Russia;
- positive exchange rate effect of Euro 14 million due to depreciation of the Euro against other currencies in which Prysmian Group's European companies operate.

These factors were only partially offset by the decrease in organic sales of Euro 17 million mainly arising from negative price and mix effect of the Trade & Installers and Power Distribution business lines and of the Telecom segment.

(i) North America

Sales in North America increased by Euro 17 million from Euro 172 million in the six months ended 30 June 2009 to Euro 189 million in the six months ended 30 June 2010. This increase was mainly due to the increase in metal prices which contributed for Euro 19 million.

(ii) Central and South America

Sales in Central and South increased by Euro 39 million from Euro 184 million in the six months ended 30 June 2009 to Euro 223 million in the six months ended 30 June 2010. The increase was due to the combined effects of a Euro 29 million positive exchange rate effects from appreciation of the Brazilian real against the Euro and a Euro 21 million increase in metal prices. These factors were only partially offset by the decrease in organic sales of Euro 11 million mainly arising from the contraction in volumes for Power Distribution.

(iii) Asia Pacific and Oceania

Sales in Asia and Oceania increased by Euro 35 million from Euro 194 million in the six months ended 30 June 2009 to Euro 229 million in the six months ended 30 June 2010 due to the following factors:

- positive exchange rate effect of Euro 28 million mainly due to depreciation of the Euro against the Australian dollar.
- increase of Euro 19 million, mainly driven by a rise in metal prices;
- increase in sales of goods and services of Euro 15 million arising from acquisition of Ravin Cables and Power Plus Cable.

These factors were only partially offset by the decrease in organic sales of Euro 27 million mainly arising from the contraction in volumes for Power Distribution and Industrial business area in Australia.

(e) Change in inventories of work in progress, semi-finished and finished goods

The income statement effect of changes in inventories of work in progress, semi-finished and finished goods was an income of Euro 85 million in the six months ended 30 June 2010 compared with a loss of Euro 35 million in the six months ended 30 June 2009. The increase by Euro 120 million mainly related to the higher average price of metal in the six months ended 30 June 2010 compared with same period of the previous year.

(f) Other income

Other income remained substantially unchanged, amounting to Euro 12 million and Euro 14 million in the six months ended 30 June 2010 and 2009 respectively.

(g) Raw materials and consumables used

Raw materials and consumables used increased by Euro 412 million from Euro 1,012 million in the six months ended 30 June 2009 to Euro 1,424 million in the six months ended 30 June 2010 and the percentage of the sum of raw materials and consumables used and change in inventories of work in progress, semi finished and finished goods of Prysmian Group sales of goods and services, increased by 5% to 62% from 57% and this increase was mainly driven by the negative impact of exchange rates.

(h) Personnel costs

Personnel costs increased by Euro 9 million from Euro 261 million in the six months ended 30 June 2009 to Euro 270 million in the six months ended 30 June 2010. This increase was mainly due to an increase in the average number of employees from 12,042 for the six months ended 30 June 2009 to 12,263 for the six months ended 30 June 2010.

Personnel costs in the six months ended 30 June 2010 and six months ended 30 June 2009 included non-recurring costs of Euro 4 million and Euro 6 million, respectively, mainly relating to the costs of reorganising some plants (for further detail please See Section 6).

(i) Other expenses

Other expenses remained substantially unchanged, amounting to Euro 376 million and Euro 374 million in the six months ended 30 June 2010 and 2009 respectively.

(j) EBITDA and Adjusted EBITDA

EBITDA remained substantially unchanged, amounting to Euro 175 million and Euro 180 million in the six months ended 30 June 2010 and 2009 respectively. After considering the effects of non-recurring items, adjusted EBITDA decreased by Euro 12 million from Euro 193 million in the six months ended 30 June 2009 to Euro 181 million in the six months ended 30 June 2010. As percentage of sale of goods and services, adjusted EBITDA decreased to 8.4% in the six months ended 30 June 2010 from 10.5% in the six months ended 30 June 2009. During the first six months of the year, the Euro depreciated against currencies in which Prysmian Group operates outside the Eurozone and thanks to the growth in sales, adjusted EBITDA for the second quarter of 2010 improved by Euro 3 million compared with the corresponding period in 2009.

(k) Energy Cables and Systems Segment

EBITDA of the Energy Cables and Systems segment decreased by Euro 8 million from Euro 167 million in the six months ended 30 June 2009 to Euro 159 million in the six months ended 30 June 2010 whilst adjusted EBITDA decreased by Euro 13 million from Euro 177 million to Euro 164 million. This decline was primarily driven by a reduction in contribution margin, amplified by the negative impact of exchange rates on fixed costs.

The Energy Cables and Systems segment includes the business lines (i) Utilities, (ii) Trade and installers, (iii) Industrial, (iv) Other.

(i) Utilities

Utilities adjusted EBITDA decreased by Euro 6 million from Euro 126 million in the six months ended 30 June 2009 to Euro 120 million in the six months ended 30 June 2010. The decrease in adjusted EBITDA was mainly due to negative impact of exchange rates on fixed

costs. As a percentage of sales of goods and services, adjusted EBITDA decreased from 15.8% to 14.4% due to a decrease in prices, mainly in Power Distribution, and the negative adjusted EBITDA of Rabin Cables as percentage of sales of goods and services.

(ii) Trade and Installers

Trade and Installers adjusted EBITDA decreased by Euro 3 million from Euro 23 million in the six months ended 30 June 2009 to Euro 20 million in the six months ended 30 June 2010 and as a percentage of sales of goods and services decreased from 4.6% to 2.9% mainly due to the negative impact of exchange rates on fixed costs.

(iii) Industrial

Industrial adjusted EBITDA remained unchanged, amounting to Euro 26 million in the six months ended 30 June 2010 and 2009.

(iv) Other

Others adjusted EBITDA was Euro 2 million in the six months ended 30 June 2009 compared to negative adjusted EBITDA of Euro 2 million in the six months ended 30 June 2010. Sales in this business area are normally associated with local commercial decisions, do not generate high margins and can vary in size from year to year.

(l) Telecom Segment

Telecom adjusted EBITDA increased by Euro 1 million from Euro 16 million in the six months ended 30 June 2009 to Euro 17 million in the six months ended 30 June 2010 and as a percentage of sales of goods and services decreased from 7.6% to 7.4%. The increase in adjusted EBITDA was due to Prysmian Group actions to cut fixed costs.

(m) Amortisation, depreciation and impairment

Amortisation, depreciation and impairment increased by Euro 11 million from Euro 32 million in the six months ended 30 June 2009 to Euro 43 million in the six months ended 30 June 2010 mainly due to non-recurring amortisation, depreciation and impairment amounting to Euro 5 million in the six months ended 30 June 2010 and nil in the six months ended 30 June 2009. The remaining increase (Euro 6 million) mainly related to the higher depreciation of Euro 5 million of property, plant and equipment, primarily due the higher investments in 2009.

(n) Fair value change in metal derivatives

Fair value change in metal derivatives was a loss of Euro 17 million in the six months ended 30 June 2010 compared to a profit of Euro 75 million in the six months ended 30 June 2009. This reflects the trend in strategic metal prices which has caused the different fair value of metal as at 30 June 2010 compared with 30 June 2009.

(o) Finance costs and income

Net finance income and costs increased by Euro 34 million from net finance costs of Euro 18 million in the six months ended 30 June 2009 to net finance costs of Euro 52 million in the six months ended 30 June 2010. The increase in net finance costs was mainly due to:

- an increase of Euro 20 million in costs related to exchange rate differences and currency hedges;
- a decrease of Euro 6 million in non-recurring finance income which amounted to Euro 8 million in the six months ended 30 June 2009 and Euro 2 million in the six months ended 30 June 2010; and
- the costs associated with the effects of the Forward Start Agreement and the bond issue.

(p) Share of income from investments in associates and dividends from other companies

Share of income from investments in associates and dividends from other companies amounted to Euro 1 million in the six months ended 30 June 2010 and Euro 2 million in the six months ended 30 June 2009.

(q) Profit before taxes

As a result of the factors explained above, profit before taxes decreased by Euro 143 million to Euro 64 million in the six months ended 30 June 2010 from Euro 207 million in the six months ended 30 June 2009.

(r) Taxes

Taxes amounted to Euro 20 million in the six months ended 30 June 2010 compared to Euro 57 million in the six months ended 30 June 2009. The effective tax rate increased from 27.5% in the six months ended 30 June 2009 to 30.9% in the six months ended 30 June 2010. The higher tax rate primarily depended on the reduced utilisation of carry forward tax losses.

(s) Profit

As a result of the factors explained above profit for the six months ended 30 June 2010 attributable to owners of the parent decreased by Euro 111 million from Euro 146 million in the six months ended 30 June 2009 to Euro 45 million in the six months ended 30 June 2010. Profit or loss attributable to non-controlling interests changed from a profit of Euro 4 million in the six months ended 30 June 2009 to a loss of Euro 1 million in the six months ended 30 June 2010.

7.3.3 Balance Sheet

(a) Net fixed assets

Net fixed assets are calculated as the sum of 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 Prysmian Group net financial indebtedness and assets held for sale

Net fixed assets increased by Euro 76 million from Euro 958 million as of 31 December 2009 to Euro 1,034 million as of 30 June 2010. The increase in net fixed assets was mainly due to the effect of consolidating Ravin Cables and the joint venture Power Plus Cable for the first time. Investments in property, plant and equipment and intangible assets amounted to Euro 31 million which in the calculation of net fixed assets is fully offset by the depreciation and amortisation charge of Euro 38 million.

(b) Net working capital

Net working capital is calculated as the sum of inventories, trade receivables, other current and non-current receivables (net of long-term and short-term financial receivables classified in Prysmian Group net financial indebtedness), derivatives (net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the Prysmian Group net financial indebtedness) and less the sum of trade payables, current tax payables and current and non-current payables.

Net working capital increased by Euro 91 million from Euro 479 million as of 31 December 2009 to Euro 570 million as of 30 June 2010. The increase is partially due to higher net working capital requirements due to the seasonality in sales and to an increase in metal prices, resulting in an increase in the value of metal inventories compared to 31 December 2009. Finally, net working capital increased due to the consolidation of Ravin Cables Limited and Power Plus Cable, which together resulted in an increase in net working capital of Euro 14 million.

(c) Provisions

Provisions decreased by Euro 19 million from Euro 123 million as of 31 December 2009 to Euro 104 million as of 30 June 2010.

(d) Employee benefit obligations

Employee benefit obligations increased by Euro 16 million from Euro 142 million as of 31 December to Euro 158 million as of 30 June 2010.

(e) Prysmian Group net financial indebtedness

Prysmian Group net financial indebtedness increased by Euro 201 million from Euro 474 million as of 31 December 2009 to Euro 675 million as of 30 June 2010. The increase in Prysmian Group net financial indebtedness mainly relates to the increase in long-term financial payables of Euro 385 million, mainly relating to the Bond which was issued in April 2010, for which the carrying value as of 30 June 2010 was Euro 396 million. This increase was partially offset by an increase in total financial assets of Euro 181 million which mainly relates to the investment of a portion of the proceeds from the Bond in available for sale financial assets (Euro 102 million as of 30 June 2010), together with an increase in financial receivables (Euro 84 million as of 30 June 2010 compared to Euro 46 million as of 31 December 2009).

7.3.4 Cash flow statement

Net cash and cash equivalents decreased by Euro 30 million in the six months ended 30 June 2010, compared to a decrease of Euro 148 million in the six months ended 30 June 2009.

(a) Net cash provided by operating activities

Net cash provided by operating activities was nil in the six months ended 30 June 2010 compared to net cash provided of Euro 48 million in the six months ended 30 June 2009. The decrease in net cash provided by operating activities is mainly related to the increase in net working capital. In the six months ended 30 June 2009, changes in working capital absorbed cash of Euro 82 million compared to Euro 140 million in the six months ended 30 June 2010 as a result of the factors explained earlier.

(b) Net cash used in investing activities

Net cash used in investing activities increased by Euro 156 million from Euro 45 million in the six months ended 30 June 2009 to Euro 201 million in the six months ended 30 June 2010. The increase in net cash used in investing activities is mainly due the investment in available for sale financial assets amounting to Euro 152 million as of 30 June 2010, relating to the temporary investment of the cash proceeds from the Euro bond.

(c) Net cash used in financing activities

Net cash used in financing activities was Euro 156 million in the six months ended 30 June 2009 compared to net cash provided from financing activities of Euro 160 million in the six months ended 30 June 2010. The movement is mainly related to changes in net financial payables which absorbed cash of Euro 68 million in the six months ended 30 June 2009 compared to providing cash of Euro 258 million in the six months ended 30 June 2010. The main contributor to this is due to the net proceeds from the Bond which was issued in April 2010.

7.4 Comparison of the Nine Months Ended 30 September 2010 with the Nine Months Ended 30 September 2009

Sales of goods and services increased by Euro 553 million from Euro 2,777 million in the nine months ended 30 September 2009 to Euro 3,330 million in the nine months ended 30 September 2010. The increase in sales of goods and services was attributable to:

- organic sales of Euro 7 million due to higher volumes, mainly relating to the Energy segment;
- increase of Euro 361 million in sales prices due to fluctuations in metal prices (copper, aluminium and lead);
- positive exchange rate effects of Euro 125 million. During the first nine months of 2010, and particularly in the second and third quarter, the Euro depreciated against currencies in which the Prysmian Group operates outside the Eurozone; and
- addition of Euro 60 million resulting from the consolidation of Ravin Cables, Power Plus Cable and Rybinsk Elektrokabel in Russia

Adjusted EBITDA amounted to Euro 281 million in the nine months ended 30 September 2010 compared to Euro 292 million in the nine months ended 30 September 2009. Adjusted EBITDA is calculated after adjusting for the effect of non-recurring income and expenses amounting to Euro 21 million in the nine months ended 30 September 2009 and Euro 9 million in the nine months ended 30 September 2010. The decrease in adjusted EBITDA is primarily attributable to the Utilities business line, which recorded a decrease in adjusted EBITDA of Euro 10 million in the nine months ended 30 September 2010 compared to the same period in 2009 due to a decrease in the contribution margin arising from a decrease in volumes and due to the negative impact of exchange rate movements on fixed costs.

Amortisation, depreciation and impairment increased by Euro 13 million, from Euro 50 million in the nine months ended 30 September 2009 to Euro 63 million in the nine months ended 30 September 2010 mainly as a result of increased investments in 2010 and an impairment loss of Euro 6 million in the nine months ended 30 September 2010 relating to a factory building in Eastleigh, United Kingdom which is no longer operational.

Fair value gains in metal derivatives decreased by Euro 85 million from Euro 88 million in the nine months ended 30 September 2009 to Euro 3 million in the nine months ended 30 September 2010.

Net finance costs increased by Euro 48 million from Euro 31 million in the nine months ended 30 September 2009 to Euro 79 million in the nine months ended 30 September 2010. The main

contributor to the increase in net finance costs related to changes in currency derivatives and exchange rate differences.

Taxes for the period decreased from Euro 76 million in the nine months ended 30 September 2009 to Euro 43 million for the same period in 2010.

As a result of the factors explained above profit for the period attributable to owners of the Group decreased from Euro 203 million in the nine months ended 30 September 2009 to Euro 90 million in the nine months ended 30 September 2010, whilst profit for the period attributable to non-controlling interests increased from Euro 1 million to Euro 2 million for the same period.

7.4.1 Cash flow statement

Net cash and cash equivalents decreased by Euro 102 million in the nine months ended 30 September 2010, compared to a decrease of Euro 121 million in the nine months ended 30 September 2009.

Net cash provided by operating activities

Net cash provided by operating activities was Euro 35 million in the nine months ended 30 September 2010 compared to net cash provided of Euro 100 million in the nine months ended 30 September 2009. The decrease in net cash provided by operating activities is mainly related to the increase in net working capital. In the nine months ended 30 September 2009, changes in working capital absorbed cash of Euro 108 million compared to Euro 179 million in the nine months ended 30 September 2010. The increase in working capital is due to (i) higher net working capital requirements due to the seasonality of sales and the growth in volumes and an increase in working capital in Submarine and High Voltage projects (ii) an increase in metal prices which resulted in an increase in inventories (iii) the impact from the consolidation of Ravin Cables and Power Plus Cable in the nine months ended 30 September 2010 and (iv) negative impact of exchange rate movements.

Net cash used in investing activities

Net cash used in investing activities increased by Euro 161 million from Euro 56 million in the nine months ended 30 September 2009 to Euro 217 million in the nine months ended 30 September 2010. The increase in net cash used in investing activities is mainly due the investment in available for sale financial assets amounting to Euro 152 million as of 30 September 2010, relating to the temporary investment of the cash proceeds from the Euro bond.

Net cash used in financing activities

Net cash used in financing activities was Euro 167 million in the nine months ended 30 September 2009 compared to net cash provided from financing activities of Euro 73 million in the nine months ended 30 September 2010. The movement is mainly related to changes in net financial payables which absorbed cash of Euro 85 million in the nine months ended 30 September 2009 compared to providing cash of Euro 73 million in the nine months ended 30 September 2010. The main contributor to this is due to the net proceeds from the Bond which was issued in April 2010.

7.5 Capital Resources

The Prysmian Group's external sources of finance consist mainly of facilities available under the Existing Credit Agreement signed on 18 April 2007, pursuant to which Prysmian S.p.A. and some of its subsidiaries have been granted a total of Euro 1,700 million in loans and credit facilities which comprise (i) Term Loan Facility of Euro 1,000 million (based on the exchange rate at the date of entering into the agreement) (ii) Revolving Credit Facility of Euro 400 million and Bonding Facility of Euro 300 million. Following its maturity in May 2012, the Existing Credit Agreement will be replaced by the FSF, which has a maturity of 31 December 2014. As of 31 October 2010, the Prysmian Group had unused credit facilities under the Revolving Credit Facility and Bonding Facility of Euro 550 million.

The following table sets forth the Prysmian Group's net financial indebtedness as at 30 September 2010 calculated in accordance with paragraph 127 of the CESR/05-054b Recommendations, implementing EC Regulation 809/2004, and in accordance with the CONSOB instruction of July 26, 2007.

	As at 30 September 2010
	in millions of Euro
A. Cash	9
B. Cash equivalent	381
C. Trading securities	44
D. Liquidity (A)+(B)+(C)	**434**
E. Financial receivable[(1)]	**239**
F. Current bank debt	57
G. Current portion of non current debt	14
H. Other current financial debt	9
I. Current financial debt (F)+(G)+(H)	**80**
J. Net current financial indebtedness (I)-(E)-(D)	**(593)**
K. Non current bank loans	808
L. Bonds issued	395
M. Other non current loans	38
N. Non current financial indebtedness (K)+(L)+(M)	**1,241**
O. Net financial indebtedness CESR (J)+(N)	**648**

(1) Including non-current portion of investments in available for sale financial assets which are held solely for investing the Prysmian Group's liquidity which are not instrumental to the business and are highly liquid.

As explained in Section 6 "Selected Operating Data and Performance Indicators", the Prysmian Group, for management and monitoring purposes, calculates net financial indebtedness including certain long-term financial receivables and excluding derivatives which are not related to debt as follows:

	As at 30 September 2010
	in millions of Euro
Net financial indebtedness Prysmian Group	**654**
Long term financial receivables	1
Long term bank fees	16
Net forward currency contracts on commercial transactions	(10)
Net metal derivatives	(13)
Net financial indebtedness CESR	**648**

7.5.1 Cash equivalents

Cash equivalents amounting to Euro 381 million as of 30 September 2010 mainly relate to bank and postal deposits deposited with leading financial institutions. Cash equivalents are managed centrally by the Prysmian Group's treasury companies or by subsidiaries under the supervision of Prysmian's finance department.

7.5.2 Trading securities

Trading securities amounting to Euro 44 million as of 30 September 2010 relates 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 relating to the temporary investment of available liquidity.

7.5.3 Financial receivables

Financial receivables amounting to Euro 239 million as of 30 September 2010 mainly relate to short term financial receivables of Euro 66 million and available for sale financial assets of Euro 151 million. Investments in short term financial receivables mainly relate to investments in time deposits, as part of the proceeds of the Bond issuance. Investments in available for sale financial assets refer to government and blue chip corporate bonds which are held solely for investing the Prysmian Group's liquidity, and are hence, not instrumental to the Prysmian Group's business.

7.5.4 Current Bank Debt

Current bank debt amounting to Euro 57 million as of 30 September 2010 relates to short term credit facilities used by Prysmian Group subsidiaries.

7.5.5 Bank Debt

Current portion of non-current debt amounting to Euro 14 million as of September 30, 2010 and non-current bank loans amounting to Euro 808 million mainly relate to an amount of Euro 770 million drawn down under the Existing Credit Facility. Pursuant to the Existing Facilities Agreement signed on 18 April 2007, Prysmian and some of its subsidiaries have been granted a total of Euro 1,700 million in loans and credit facilities which comprise (i) a Term Loan Facility of Euro 1,000 million (based on the exchange rate at the date of entering into the agreement), (ii) a Revolving Credit Facility of Euro 400 million and (iii) a Bonding Facility of Euro 300 million.

The Term Loan has a five year term expiring on 3 May 2012 and the terms of repayment are as follows

	Repayment
	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**

(based on the exchange rate at the date of entering into the agreement).

On April 2010, Prysmian made an early repayment of Euro 200 million against the Term Loan; this repayment corresponds to the amounts that were due in 2010 and May 2011.

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 Existing Facilities Agreement requires the Prysmian Group to comply with a series of covenants on a consolidated level. The principal covenants, classified by type are:

7.5.6 Financial covenants

- Ratio between Consolidated EBITDA and Consolidated Total Net Interest Costs (as defined in the Existing Facilities Agreement) must not be lower than 5.50x;
- Ratio between Consolidated Total Net Debt and Consolidated EBITDA (as defined in the Existing Facilities Agreement) must not exceed 2.50x.

In respect of covenants on Distributions, see Section 4.

7.5.7 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.

7.5.8 Defaults

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 Prysmian 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 Prysmian Group.

The lenders are entitled to demand full or partial repayment of the outstanding amounts lent under the Existing Facilities Agreement should any default event occur, together with interest payable and any other amount due under the terms and conditions of the Existing Facilities Agreement.

The following table shows the total credit facilities, amounts drawn down and remaining facility available as of 30 September 2010.

	Total facility	**Used**	**Unused**
	in millions of Euro		
Term loan facility	770	(770)	—
Revolving credit facility	400	(7)	393
Bonding facility	300	(144)	156
Total Existing Facilities Agreement	**1,470**	**(921)**	**549**
Securitization	350	—	350
Total	**1,820**	**(921)**	**899**

7.5.9 Bonds issued

On 30 March 2010, Prysmian completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400 million. The bond, whose issue price was Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bonds were settled on 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market. Prysmian is using the bond proceeds to finance the Prysmian Group's activities, including to refinance its existing debt.

Bonds issued amount to Euro 405 million as of 30 September 2010 (of which Euro 10 million are classified as current portion of non current financial debt and Euro 395 million classified as bonds issued)

7.5.10 Other current financial debt and other non current loans

Other current financial debt amounting to Euro 69 million and other non-current loans amounting to Euro 38 million includes:

- Fair value of derivative financial instruments as of 30 September 2010, comprising forward currency derivatives (Euro 28 million), interest rate derivatives (Euro 21 million), non current net metal derivatives (asset of Euro 2 million) and net forward currency contracts on commercial transactions (asset of Euro 5 million)
- Payables under finance lease agreements amounting to Euro 2 million as of 30 September 2010;

- Euro 3 million relating to Prysmian subsidiaries other financial debt.

7.5.11 New Forward Start Facility

On 21 January 2010, the Prysmian Group entered into a new Forward Start Facility ("***FSF***"), a long-term credit agreement for Euro 1,070 million with a syndicate of prime national and international banks. This agreement expires on 31 December 2014 and may be used to replace the Term Loan Facility and Revolving Credit Facility under the Existing Facilities Agreement at their 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 and some of its subsidiaries (the same as those under the Existing Facilities Agreement) loans and credit facilities for a total of Euro 1,070 million comprising a term loan facility of Euro 670 million and a Revolving Credit Facility of Euro 400 million. In relation to the FSF no collateral security is required. The Bonding Facility is not covered by this new agreement.

The Term Loan will be repayable as follows:

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

Furthermore, under the trade receivables securitisation programme a facility of Euro 350 million is available depending on the value of the underlying trade receivables. This facility was completely undrawn at 30 September 2010.

Finally, most Prysmian Group companies have in place local uncommitted credit facilities for their operating needs.

7.5.12 Cash flow discussions

The following table sets forth the movements in the Prysmian Group's cash flows for the years ended 31 December 2009, 2008 and 2007

	Year ended 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Net cash provided by operating activities	329	502	366
Net cash flow used in investing activities	(95)	(100)	(53)
Net cash flow used in financing activities	(240)	(151)	(450)
Currency translation differences	6	(11)	(4)
Changes in cash and cash equivalents	**—**	**240**	**(141)**
Cash and cash equivalents at the beginning of the period	**492**	**252**	**393**
Cash and cash equivalents at the end of the period	**492**	**492**	**252**

The following table sets forth the movements in the Prysmian Group's cash flows for the nine months ended 30 September 2010 and 2009 and for the six months ended 30 June 2010 and 2009

	Nine months ended 30 September		**Six months ended 30 June**	
	2010	**2009**	**2010**	**2009**
Net cash provided by operating activities	35	100	—	48
Net cash flow used in investing activities	(217)	(56)	(201)	(45)
Net cash flow used in financing activities	73	(167)	160	(156)
Currency translation differences	7	2	11	5
Changes in cash and cash equivalents	**(102)**	**(121)**	**(30)**	**(148)**
Cash and cash equivalents at the beginning of the period	**492**	**492**	**492**	**492**
Cash and cash equivalents at the end of the period	**390**	**371**	**462**	**344**

Cash provided by operating activities during the relevant periods is mainly influenced by movements in working capital. Cash flow used in investing activities primarily relates to investments in property, plant and equipment and intangible assets and during 2010, investments in available for sale financial assets. Net cash flow used in financing activities has changed from cash used to cash provided as a result of the issuance of the Bond in April 2010.

Further discussion on cash flows for the relevant periods are included in Paragraphs 7.1.4, 7.2.4, 7.3.4. and 7.4.*2*.

7.5.13 Financial Risk Management

The Prysmian 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 Prysmian 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 Prysmian Group's finance department and by the purchasing department as far as price risk is concerned, in close cooperation with the Prysmian Group's operating units. Risk management policies are approved by the Prysmian Group's finance, administration and control department, which provides written guidance on managing the above risks and on using financial instruments (derivatives and non-derivatives).

(a) Exchange Rate Risk

The Group operates worldwide and is therefore exposed to exchange rate risk on the various currencies in which it operates (principally the US dollar, British pound, Brazilian real and Australian dollar).

Exchange rate risk arises from trade transactions which have not yet occurred, and from foreign currency assets and liabilities which have already been recorded in the financial statements.

To manage exchange rate risk arising from future trade transactions and the recording of foreign currency assets and liabilities, most of the Group companies use forward contracts taken out by Prysmian 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. Prysmian 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 Prysmian Group's performance and its results of operations and statement of financial position.

(b) Interest rate risk

The interest rate risk to which the Prysmian Group is exposed is mainly due to long-term financial payables, bearing both fixed and variable interest 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 the risk to be immaterial.

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

The Prysmian 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 Prysmian Group Administration, Finance and Control Department, arranging derivative contracts, if necessary.

(c) Price risk

The Prysmian 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 Prysmian Group in its own production processes consist of strategic metals such as copper, aluminium and lead.

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 Prysmian 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").

(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 Prysmian Group Finance Department. The Prysmian 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 Prysmian 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 Prysmian Group Finance Department, which implements procedures aimed at ensuring that Prysmian Group companies deal with independent, high standing, and reliable 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 Prysmian 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 Prysmian Group Finance Department uses cash flow forecasts to monitor the projected level of the Group's liquidity. The Prysmian Group had unused credit facilities under the Revolving Credit Facility and Bonding Facility of Euro 550 million as of 31 October 2010.

7.6 Significant change in the issuer's financial or trading position

There has been no significant change in the financial or trading position of Prysmian which has occurred since 30 September 2010, the date of the third quarter financial statements of Prysmian.

8. INDUSTRY AND BUSINESS

8.1 Industry

In this Offer Memorandum, Prysmian refers to information regarding the cable industry. Prysmian derived this information from its own internal estimates, materials that its competitors have made publicly available and Wire & Cable Quarterly Industry and Market Outlook, which is an industry publication edited by CRU International Ltd. ("CRU"), a major independent organization performing studies in the cable and wire market based on market research and interviews with professional associations and manufacturers. Although Prysmian believes that the sources Prysmian used in developing its estimates are reliable, Prysmian has not independently verified them and cannot guarantee their accuracy or completeness.

8.2 Overview of the Global Cable Industry Market trends

The global cable industry may be divided into two primary markets: energy cables, which are used mainly for transmission and distribution of electrical power, and telecom cables, which are used mainly for the transmission of electrical impulses and/or light signals for voice, data, video and control applications.

8.2.1 Energy cables

After a period of steady expansion during the first half of the 1990s, the energy cables market experienced a slowdown in growth and a decline in profitability during the period starting from the second half of the 1990s until 2001. This slowdown was primarily a consequence of the wave of utility deregulation and privatization in Europe and the United States in the late 1990s, which caused certain recently privatized utility companies to temporarily shift their focus away from capital spending for new projects and towards the optimization of existing infrastructure in order to conserve cash. As a result, overall capital spending levels in the energy cables market declined, which caused prices and margins to contract in some markets.

However, in 2003 market conditions began to improve, as industry capital spending returned to historical levels, driven in part by network expansion and interconnection projects undertaken in response to increasing grid saturation caused by higher electricity consumption. In addition, production capacity contracted following the restructuring and consolidation initiatives implemented by key players in the market including Prysmian. Since 2003, the market has exhibited steady growth in volumes and strengthening prices across all major segments, but the size of the market in terms of net sales has grown at a much faster pace than volumes have grown, mainly as a result of sharp increases in the market price of copper (which typically accounts for a substantial percentage of the final selling price of energy cables) recorded during this period. The market price of copper was relatively stable from 1997 to 2003, but has fluctuated widely in recent years, and reached record high levels in 2006. In the second half of 2006, copper prices exhibited a downward trend, though they remained at historically high levels. Demand remained sustained until the last quarter of 2008, when a general slowdown due to the economic global crisis hit the market impacting volumes and prices including copper prices. Slowdown lasted during 2009 and the first signs of recovery were seen at the end of that year. During 2010, demand continued to recover. Prices also started to recover during 2010 also driven by the increase in copper prices. However, cable manufacturers are generally able to pass changes in copper prices to customers through sale price adjustment mechanisms.

8.2.2 Telecom cables

In general, demand in the telecom cables market is heavily influenced by the continuous increase in the data flow around the world and the level of capital expenditure budgeted by telecom operators. The telecom cables market grew rapidly in the 1990s, as both incumbent and alternative operators invested heavily in network expansion to respond to the increasing demand for internet and other data transfer technologies. However, as a result of overcapacity resulting from excessive investment and a lack of data flow across these networks, which resulted in a general industry downturn, the telecom cables market experienced a sharp decline from 2001 to 2002 as telecom operators cut back their capital spending in response to adverse market conditions. Since 2005, the market has been growing based on renewed global demand and, in particular, the need to connect previously constructed national and regional networks to local users.

Fiber-optic cables. The year 2001 represented a historical peak for the Prysmian Group's fiber-optic cables reference market. Volumes declined sharply from 2001 to 2002 and remained essentially flat until 2004, after which they began to realign with their long-term historical growth pattern, as telecom operators restarted investing in network upgrades and expansions in response to the growing

demand for increased bandwidth and related broadband products. In addition, fiber production capacity was significantly reduced following a large-scale industry restructuring that began in 2002. As a result of the combined effect of these factors, price pressures in its fiber-optic cables reference market have begun to stabilize although prices remain substantially below 2000 levels. The rise in volumes is continuing since and faced a just limited downturn between the end of 2009 and the first half of 2010 due to global economic crisis. From the second-half of 2010, volumes demand returned on the growth path.

Copper telecom cables. After declining from 2001 to 2002, volumes stabilized during the 2002-2004. After 2005, external telecom copper cables started a further long-term declining period. The main driver of this trend has been the increasing shift toward fiber-optic solutions across all segments of the telecommunications industry, offset, in part, by improvements in copper-based data compression techniques, such as xDSL, which have enabled copper cables to remain competitive with certain fiber applications and in some geographical areas, for the time being. The decline in volumes is expected to continue . Copper telecom cables for internal data continued to grow between 2005 and 2008, declined in 2009 due to the economic global downturn, stabilized during 2010 and are now started to recover.

8.3 Market structure

The global cable industry breaks down into a number of distinct segments with diverse product and customer characteristics, demand cycles, competitive drivers and levels of market concentration.

For example, products such as extra-high and high voltage cables, submarine power systems and umbilicals (i.e., cables that allow for the transmission of both energy and fluids) are characterized by value-added, relatively high-margin products where competition is global in nature and product quality, reliability and innovation (more than price) are the key factors for competitive success. However, segments and sub-segments such as medium and low voltage wiring and power distribution cables, are characterized by different product standards depending on jurisdictions and require operators in these segments and sub-segments to make their products available to customers on a prompt and efficient basis. Competition in these segments and sub-segments is geographically more fragmented but, within each relevant market, key competitive factors are price, service quality and economies of scale. Customer characteristics and distribution channels also differ across segments and sub-segments. For example, sales to utilities and telecom companies are generally carried out directly by manufacturers without third-party intermediation, while sales to the trade and installers market are typically conducted through large third-party distributors or installers.

The following chart summarizes the principal segments and sub-segments in which the Prysmian Group operates and the factors that Prysmian believes are key to its success in those segments and sub-segments:

Key Success Factors	***Energy Cables Reference Market***
Utilities	
• Ability to design/execute turnkey solutions • Local installation capabilities • Diagnostic, maintenance and network crash recovery servicing capabilities • Product innovation	Power transmission systems
• Ability to design/execute turnkey solutions • Self-installing capabilities • Diagnostic, maintenance and network crash recovery servicing capabilities • Product innovation	Submarine power systems
• Quality of products, service and technical support • Pricing	Power distribution cables
Network components	
High and Extra-high Voltage • Ability to design • Quality of supplies • Product and technology assortment Medium and Low Voltage • Quality of products, service and technical support • Pricing	
General Wiring	
• Inventory management/reliability of delivery • Product assortment • Pricing	Low voltage wires for residential and commercial buildings
• Quality of co-design and technical support services • Knowledge of the cables' specific features	Specialty products
	Telecom Cables Reference Market
• Service level • Pricing • Product reliability • Innovation	*Fiber-optic cables*
• Location of manufacturing • Service level • Inventory management/reliability of delivery • Product assortment • Pricing	*Copper telecom cables*

8.4 Overview of Energy Cables Reference Market

Energy cables are used primarily for the transmission and distribution of electrical power through utility networks, for carrying electricity within buildings and for specialized industrial applications. The energy cables reference market is divided into two principal segments: (i) the utilities segment, comprising cables used for the transmission (the transport of electricity on high voltage grids from generation sites to distribution systems) and distribution (the transport of electricity from the high voltage grids across distribution systems) of electrical power, with the main customers for these products being large power utilities, grid operators and other developers of energy transmission and distribution infrastructures; (ii) the general wiring segment, comprising, on the one hand, cables used for both residential and commercial construction wiring, with the main customers for these products being third-party distributors and installers and, on the other hand, products used for various specialized industrial applications such as ships, trains, automobiles, or mineral extraction devices, with the main customers for these products being OEM and contractors.

As outlined below, each of the principal segments within the energy cables market is characterized by differing demand trends, success factors, customer bases and competitive landscapes.

(a) Utilities segment

Prysmian divides the utilities segment into four main sub-segments that correspond to its business lines: power transmission systems, submarine power systems, power distribution cables and network components.

In general, trends in the utilities segment are related to the investment policies adopted by utilities in their home country, in connection with the maintenance of existing networks and/or their expansion due to increases in the level of consumption or to the establishment of new residential or commercial areas. Investment flows in the power transmission market sub-segment are influenced considerably by the latest incentives to reinforce network safety features or to exploit renewable energy sources (such as wind or solar power), which are often located in remote and/or offshore areas that require new transmission systems. Each of the four sub-segments in the utilities segment is briefly discussed below.

(i) Power transmission systems

Businesses in the power transmission systems market sub-segment generally focus on the design and installation of extra-high and high voltage cables used for the transmission of electricity from power plant sites to primary distribution networks. Prysmian believes business conditions have improved in the power transmission systems market sub-segment in recent years, largely due to capital spending and utilities' increasing use of outsourcing to complete maintenance and capital projects. Prysmian feels that the following specific factors have contributed to this trend:

- Various countries established regulatory mandates and/or tax and regulatory incentives for increased investment in grid infrastructure, due, in part, to concerns that aging transmission networks can no longer reliably support forecasted increases in electricity consumption.
- In Europe and North America, the main domestic energy suppliers are subject to regulations tying the permissible rate of return on their investments to their total assets. This system may provide incentives for new investment in electricity infrastructures.
- Factors including energy security concerns, market-opening mandates and industry efforts to achieve more efficient capacity utilization by sharing spare power across grids to offset imbalances between the location of generation sites and areas with high concentrations of end users, all contributed to a significant increase in the number of cross-border and cross-regional grid interconnection projects.
- Economic growth in the Asia-Pacific, Middle East and Eastern European regions contributed to increased demand for power transmission cables, as numerous countries in these regions continued to expand and modernize their transmission grids in order to keep pace with growing electricity consumption.

Prysmian believes demand for value-added services in this market sub-segment is growing, due to both the aging of transmission infrastructure and an increasing tendency for utilities to outsource maintenance and system upgrades to third parties. The most important customers for power transmission systems are national transmission grid operators.

Prysmian believes that the level of capital expenditures in the utilities segment will be the key demand driver for the power transmission systems market sub-segment in the medium to long term. Growth expectations for the power transmission systems market sub-segment are favorable due to the

combined impact of: (i) the large number of grid expansion and modernization projects currently in the planning stages; (ii) the expected adoption of more stringent safety and quality-of-service requirements in certain jurisdictions, which is expected to increase demand for high-end cables and maintenance and monitoring services; and (iii) increasing environmental concerns about electromagnetic pollution, which are expected to lead to greater demand for power transmission and distribution infrastructure. In addition, market analysts are forecasting significant growth in the demand for network monitoring and maintenance services due both to the aging of transmission infrastructure and the increasing tendency for utilities to outsource these activities to third parties.

(ii) Submarine power systems

In recent years, there has been a significant expansion of the market for cables used to transmit electricity through submarine cables. Prysmian believes that three major factors have contributed to the growth of the submarine power systems market sub-segment:

- increasing demand for electricity in areas that are not connected to existing transmission grids;
- increasing efforts to interconnect transmission grids across borders and regions in order to improve the security of electricity supply and to permit more efficient capacity utilization by sharing spare power across grids; and
- increasing development of renewable energy sources such as wind, hydro and geothermal power that tend to be located far from population centers (such as, for example, off-shore wind farms that require submarine cables to connect them to transmission grids).

Prysmian believes that critical success factors in this market sub-segment include expertise in installation, systems engineering and project management, possession of a state-of-the art submarine cable-laying vessel and experience in supplying value-added services such as co-design services, technical support, post-installation repairs and preventive maintenance on a global basis.

Key customers in this market sub-segment are national transmission grid operators and other utility companies and consortia.

Prysmian owns a cable-laying vessel, the Giulio Verne, which provides an important competitive advantage in completing important submarine cable projects.

(iii) Power distribution cables and systems

Medium and low voltage power distribution cables are used by electric utilities to connect power transmission grids to final customers.

As in the power transmission systems market sub-segment, utility deregulation had a negative impact on the power distribution cables and systems market sub-segment during the early part of this decade. Demand has recently begun to recover due to continuing growth in electricity consumption (which is saturating existing distribution networks and thus driving the need for infrastructure expansion), government-mandated improvements in service quality and incentives for increased capital expenditure by utilities, and a lack of investment in recent years.

The power distribution cables and systems sub-segment generally are characterized by standardized products. Therefore, cost-efficient production, "design-to-cost" research and development skills, and competitive pricing are critical success factors in this market sub-segment.

Key customers for power distribution cables and systems are national distribution grid operators. Competition is generally regional. Prysmian believes that it is among the main players in the European market, and that Prysmian also enjoys an important position in North America and Australia. In these locations, its Group has worked with the most important national electricity distributors, and has gained considerable experience and a strong position in the market.

Prysmian believes that, volumes of power distribution cables and systems in the Prysmian Group's cover market are expected to rise at a constant average annual rate that is slightly lower than that of the utilities segment as a whole, sustained by increased demand for electricity, and increasing urbanization at population centers, requiring investments for the upgrade and development of distribution networks. In Europe and North America, this trend, already in evidence from 2006 and interrupted in 2009 due to the crisis, is expected to continue as a consequence of the utility companies' need to adjust and upgrade infrastructures after the post-privatization slowdown period. In the Asia-Pacific region, China is expected to drive growth based on its increasing infrastructure needs, while in South America growth is expected, although to a lesser degree than in China, due to the many projects being carried out for the expansion of the electric network in order to reach previously unconnected populations.

(iv) Network components

Network components are accessories used to join cables together as well as to connect cables to various types of network equipment such as transformers, switches, etc. The global market for network components is tied, on the one hand, to the growth of the power transmission systems and submarine power systems market sub-segments, and on the other hand, to the increase in sales volume of cables and systems for energy distribution (especially medium and low voltage cables).

The network components market sub-segment features a broad and highly differentiated product mix, ranging from commoditized products sold in bulk, to highly sophisticated custom-designed solutions produced on a turnkey basis. As in the power transmission systems and power distribution cables market sub-segments, the complexity of required solutions in the network components market sub-segment increases in line with voltage levels, with the market for high voltage network components being characterized by greater technological content and relatively higher margins. Key competitive factors in the network components market sub-segment are quality of products and co-design capabilities. The most important customers for network components are national transmission grid operators and other utilities. Prysmian believes that the Prysmian Group is among the main manufacturers of high and extra-high voltage products of the network components market sub-segment.

(b) General Wiring segment

This segment comprises low voltage cables and other products used for industrial, commercial and residential construction wiring.

The most important customers for these products are distributors and installers, some of whom are very large. Prysmian believes that the most important success factors in this trade channel are product assortment and inventory management. Supply to trade and installers is highly fragmented, although Prysmian believes that increasing emphasis on cost efficiency and the relatively strong bargaining power of distributors vis-à-vis cable manufacturers are likely to stimulate greater concentration of manufacturers in the medium term. Prysmian believes that the Prysmian Group is among the main players in Europe, Central and South America, and Australia.

In general, the trade and installers channel is closely correlated with overall economic trends in the residential and commercial building industries. However, demand for certain value-added products may grow faster, or be uncorrelated with trends in the construction industry to the extent that laws and building codes establishing new and more stringent safety requirements are enacted in specific markets. In addition, Prysmian believes that demand for building wire may grow proportionately faster than the increase in new construction activity as a result of increased use of wiring in new buildings and the increase in the number of wiring renovation projects undertaken to keep pace with the expanding electrical needs of consumers. The key success factors in the residential and commercial building industries are price and prompt availability of products. Prysmian believes that the enactment of new construction or fire protection standards could mitigate these factors to the extent they force earlier adoption of new safety-focused, more sophisticated technologies.

The industrial applications of the energy cables market comprise a wide variety of customized products used for specialty applications by customers in a number of industries, such as the oil & gas, mining, shipbuilding, automotive, chemical, infrastructure, electrical equipment and white goods industries, among others.

Key industrial customers include OEM companies focused on crane, rolling stock and marine equipment and companies active in the infrastructure, mining and transportation industries. An important example is the provision of cabling solutions to the oil, gas and petrochemicals industries, including cabling solutions for offshore oil platforms. This market sub-segment benefits from the increase in the price of oil and the consequent worldwide investment flow towards this industry. Another important example is the manufacture of cabling solutions for automobiles. Prysmian believes that the automotive cabling benefits from increased cable density per vehicle in recent years, which supports the increase in demand.

Prysmian believes that innovation and deep knowledge of the cables' specific functions are an important competitive factor in the industrial applications segment, in addition to quality, reliability of delivery, ability to work with a broad range of technologies and materials and capacity to supply a broad range of products even in small quantities. Prysmian believes that the Prysmian Group has an important position in most industrial applications.

8.5 Overview of the Telecom Cables Reference Market

Telecom cables are used primarily for the transmission of low voltage electric signals (copper cables) or light signals (fiber-optic cables) for voice, data, video and control applications.

The telecom cables reference market is generally subdivided into two segments: (i) the fiber-optic cables segment and (ii) the copper telecom cables segment. As outlined below, each of these segments is characterized by differing demand trends, success factors and competitive landscapes.

(a) Fiber-optic cables segment

Fiber-optic cables are typically deployed in four primary types of communications networks, which are described below:

- Access networks. Access networks are communications systems that connect end users to metropolitan area networks. Historically, access networks have been constructed using copper wire technology due to cost considerations. However, as bandwidth and transmission speed requirements increase, the use of fiber-optic technology is becoming more prevalent in access networks.
- Metropolitan area networks. Metropolitan area networks are communications systems that connect access networks to long-distance networks. They are generally rings of fiber-optic cable used to interlink co-location centers and other key communication nodes within a metropolitan area.
- Long-distance networks. Long-distance networks are inter-city, international, and intercontinental communications systems that employ high fiber count fiber-optic cables and advanced fiber-optic networking equipment for the purpose of transmitting large quantities of data, video and voice communications over long distances.
- Local area networks. Local area networks, or LANs, are communications systems used to connect computer users within an organization (such as an office, campus or data center) in order to enable them to share computer resources and data. As demand for bandwidth has increased, LANs have increasingly used fiber-optic technology to support increased data traffic and broadband applications. Prysmian does not operate in this communications network.

Demand in this segment is essentially a function of the continuing increase of data flow around the world and the level of capital expenditures budgeted by large telecom companies. During the 1990s incumbents and alternative operators sought rapidly to expand their fiber-optic infrastructure and, as a result, large investments were made to build new manufacturing facilities, causing worldwide fiber production capacity to increase sharply. However, notwithstanding consensus industry forecasts, consumer demand for broadband access increased by less than expected, due in part to the lack of compelling content suitable for distribution over such broadband networks. As a result, starting in 2001 telecom operators sharply reduced their network build-out programs, which caused prices for fiber-optic cable to decline significantly and to remain at extremely low levels in the following years. Although demand began recovering in 2004 and the market has exhibited steady volume growth since then, prices remain under significant strain due to a remaining overhang of excess production capacity, also due to the entry and subsequent expansion of production capacity from newcomers especially in Asia.

Prysmian believes that the Prysmian Group is among the main global manufacturers in the fiber-optic cables segment.

(b) Copper telecom cables segment

Copper telecom cables are used for the transmission of voice, data, video and control applications through electric impulses. These copper telecom cables are physically similar to energy cables.

The intrinsic characteristics of the copper telecom cables segment in terms of limited product differentiation, low technological barriers to entry and high relative weight of transportation costs have favored a fragmentation of the demand on a worldwide scale and a strong concentration in the hands of a few operators on the regional level.

In Europe, demand for copper telecom cable is projected to be driven mainly by xDSL applications for the time being, while the North American market is expected to remain essentially stable in the medium term. Prysmian believes that the Prysmian Group is among the main market players in Europe, Brazil and Australia.

8.6 Overview

Management believes that the Prysmian Group is a leading developer, designer, manufacturer, supplier and installer of a broad array of cables for applications in the energy and telecommunications industries. In addition, Prysmian produces and supplies related network components and accessories and provides value-added services such as co-design, project management of cable systems, realisation of turnkey projects, installation services and post-installation maintenance services, principally in the energy sector.

Management believes that the Prysmian Group is one of the world's largest producers of energy cables in terms of revenues, with a strong position in key high value-added segments such as the submarine, high and extra-high voltage power transmission systems for utilities, and is one of the world's largest manufacturers in the telecom cables market.

Prysmian conducts its business through two business segments, which are its reportable segments for financial reporting purposes:

- Energy Cables & Systems: This segment designs, develops, manufactures, distributes and installs a full range of products and related accessories for the underground and submarine transmission and distribution of energy in the form of low, medium, high and extra-high voltage electricity. The Energy Cables & Systems segment is divided into three principal business areas:
  - Utilities, which includes high and extra-high voltage power transmission systems, submarine power systems, low and medium power distribution cables and network components;
  - Trade and Installers, which includes low and medium voltage insulated cables for the distribution of electricity to residential and commercial buildings; and
  - Industrial Applications, which includes customised products used for various speciality applications by customers in the oil and gas, renewable energies, crane, mining, shipbuilding, railway and rolling stock, appliance, automotive, chemical, electrical equipment and infrastructure sectors, among others.

  Through its Energy Cables & Systems segment, Prysmian provides power transmission systems, submarine power systems, power distribution cables and related network components to many of the largest power utilities around the world; builds wires to contractors and distributors in the trade and installers market segment; and cables for various specialty applications to a variety of customers operating in a range of industries, including companies in the OEMs (Original Equipment Manufacturers), oil, gas, petrochemicals, infrastructure, automotive, and white goods industries.
- Telecom Cables & Systems: This segment designs, develops, manufactures, distributes and installs fibre-optic cables for voice, data, video and control applications, as well as broadband connectivity components and accessories. This segment is vertically integrated and manufactures most of the optical fibre used in the production of its fibre-optic cables in its facilities located in Battipaglia (Italy) and Sorocaba (Brazil). Prysmian also manufactures, distributes and installs copper telecom cables.

The Prysmian Group operates on an international basis in Europe (primarily in Italy, France, Spain, the United Kingdom and Germany) and Africa, North America (primarily in the United States and Canada), Central and South America (primarily in Brazil and Argentina) and Asia and Oceania (primarily in China and Australia). As of the date of this Offer Memorandum, Prysmian operates 56 production facilities in 24 countries and employed, as of 31 October 2010, 12,675 people worldwide.

The Prysmian Group's business is well diversified, in particular with regard to the type of products it offers and the end-markets and geographic markets in which it sells its products. This diversity reduces Prysmian's exposure to risks resulting from general economic conditions in individual countries and from economic developments and trends in specific market segments. In the year ended 31 December 2009, none of the Prysmian Group's customers accounted for more than 5 per cent. of its total sales of goods and services to third parties. With regard to its Utilities business area, approximately 55 per cent. of its sales of goods and services in the year ended 31 December 2009 was generated from multiple-year projects, primarily for the development of power and submarine transmission systems on the basis of long-term contracts. In the year ended 31 December 2009, France, which represented its largest single geographic market, accounted for only 10 per cent. of the Prysmian Group's total sales of goods and services to third parties.

In the six months ended 30 June 2010, the Prysmian Group generated sales of goods and services to third parties of Euro 2,148 million, of which Euro 1,925 million, or 89.6 per cent., was generated by its Energy Cables & Systems segment and the remainder primarily by its Telecom Cables & Systems segment, which generated sales of goods and services to third parties of Euro 223 million.

The following table provides a breakdown of the Prysmian Group's sales of goods and services to third parties by segment and business area for the periods indicated.

	Year ended 31 December					
	2009		**2008**		**2007**	
	In million of Euros/as a percentage of total sales of goods and services to third parties					
Energy Cables & Systems	3,328	89.2%	4,608	89.6%	4,583	89.5%
Utilities	1,598	42.8%	2,028	39.4%	1,894	37.0%
Trade & Installers	1,020	27.4%	1,629	31.7%	1,802	35.2%
Industrial Applications	628	16.8%	850	16.5%	795	15.5%
Others	82	2.2%	101	2.0%	92	1.8%
Telecom Cables & Systems	403	10.8%	536	10.4%	535	10.5%
Total	3,731	100.0%	5,144	100.0%	5,118	100.0%

The following table provides a breakdown of the Group's sales of goods and services to third parties by segment and business area for the periods indicated.

	Six months ended 30 June			
	2010		**2009**	
	In million of Euros/as a percentage of total sales of goods and services			
Energy Cables & Systems	1,925	89.6%	1,641	88.8%
Utilities	829	38.6%	801	43.3%
Trade & Installers	699	32.5%	489	26.5%
Industrial Applications	344	16.0%	314	17.0%
Others	53	2.5%	37	2.0%
Telecom Cables & Systems	223	10.4%	207	11.2%
Total	2,148	100.0%	1,848	100.0%

	Nine months ended 30 September			
	2010		**2009**	
	In million of Euros/as a percentage of total sales of goods and services			
Energy Cables & Systems	2,997	90.0%	2,465	88.8%
Utilities	1,292	38.8%	1,191	42.9%
Trade & Installers	1,095	32.9%	754	27.2%
Industrial Applications	529	15.9%	458	16.5%
Others	81	2.4%	62	2.2%
Telecom Cables & Systems	333	10.0%	312	11.2%
Total	3,330	100.0%	1,848	100.0%

The following table provides a breakdown of the Prysmian Group's total sales of goods and services by geographic region for the periods indicated.

	Year ended 31 December					
	2009		2008		2007	
	In million of Euros/as a percentage of total sales of goods and services					
Europe, Middle East and Africa	2,636	70.6%	3,594	69.9%	3,556	69.5%
North America	349	9.4%	605	11.8%	632	12.3%
Central and South America	365	9.8%	478	9.3%	461	9.0%
Asia and Oceania	381	10.2%	467	9.1%	469	9.2%
Total	3,731	100.0%	5,144	100.0%	5,118	100.0%

The following table provides a breakdown of the Prysmian Group's total sales of goods and services by geographic region for the periods indicated

	Six months ended 30 June			
	2010		2009	
	In million of Euros/as a percentage of total sales of goods and services			
Europe, Middle East and Africa	1,507	70.2%	1,298	70.2%
North America	189	8.8%	172	9.3%
Central and South America	223	10.4%	184	10.0%
Asia and Oceania	229	10.6%	194	10.5%
Total	2,148	100.0%	1,848	100.0%

	Nine months ended 30 September			
	2010		2009	
	In million of Euros/as a percentage of total sales of goods and services			
Europe, Middle East and Africa	2,323	69.8%	1,950	70.2%
North America	296	8.9%	269	9.7%
Central and South America	353	10.6%	268	9.7%
Asia and Oceania	358	10.7%	290	10.4%
Total	3,330	100.0%	2,777	100.0%

8.7 History and development

Prysmian's predecessor business was established in Italy in 1879 when Giovanni Battista Pirelli, the founder of the Pirelli Group, decided to diversify his rubber manufacturing business by establishing a factory for the production of insulated telegraph cables and of energy cables. This business, then known as "Pirelli Cavi," began producing submarine telegraph cables in 1886 with the opening of a manufacturing facility in La Spezia, Italy, and progressively extended its product portfolio and expanded its operations internationally in subsequent decades. As part of its expansion, manufacturing facilities were opened in Spain (1902), Great Britain (1914), Argentina (1917) and Brazil (1929), among other countries. In the 1930s, studies and experiments were conducted in connection with the production of telecom cable to expand the carrying capacity of individual circuits, foreshadowing the use of direct distance dialling systems. In the 1950s, the business opened a submarine cables plant near Naples, Italy, a manufacturing facility in Canada and commenced the production and commercialisation of the first energy cables used for the transmission of voltages over

270 kV. As a result of continued research, development and planning, the first cable to transmit electricity at voltages above 400 kV was introduced in the 1960s. In 1982, the business became the first Italian producer of optical fibre when production commenced at its plan in Battipaglia, Italy. As a result of these continuous efforts to expand its commercial and industrial operations internationally, the business grew to become a truly multinational corporation and a leading worldwide player in the global cable industry.

Between 1998 and 2000, four significant acquisitions were completed with the goal of taking advantage of economies of scale, further increasing the size of product portfolio, acquiring know how in certain targeted market segments and entering new geographic markets. In particular:

- In 1998, the energy cables operations of Siemens AG were acquired, which comprised 12 manufacturing plants in Europe, Asia and Africa.
- In 1999, the MM Energy Products Division of Metal Manufacturers, Ltd. in Australia was acquired.
- In 2000, certain energy cables operations from BICC General were acquired in Italy, the United Kingdom, Zimbabwe, Mozambique, Malaysia and China.
- In 2000, two energy cables manufacturing plants were acquired in the Netherlands and Finland from Draka Holding.

In response to the sharp downturn in the energy and telecom cable markets beginning in 2001, the management team devised and executed a worldwide restructuring plan with the goal of rationalising the acquired production facilities, focusing production on higher value-added products and improving the business' ability to react quickly to changes in market conditions. As part of this restructuring programme, at the end of 2001 the Pirelli group (of which the Prysmian Group was part until July 2005) separated its business into two segments under the holding companies Pirelli Cavi e Sistemi Energia S.p.A. and Pirelli Cavi e Sistemi Telecom S.p.A.

In 2005, the Pirelli group decided to dispose of these energy and telecom cable divisions by selling its energy and telecom cable divisions to subsidiaries of the Goldman Sachs group for a total consideration (including transaction expenses) of approximately €1.4 billion.

In particular, Prysmian Cavi e Sistemi Energia S.r.l. (previously Pirelli Cavi e Sistemi Energia S.p.A.) and Prysmian Cavi e Sistemi Telecom S.r.l. (previously Pirelli Cavi e Sistemi Telecom S.p.A.) were acquired by Prysmian S.r.l. (formerly under the name GSCP ATHENA S.r.l.).

Since the completion of the above acquisition, Prysmian S.r.l.'s management has continued to implement various initiatives including, among other things, the re-branding of the business, a simplification of its corporate structure and the refinancing of its debt.

On 16 January 2007, Prysmian S.r.l. was transformed into a joint stock corporation called Prysmian S.p.A. In May 2007, Prysmian S.p.A. became a listed company on the Milan Stock Exchange through a global offering of its ordinary shares comprised of an institutional offering and a public offering to retail investors in Italy.

In December 2009, Prysmian acquired 100 per cent. of Rybinsk Electrokabel in Russia as first step of a broader expansion project of Prysmian in the Russian market. Rybinsk's assets represent a platform for the Prysmian Group to develop further investments in Russia, with the objective of building local production capacity in high technology business areas such as high and extra-high voltage power transmission systems and industrial applications.

On 19 January 2010, the Prysmian Group acquired the controlling stake in the Indian group of Ravin Cables Limited (equal to 51% membership interest) for the gross amount of Euro 26 million. With turnover of around Euro 45 million in the financial year April 2008 – March 2009, Ravin Cables Limited is one of India's most competitive cable manufacturers with a range that includes low and medium voltage cables and a market that extends to Africa and the Middle East. Apart from its principal manufacturing facility in Pune, near Mumbai, Ravin Cables Limited is also present in the Arab Emirate of Fujairah with Power Plus Cable, a joint venture with the local government. Power Plus Cable already has equipment for producing high voltage cable. India's market for High Voltage cables and systems is expected to grow rapidly, thanks to the country's dynamic economy and the need for rapid development of its power transmission and distribution grids.

On 21 January 2010, Prysmian entered into the FSF, a Euro 1,070,000,000 forward-start multi-currency term and revolving credit facilities agreement. The FSF has a maturity of 31 December 2014 and will be utilised to replace Prysmian's Existing Facilities Agreement under the Euro 1,700,000,000

credit agreement dated 18 April 2007 (as amended on June 2007) upon its maturity on 3 May 2012 (see Section 7, Part II, of this Offer Memorandum).

On 5 March 2010, the Offeror received notice from Prysmian (Lux) II S.à r.l. that it had sold 29,432,421 ordinary shares of the Offeror (or 16.240 per cent. of the issued share capital) to selected institutional investors. Goldman Sachs International also sold 1,021,592 ordinary shares of the Offeror (or 0.564 per cent. of the issued share capital). The CEO of the Offeror has purchased, in the context of such disposals, 1,500,000 shares of the Offeror.

On 30 March 2010, Prysmian completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400,000,000. Strong investor interest resulted in the receipt of applications for in excess of Euro 3 billion, meaning that the offer was more than 7.5 times oversubscribed. The bond, the issue price of which was Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bonds were settled on 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market. Prysmian is using the bond proceeds to finance the Prysmian Group's activities, including to refinance its existing debt. On 16 April 2010, Prysmian therefore made an early repayment of Euro 200,000,000 against the Term Loan Facility it received on 4 May 2007 under the Existing Facilities Agreement; this repayment corresponds to the amounts that were due in 2010 and 2011 and means that the outstanding amount of the Term Loan Facility now stands at Euro 770,000,000.

8.8 Recent developments

On 12 October 2010, the Board of Directors of Prysmian updated the by-laws for certain provisions contained in Italian Legislative Decrees nos. 27 and 39 of 27 January 2010 and respectively relating to the exercise of certain rights of shareholders in listed companies and to statutory audits of annual individual and consolidated accounts. More in detail, the by-laws have been amended to replace references to the ''audit of the accounts'' with the new concept of ''statutory audit'', and to amend the procedures governing publication of notices calling shareholders' meetings, governing presentation and publication of lists for the appointment of directors and statutory auditors and governing participation and representation in shareholders' meetings. The by-laws have also been amended to allow shareholders to notify the participation of a proxy at shareholders' meetings by sending the required document to a certified email address.

On 14 October 2010, Prysmian announced the launch of a new customer-centric organisational model, effective as from 1 January 2011, with the creation of two new positions. The Chief Operating Officer (COO), in the person of Massimo Battaini, will be responsible for the Prysmian Group's entire supply chain (purchasing, operations, logistics). The main task of the new COO will be to implement a faster and leaner organisational strategy particularly aimed at accelerating the Prysmian Group's decision-making process and time to market. The Chief Commercial Officer (CCO), in the person of Fabio Romeo, will be accountable for the Prysmian Group's sales and marketing, covering both the Energy and Telecom segments, with the aim of providing all Prysmian businesses with a common approach, a coherent strategy and the right level of resources. One of the main tasks of the new CCO will be to develop a more customer-centric approach, that will further enhance Prysmian's ability to meet customer needs and expectations.

In December 2010, Prysmian launched a process aimed at widening the value of the Financial Covenants for the purpose of maintaining a financial flexibility post completion of the Offer in line with the current one. Such process is expected to be positively completed by the end of January 2011.

On 22 November 2010, Prysmian and Draka jointly announced that they had reached conditional agreement on the terms and conditions of a public offer to be launched by Prysmian to all holders of issued and outstanding ordinary shares of Draka to exchange all or part of their Shares for ordinary shares to be issued by Prysmian and cash. The Offer values Draka at EUR 17.20 per Share (the Initial Announcement).

On 15 December 2010, the Offeror announced that it had sufficient funds available to secure the Offer and that the Offer Memorandum was submitted for approval to the AFM in accordance with Article 7, paragraph 4 of the Bob and to Consob in order to obtain a qualification that it is ''equivalent'' for the purpose of Article 57, paragraph 1, letter c) of the Consob Regulation.

On 4 January 2011 the AFM approved the Offer Memorandum and on 4 January 2011 the Offer Memorandum has been qualified by Consob as ''equivalent'' document.

8.9 Objectives and Strategy

Prysmian intends to achieve its long-term objective of consolidating its position in the worldwide cable market by, among other things, executing the following strategies:

8.9.1 Increase contribution of high value-added businesses.

Prysmian's strategy is to continue to increase the overall profitability of its business by increasing the proportion of total sales of goods and services that is accounted for by high value-added products. To this end, Prysmian intends to continue to grow its high value-added businesses, while improving the profitability and cash flow of other businesses by providing integrated services to carefully selected customers and markets, rather than focusing solely on increasing sales revenues and volumes. In order to grow high value-added business lines, Prysmian focuses on the innovation of current products, customer service and on the expansion of certain selected geographic markets.

To help shift the product mix toward high value-added products and increase presence in markets with high growth rates, from 2003 to 2006 the enamelled wires and transposed wires business Invex SpA and Pirelli Produtos Especiais were disposed of. In addition, in China Prysmian acquired certain of the Angel Group's operations in connection with the production and distribution of cables for industrial applications and OEMs. In 2007 Prysmian strengthened its presence in the Asia-Pacific area by acquiring the business operations of International Wire & Cable Limited (IWC), a cable manufacturer based in New Zealand specialised in aluminium/neutral screened cables. In 2008 Prysmian acquired a German cables manufacturer, Facab Lynen GmbH & Co., a leading player in the higher value-added market of industrial cables in Germany, in particular for renewable energy, transport and mining sectors.

In this context, it is also worth mentioning the acquisitions of Rybinsk Electrokabelin December 2009 and of Ravin Cables, on 19 January 2010 (see Section 8.2, Part II, of this Offer Memorandum)

In businesses that are characterised by more standardised products, where the provision of services and competitive pricing are important factors, such as in the Trade and Installers business area and the power distribution cables and copper telecom cables business lines, Prysmian's strategy is to consolidate its market presence, increase its profitability and generate cash flow through the following actions:

- Power distribution cables. Prysmian plans to continue efforts to roll out new products and technologies, such as P-Laser cables, a new product that is based on a technology that is easier and much cheaper to produce while preserving full compatibility with existing network components.
- Trade and installers. Prysmian seeks to continue to benefit from recent regulatory framework changes (e.g. Europe and North America) which are expected to result in a shift in demand towards higher value-added products, including fire-resistant cables and lead-free cables and continues to restructure the low voltage product portfolio and streamline distribution channels, favouring the ones that will increase profitability in the markets in which Prysmian operates. In terms of geographic markets, Prysmian plans to keep a diversified presence to reduce risks related to the construction market evolution in specific countries.
- Telecom cables. Prysmian intends to leverage on both its established and fast-growing telecom customers to increase sales of telecom cables and systems, and to optimise the use of low cost manufacturing facilities. With regard to fibre optic cables, Prysmian's strategy is to: (i) increase co-operation with telecom system integrators, (ii) increase presence in fast growing markets such as China, (iii) reorient product research and development spending toward efforts to increase the flexibility and simplify the installation of fibre-optic cables and to develop high value added products, and (iv) develop Passive Systems for the FTTX network.

Since the second half of 2008, the Prysmian Group has faced a severe contraction in global demand, confirming the need to focus its strategic guidelines on high value-added segments (e.g. Utilities Transmission, Oil & Gas, Renewables and Optical cables) and to implement actions to improve manufacturing efficiency to offset price pressure due to volume declines in standard products. Although the first nine months of the year 2010 provided the first signs of a recovery in demand, some of the Prysmian Group's products, mainly relating to business lines such as Trade & Installers, and Power Distribution and certain applications in the Industrial business area, are liable to cyclical fluctuations in demand and are affected by trends in the construction industry and by growth in gross domestic product. The Prysmian Group therefore intends to concentrate maximum attention on high technology businesses less exposed to economic cyclical trends and on geographical markets with

greater future potential, also through selective investments in production capacity increase (such as a new HV (high voltage) production facility in the United States of America and a flexible pipes plant in Brazil).

8.9.2 Develop the manufacturing structure in pursuit of strategic objectives and improve the variable cost structure.

To achieve growth objectives and forecasted profitability, Prysmian has instituted a series of changes to its manufacturing structure in pursuit of its expansion strategy and to further reduce costs across all operations. In particular, Prysmian has made and intends to make further investments in facilities that produce high value-added products, such as underground and submarine transmission cables and systems and cables and systems for industrial applications such as the new flexible pipes plant in Brazil; in particular in regions where labour costs are lower, including Eastern Europe, China and Central and South America. In addition, Prysmian focuses on the reduction of variable costs by:

- reducing labour costs as a proportion of total operating costs through organisational improvements, such as training and the repositioning of personnel, and standardising and simplifying the production process;
- minimising waste and the amount of materials used in production by optimising production processes and monitoring equipment and by implementing standardised production procedures based on benchmarking and best practices; and
- reducing per unit raw material costs by implementing more efficient designs and by replacing more expensive raw materials with less costly alternatives to achieve "design-to-cost" objectives.

Prysmian believes it can achieve additional variable cost savings by realising economies of scale, continuing the centralised management of strategic materials, and simplifying distribution channels and marketing activities.

8.9.3 Increase the provision of logistics services and assistance to customers.

In recent years, Prysmian has devoted significant effort to make the Prysmian Group more "customer service" oriented. Prysmian intends to make investments aimed at increasing and improving the logistics services and assistance provided to customers in each of its business areas.

8.9.4 Continue to focus on the research and development of new products and processes.

Prysmian continues to focus on product innovation to meet the needs of customers and thereby grow the businesses in high value-added market segments and sub-segments. In particular, in the Industrial Applications business area and in the Power Transmission Systems and Submarine Power Systems business lines, research is focused on product performance and reliability, as well as compliance with stringent environmental regulations. In the telecom cables market, the Prysmian Group researches and develops innovative fibres and products, such as miniaturised OPGW, "blown" cables and xDSL related products, all of which are characterised by high performance.

Prysmian plans to devote a significant amount of research and development investments over the next few years to the pursuit of its cost reduction strategy, including research projects aimed at increasing the efficiency of use of production processes and materials. The Prysmian Group has an established reputation in industry technological innovation, such as P-Laser technology, which significantly reduces the production costs of certain products through integrated production processes. In addition, Prysmian intends to actively invest in the customisation of new materials to improve the performance of products and competitiveness. To this end, Prysmian plans to continue to study, improve and produce technologically advanced fluids within the Prysmian Group as part of its "design-to-cost" objectives.

8.9.5 Products

(a) Energy Cables & Systems segment

The Energy Cables & Systems segment manufactures and sells a broad range of energy cables and systems, including a wide selection of accessories, including low, medium, high and extra-high voltage power cables and systems. This segment is organised into the following three principal business areas: Utilities, Trade and Installers and Industrial Applications.

The following table shows selected financial highlights for the Energy Cables & Systems segment for the years ended 31 December 2009, 31 December 2008 and 31 December 2007, respectively.

	Year ended 31 December		
	2009	**2008**	**2007**
	In millions of Euro		
UTILITIES			
Sales of goods and services	1,895	2,029	1,598
sales to third parties	1,894	2,028	1,598
Adjusted EBITDA	**237**	**287**	**266**
% of Sales of goods and services	12.5%	14.2%	16.7%
Adjusted operating income	**208**	**256**	**237**
% of Sales of goods and services	11.0%	12.6%	14.7%
TRADE & INSTALLERS			
Sales of goods and services	1,803	1,631	1,021
sales to third parties	1,802	1,629	1,020
Adjusted EBITDA	**155**	**113**	**41**
% of Sales of goods and services	8.6%	6.9%	4.0%
Adjusted operating income	**137**	**100**	**26**
% of Sales of goods and services	7.6%	6.1%	2.5%
INDUSTRIAL			
Sales of goods and services	795	851	628
sales to third parties	795	850	628
Adjusted EBITDA	**84**	**93**	**62**
% of Sales of goods and services	10.6%	10.9%	9.8%
Adjusted operating income	**71**	**80**	**46**
% of Sales of goods and services	9.0%	9.4%	7.3%

The following table shows a comparison of selected financial highlights for the Energy Cables & Systems segment as at 30 June 2010 and 30 June 2009.

	Six months ended 30 June	
	2010	**2009**
	In millions of Euro	
UTILITIES	829	801
Sales of goods and services	829	801
sales to third parties	**120**	**126**
Adjusted EBITDA	14.4%	15.8%
% of Sales of goods and services	**103**	**112**
Adjusted operating income	12.4%	13.9%
% of Sales of goods and services		
TRADE & INSTALLERS	699	489
Sales of goods and services	699	489
sales to third parties	**20**	**23**
Adjusted EBITDA	2.9%	4.6%
% of Sales of goods and services	**13**	**15**
Adjusted operating income	1.8%	3.1%
% of Sales of goods and services		
INDUSTRIAL		
Sales of goods and services	344	314
sales to third parties	344	314
Adjusted EBITDA	**26**	**26**
% of Sales of goods and services	7.7%	8.4%
Adjusted operating income	**17**	**19**
% of Sales of goods and services	5.0%	6.1%

(b) Utilities business area

The Utilities business area includes the following four business lines: *Power Transmission Systems, Submarine Power Systems, Power Distribution Cables and Network Components*. Each of these business lines is described in turn below.

(i) Power Transmission Systems.

The Power Transmission Systems business line designs, produces and installs high and extra-high voltage cables for electricity transmission directly from power plants sites to primary distribution networks. This business line focuses mainly on turnkey solutions, customised to meet customers' needs, which are generally higher value-added products for the Prysmian Group. The complexity of the products in this business line increases as the voltage level of the product increases. Products in this business line include cables insulated with paper impregnated with oil or fluid rated for voltages up to 1,100 kV and extruded polymer insulated cables for voltages below 500 kV. The extra-high voltage and high voltage power transmission products are highly customised and have high technological content. As a result, this business line is not significantly exposed to pricing and margin pressures.

This business line provides customers with installation and post-installation services, as well as network maintenance management services, including network performance monitoring, network cables repair and maintenance, and emergency services, including disaster recovery. The primary customers of this business line are large national power transmission operators.

(ii) Submarine Power Systems.

The Submarine Power Systems business line designs, produces and installs turnkey submarine power systems all around the world. Prysmian develops proprietary cables and accessories utilising all types of submarine power transmission technology, which are suitable for installation at depths of up to 2,000 metres. The product offerings of this business line include cables insulated with paper impregnated with oil or fluid for power transmissions up to 500 kV in direct and alternating currents and extruded polymeric insulation cables for power transmissions up to 400 kV in alternating voltage and up to 200 kV in direct voltage.

Installation, planning and services are a particularly important aspect of this business line. In particular, submarine cables can only be installed using a specially designed cable-laying ship. Considering the limited availability of adequate ships for these purposes, Prysmian's dedicated cable-laying vessel, the Giulio Verne, provides it with an important competitive advantage. This business line includes high value-added products, and the final price of these products is not materially affected by the price of metals.

Prysmian has participated in laying some of the most important submarine energy cable links in the world, including the submarine link SA.PE.I. between Sardinia and the Italian mainland which, as of the date of this Offer Memorandum, was the deepest submarine energy cable link ever laid, and the submarine link between the Australian states of Tasmania and Victoria, which, as of the date of this Offer Memorandum, was the longest submarine energy cable ever laid. The primary customers of this business line are large national power transmission operators.

(iii) Power Distribution Cables and Systems.

The Power Distribution Cables and Systems business line produces and installs medium voltage cables that are used to connect civil and/or industrial facilities to primary distribution networks and low voltage cables used for the distribution of electricity to consumers and building wiring. All of the products in this business line must comply with international standards relating to insulation capacity, fire resistance, smoke emissions and halogen levels. The primary customers of this business line are large national power transmission operators. Prysmian usually adopts contractual automatic price adjustments mechanisms that adjust the price of its products in this business line to reflect the fluctuation in the price of metals.

(iv) Network Components.

The Network Components business line manufactures network components including joints and terminations for low, medium, high voltage and extra-high voltage cables, together with accessories for the connection of cables to other cables and to other network equipment adapted for industrial applications, buildings and infrastructures, such as those for power distribution and transmission applications.

The network components market sub-segment is highly differentiated and is characterised by technological complexity and a level of customisation that increases in line with voltage levels. In particular, network components used in high voltage applications tend to be highly customised and less vulnerable to price and margin pressures.

(c) Trade and Installers

The principal product offerings targeted to the trade and installers market segment include low voltage cables and conductors with thermoplastic and elastomeric insulation for the distribution of electrical power to and within residential and commercial structures. In particular, the Trade and Installers business area produces rigid and flexible cables that have been produced and tested in accordance with local and international standards.

The products offered in this business area may be organised into three categories based on their technical features. The first category (high-end) includes high value-added products, such as fire-resistant cables, cables that, when exposed to flame, emit smoke of limited opacity, and halogen-free cables and other products with relatively high technology content. The second category (medium-range) includes medium voltage cables, flexible cables for buildings and other products of similar technological content. The third category (low-end), which is the largest by volume, comprises low voltage standardised cables, hard cables for buildings and other non-technologically advanced products.

In general, residential and commercial wire products are standardised products, the demand for which is materially impacted by fluctuations in the prices of metals and for which servicing and price are important competitive success factors. However, an increasing proportion of sales to the trade and installers segment consists of niche value-added products. Primary customers in this business area are installers and distributors of electrical materials.

(d) Industrial Applications

Product offerings targeted at the industrial market segment include customised products used for various speciality applications by customers in the chemical, electrical equipment, infrastructure, drilling and refining of oil and gas products, mining and the shipbuilding, railway and automotive industries. In general, Prysmian seeks to concentrate its efforts on providing integrated, value-added cabling solutions that are highly customised to the specific needs of its customers. Prysmian also adopts certain mechanisms which allow it to transfer, to the extent possible, the impact of fluctuations in the price of metals onto the final price of its finished goods in this business area.

The Prysmian Group has divided the Industrial Applications business area into categories, based on the level of technology, purpose and distribution channels. At present, the main categories are: (i) Oil Gas and Petrochemical, which includes products related to the petrochemical industry for oil extraction, both on the mainland (Up-Stream, On-Shore) and on the sea (Up-Stream, Off Shore) and for oil refining (Down-Stream); (ii) Transportation, which includes products for trains, ships and automobiles; (iii) Infrastructure, comprising products for railway, harbour and airport facilities; (iv) Mining, including cables for the extractive industries; (v) Renewable Energy, including cables related to the production of wind and solar energy; (vi) Defense, including military related cables and (vii) Nuclear, which includes cables related to nuclear energy applications. Primary customers in this business area are OEMs, or machinery manufacturers.

8.9.6 Telecom Cables & Systems segment

The Telecom Cables & Systems segment manufactures and sells a broad range of fibre-optic and copper telecom cables suitable for all types of voice/video/data transmission and control applications as well as connectivity components and accessories. The following table shows selected financial highlights for the Telecom Cables & Systems segment for the years ended 31 December 2009, 31 December 2008 and 31 December 2007, respectively.

	Year ended 31 December		
	2009	2008	2007
	in millions of Euro		
Telecom			
Sales of goods and services	411	547	548
sales to third parties	403	536	535
Adjusted EBITDA	**31**	**49**	**48**
% of Sales of goods and services	7.6%	9.0%	8.6%
EBITDA	**30**	**49**	**47**
% of Sales of goods and services	7.4%	9.0%	8.5%
Amortisations and Depreciations	(6)	(4)	(4)
Adjusted operating income	**25**	**45**	**44**
% of Sales of goods and services	6.1%	8.4%	7.9%

The following table shows a comparison of selected financial highlights for the Energy Cables & Systems segment as at 30 June 2010 and 30 June 2009.

	Six months ended 30 June	
	2010	2009
	in millions of Euro	
Telecom		
Sales of goods and services	225	211
sales to third parties	223	207
Adjusted EBITDA	**17**	**16**
% of Sales of goods and services	7.4%	7.6%
EBITDA	**17**	**16**
% of Sales of goods and services	7.4%	7.6%
Amortisations and Depreciations	(4)	(3)
Adjusted operating income	**13**	**13**
% of Sales of goods and services	5,8%	6.1%

(a) Fibre-Optic Cables

Prysmian produces a complete range of fibre-optic cables suitable for all types of voice/video/data transmission in a wide variety of applications including FTTX, access networks, metropolitan area networks and long-distance networks.

The fibre-optic cable portfolio features products with capacities ranging between 1 and over 1,700 fibres per cable, including small diameter cables specially engineered to maximise the use of underground pipelines and the efficiency of air-blown installation; single element cables for low fibre count applications; cables suitable for installation in waterways; pipelines, sewers and other challenging environments; RapierTM cables, which allow a fast extraction of the fibre optics and are suitable for urban applications; impact resistant AirBagTM cables that feature an innovative shock absorbing protection system; and FusionLinkTM and MassLinkTM fibre ribbons in plastic tubes for rapid splicing. In addition, Prysmian produces specialty cables for specific applications, including:

- Oerhead electric cables suitable for installation on power transmission pylons including overhead cable systems lashed to phase-wires or to protective cables and All-Dielectric Self-Supporting ("ADSS"), which are self-supporting cables hung directly from poles or pylons. These overhead electric cables are not affected by electromagnetic fields.
- OPGW and OPCC cables, which contain fibre-optic cables, which since they also conduct electricity, can be integrated into conventional overhead electricity transmission networks, thereby avoiding the need for costly underground installation.

Prysmian also provides fibre management and installation solutions such as its Sirocco® Blown Fiber System, which is a method of deploying fibre-optic links on demand from one point of a network to another using compressed air to blow optical fibre into pre-installed micro tubes (thereby enabling customers to manage evolving network demands without high up-front expenditure or intensive forward planning) and its DeskwaveTM integrated set of components, systems, engineering and turnkey installation services that it utilises to assist its customers in transitioning from copper to fibre-

optic cable infrastructure. In January 2010, Prysmian undertook the first project to install the Sirocco® Blown Fiber System in Italy, near Trieste.

The production of fibre-optic cables is significantly vertically integrated. In particular, Prysmian produces the "raw" strands of optical fibre in-house which is then used to produce fibre-optic cables. The portfolio of optical fibre products includes: DeeplightTM submarine fibre; FreelightTM fibre for long-distance high bit-rate applications; MagnilightTM high bandwidth fibre for extensive employment even on E-band (1360 nm-1460 nm); PrimalightTM reduced-diameter single-mode fibre for use in very high fibre count applications; and SM lightTM fibre with very high PMD performance. Prysmian believes that its flexibility, which allows it to manufacture fibre products through the use of all three of the principal manufacturing technologies used in the optical fibre market segment, enables it to optimise its product portfolio based on specific market conditions and customer requirements. Primary customers include some of the largest telecom companies.

(b) Copper Telecom Cables

The Telecom Cables & Systems segment also produces a comprehensive range of copper telecom cables suitable for underground, overhead, and commercial and residential building cabling solutions. This product portfolio features a wide range of capacity options (between 2 and 2,400 twisted pairs) designed to meet all main international specifications and includes xDSL cables for broadband access.

The copper telecom cables can be engineered for high transmission characteristics, low crosstalk and electromagnetic compatibility. Prysmian employs the same proprietary halogen-free, low smoke and gas emission and fire retardant sheathing technologies in its copper cables that it employs in its fibre-optic cables. Primary customers include some of the largest telecom companies.

(c) Connectivity accessories

The Telecom Cables & Systems segment produces a full range of OAsys® connectivity accessories that enable customers to manage fibre effectively throughout their optical fibre networks. These products include a complete series of components for the distribution and certification of optical fibre.

8.9.7 New Products

The Prysmian Group continues to develop new technologies, and places into the market new products for both power transmission and distribution cables network and for telecom cables network.

In the power transmission and distribution market sub-segments, the Prysmian Group has developed new technologies and introduced the following products during the last few years:

- AfumexTM, Flame retardant 0-halogen compounds used as insulation and outer sheath in energy cables, replacing existing LV- BW cables to match with the new European recommendation for CPD (construction products directive). A new enhanced compound technology that permits Prysmian to pass the new Flame and Fire resistant tests according to the CPD recommendation;

- Dielectric Armoured cables: manufactured using AirbagTM technology, which eliminates the need for metallic sheathing on cables exposed to mechanical damages (for example, in direct undergrounding installations). This technology replaces traditional metallic protections by an extruded expanded polymeric material that performs better mechanically to deformations than the previous metallic elements (tapes, wires,). This technology applies mainly to MV and LV armoured cables for utilities network application;

- AIRGARDTM (Lead-less) technology: as an evolution of the AirbagTM cables family, the Prysmian Group has developed an enhanced family of such cables replacing traditional lead-sheath by a combination of a special polymer and an aluminium foil jacket, which offers an additional resistance to harsh environment (petrochemical plant environment, for instance);

- ProtolonTM iQ cables: an enhanced product from the traditional Protolon MV family, adopting new cable technology containing several sensors to continuously monitor several mechanical parameters along the cable in service. In this manner the maintenance (residual life) of the cables is under control and it becomes easier and less expensive to protect equipments from electrical breakdown due to the cable malfunctioning. The introduction of fibre optic elements and RFID as system sensors along the cable permits to monitor, trough dedicated software, the cable performance during its life;

- Diagnostic systems (RTTR, DTS, PD-Service) OPTOPOWERTM: Used mainly for high voltage and extra-high voltage power cables network. These systems include optical fibre to monitor different network parameters, as cable and conductor temperatures, % humidity, partial discharges, floading conditions (tunnels) and with the potentiality to add other sensors if needed;
- P-Laser platform technology: this technology permits Prysmian to replace the traditional Cross-Linked insulation polymers (XLPE and EPDM) by thermoplastic materials enabling the production of medium-voltage power cables in ONE-SHOT process;
- Afumex Duo cable: this new development integrates both a power cable (LV) and a telecom cable in a unique building wire product. In this case Prysmian introduces fibre optic elements inside the power conductor. This solution is proposed to reduce the installation time and cost for a FTTH network;
- Afumex Plus LV cable: a new application for O-Halogen compounds technology where the utilization of such cables having an enhanced Afumex compound as outer sheath permits traditional "indoor" cables to be used also as "outdoor" cables, minimizing the need for different cables during network deployment.

In the telecom cables market, the Prysmian Group has developed, or continued to develop, the following technologies and products:

- new fibres to be applied into the FTTx networks (broadband networks using optical fibres) (for instance the CasaLightTM products family) enhancing the traditional ITU-T G-652 fibres and thus permitting the installation of these fibres with "bending-insensitive" performances down to 7 mm radius bends. In this manner, FTTH cables with high performance characteristics can be installed directly to the walls inside buildings, offices and homes without any cable protection, as for traditional copper cables (copper pairs, building wires, etc). PrimaLightTM fibre, based on ITU-T G-652 structure but with reduced dimension (200 micron instead of 245 micron). This allows the production of smaller cables or the increase of the fibre density in the cables with same cable performance, improving the FTTH installation and costs;
- high frequency telecom cables including ADSL ++ (20-30 MHz) and VDSL (up to 60 Mhz), copper based cables to be used both in power plants and for external networks in "last mile" connections; the Prysmian Group has continued to develop ADSL cables (up to 40 MHz) and VDSL cables (up to 100 MHz) to match the market requirements;
- compacted optical cables with the traditional MLT (multi loose tube) design to be able to be installed into miniducts down to 8/10 mm or 3.5/5 mm and from 12 optical-fibres up to 144 optical fibres; and
- Compact "micro-module" cables: with innovative LSOH (low smoke zero halogen) compounds to facilitate peeling and access to optical fibres;
- Connectivity: a full range of "passive" connectivity to be used both for Distribution network and for FTTX; and
- OPGW (optical ground wire) cables: hybrid power and telecom cable for Overhead Lines with enhanced technologies to add fibre optic elements along the aerial Transport Utilities network.

9. RESEARCH AND DEVELOPMENT

Prysmian's research and development activities are aimed at developing new products and improving the quality of products and production processes. Prysmian believes that its research and development activities represent a critical part of its business model. Research and development activities, which included as of 31 December 2009 a portfolio of 3,025 patents and patent applications throughout the world, focus on the continued creation of innovative products and production processes. In the year ended 31 December 2009, Prysmian incurred research and development costs for a total amount of €43 million.

Prysmian believes that it has established itself as a leading innovator in its industry. In general, research and development efforts are focussed on developing alternative products and materials, improving production processes and studying customised cabling solutions for specific customer applications in value-added segments and sub-segments, such as high voltage, power transmission systems and submarine power systems cables, industrial applications and optical cables. Research and development activities have two primary functions:

- Innovation. The objective of the Innovation function is to pursue scientific and technological competitive advantages by continually developing innovative solutions. This research and development function, which focuses primarily on medium to long-term projects (one to four years), identifies, in collaboration with other areas of the Prysmian Group, new production processes and materials and innovative products and services that can then be developed from the initial development and deployed according to the market requirements up to the first industrial trial; and
- Product Development. The Product Development function has the objective of both managing the development of innovations from the "first industrial trial" to the "full industrialization" phase and managing the development/upgrading of the product portfolio to match the needs of the market, focusing on cost reduction industrialisation and marketing as needed. This research and development function also keeps the group know-how transversally available along the affiliates.

Prysmian manages its research and development activities at central head quarter level in order to ensure that the know-how generated by research and development is used in the widest possible number of product applications while being ready to take advantage of any potential cross-fertilisation and economies of scale that may arise between divisions.

The Prysmian Group has seven research & development centres (in Italy, France, UK, Germany, Spain, United States, and Brazil) with the headquarters in Milan. There are also 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 and other international universities in Brazil, Holland, UK, Spain and other countries). In total, 400 skilled professionals participated in the Prysmian Group's research and development activities as of the date of this Offer Memorandum.

The research and development costs borne by the Prysmian Group in the course of year 2010 until 31 October 2010 are approximately €39 million.

10. PROPERTY, PLANTS AND EQUIPMENT AND ENVIRONMENTAL ISSUES

10.1 Property, plants and equipment

As of the date of this Offer Memorandum, the Prysmian Group's manufacturing structure is organised on a decentralised basis around 56 production facilities located in 24 countries (namely, Italy, France, UK, Spain, Germany, Hungary, Ivory Coast, Finland, Holland, Romania, Russia, Tunisia, Turkey, China, Australia, Indonesia, Malaysia, New Zealand, Canada, USA, Brazil, Argentina, India and the Arab Emirates). Of these production facilities, 42 are devoted exclusively to production for the Energy Cables & Systems segment, 6 are dedicated exclusively to the Telecom Cables & Systems segment and 8 are shared between the two segments. Each facility is responsible for planning its own supply of raw materials and maintenance in accordance with local sales and operations planning, in line with the Prysmian Group's consolidated sales and operations planning. Most of the Prysmian Group's production is currently sold on a regional basis and the flow of materials between different facilities is limited, save for the production of compounds which is concentrated in a limited number of plants and then distributed according to facility requirements, with the aim of maximising economies of scale. Production is coordinated on a central basis (including production volumes and capital expenditure strategies) while day-to-day operations are managed by local management.

For additional details on real estate property, plants and equipment of the Offeror as of 30 September 2010, 30 June 2010 and 31 December 2009 respectively, please refer to, respectively, Note No. 1 of the Offeror's Unaudited Condensed Consolidated Interim Financial Statements for the Nine-Month Period Ended 30 September 2010, Note No. 1 of the Offeror's Unaudited Condensed Consolidated Interim Financial Statements for the Six-Month Period Ended 30 June 2010, and to Note No. 1 of the Offeror's Consolidated financial statements as of 31 December 2009. The Offeror's Consolidated Financial Statements as of 31 December 2009, the Unaudited Condensed Consolidated Interim Financial Statements for the Six-Month Period Ended 30 June 2010 and the Unaudited Condensed Consolidated Interim Financial Statements for the Nine-Month Period Ended 30 September 2010 are included in Section 1, Part III of this Offer Memorandum.

10.2 Environmental issues that could have an effect on the use of property, plant and equipment

As of the date of this Offer Memorandum, the Offeror is not aware of any environmental issues that could have a material adverse effect on use of the property, plants and equipment.

11. MARKETING AND DISTRIBUTION

11.1 Marketing Activities

The Prysmian Group manages its business relationships with customers in a wide variety of countries and industries through its sales and marketing activities, which are carried out at both the central and local/business group levels. These activities include scouting new opportunities related to its current power and submarine projects, managing product branding, managing Prysmian Group communications and attending industry fairs, which activities are performed both by its own employees as well as through a network of third-party representatives, distributors and distributor partners across more than 30 countries.

The central marketing division in Milan sets the Prysmian Group's overall sales and marketing strategy, manages customers worldwide, manages the commercial activities and objectives of the Prysmian Group's global businesses and analyses market dynamics. Local subsidiaries, however, have decision-making and operating powers to respond to the needs of local customers and distributors, in addition to implementing the policies and strategies of the central marketing division in Milan.

The Prysmian Group constantly makes efforts to improve its logistics and distribution services, since reliable and timely delivery and availability of products are increasingly becoming key competitive factors in the markets in which it operates. It continuously evaluates and measures the quality of its logistical services through integrated tools managed by central, regional, and product-based logistics teams, focusing on mid-term production allocation, planning and programming, stock management, distribution and the evaluation of service standards.

11.2 Sales Channels

11.2.1 Energy Cables & Systems

(a) Utilities.

Sales by the Prysmian Group's Utilities business area are carried out through a tender process that involves initial calls for tender by customers and the subsequent supply of products based on periodic orders called "call-offs". Each call for tender is for a pre-determined quantity of one or many types of cables and specifies the supply time frame for delivery. The bids must include the product's price, which must include metal prices based on standard pricing conventions, and the quantity to be supplied. Once the bidding process is completed and a contract is awarded, the supply of products begins based on the call-offs, which are generally made on a monthly basis. The sales price is then regularly updated based on pre-set formulas that account for raw materials prices on the date of delivery. For turnkey projects, since the delivery date and prices of the cables and accessories that are supplied are coordinated with the installation and servicing of the project and are set even before the winning bid is named, the Prysmian Group enters into hedging arrangements to cover risks related to fluctuations in the prices of the metals in its products. The primary customers of this business area are large-scale utilities that produce and distribute electricity.

(b) Power transmission systems and submarine power systems.

The tender process for turnkey projects in this business area commences with the definition of the requisite technical specifications of the project. During the second phase, the terms and conditions of the supply contract are arranged, together with the delivery specifics, prices and payment methods, guarantees and insurance coverage. After the second phase is completed, the supplier presents an offer, which is normally accompanied by the issuance of a bid bond in an amount equal to the value of the order. After the offer is received by the customer, negotiations commence to finalise the supply contract.

(c) Trade and Installers.

Sales in this business area are primarily made in three following ways:

- for medium-sized and small customers that have an established relationship with the Prysmian Group or that are recognised by the Prysmian Group (for example, they have a credit record based on past transactions), the customers deal directly with the back office;
- for medium-sized and small customers that do not have an established relationship with the Prysmian Group, the sales force in the relevant sales territory contacts the customer, proposes the products to be supplied and negotiates the order; and

- for large international customers that have established relationships with the Prysmian Group, the central sales office negotiates master agreements with yearly terms. These master agreements do not contain list prices. Instead, the local sales force negotiates the prices and other contract details with the customer's local branch office.

The primary customers in this business area are large distributors of electrical supplies that specialise in the construction industry. The sale prices are set at the moment the orders are placed according to list prices that are established based on the prices of the relevant metals at the time of the order.

(d) Industrial Applications.

Sales arrangements in this business area are negotiated directly between suppliers and customers. For ongoing supply contracts, the product price is first set on the basis of the cable's price, net of the cost of metals in the cable, and is then adjusted based on pre-set formulas that are linked to the market price of the relevant metal. For turnkey projects, a tender process is used. In such cases, since the price and delivery date are set before the project is allocated, a hedging strategy against the risk of fluctuations in the price of metals is implemented.

The primary customers of this business area are contractors specialising in the construction and installation of infrastructure and industrial equipment, including ships, trains, mining and oil extraction devices, and automobiles.

11.2.2 Telecom Cables & Systems

The customers of the Prysmian Group's Telecom Cables & Systems segment include operators in the telecommunication sector and, in particular, customers managing integrated telecommunications networks, contractors that install telecommunication networks and infrastructure on the basis of turnkey projects and other telecom service providers (including cable televisions companies and railroad and highway entities). There are three primary customer categories: large scale national telecom operators; other phone operators and utilities companies; and industrial customers. Sales to large-scale national telecom and utilities companies, which, collectively, represent nearly all of the Prysmian Group's sales in this segment, involve primarily direct negotiation on a supplier-customer basis and the execution of fixed-term contracts of one or several years or orders linked to specific projects. The rest of the Prysmian Group's products in this segment are marketed to large-scale telecom systems integrators and installers.

12. INSURANCE

The Prysmian Group has purchased several insurance policies that were negotiated on a centralised basis by its risk management department, in order to reduce losses from potentially harmful events, including:

- damage to buildings, machinery or goods and losses related to business or operational interruptions caused by events such as fires, explosions, catastrophes, force majeure and political or social crises;
- third-party liability arising out of the Prysmian Group's operations, manufactured, assembled and/or marketed goods, or environmental pollution or violations of environmental laws and regulations;
- cost of replacement of defective and/or potentially harmful products;
- costs incurred as a result of the findings of a court, government or other public authority;
- liability incurred by directors and officers; and
- business credit insurance, which covers the manufacturing costs of goods not delivered and losses due to the default or insolvency of customers.

Some of this insurance coverage is provided by a master policy agreement which, by establishing a maximum limit on coverage and certain general policy provisions, provides general insurance coverage to each of the Prysmian Group's companies in addition to any local or business-specific insurance arrangements. The other policies provide basic insurance coverage in specific countries or regions in accordance with local laws. In addition, certain Prysmian Group companies have negotiated and procured additional policies which supplement and/or improve upon the international insurance programmes, as necessary to comply with local requirements and needs. Insurance policies are renewed, revised and replaced as appropriate.

The Prysmian Group's insurance policies contain provisions, conditions, exceptions and liability limits that are consistent with terms customarily found in its industry. The ability of the Prysmian Group's insurance programme to provide adequate protection to Prysmian Group companies is continually assessed by the risk management department.

13. TREND INFORMATION

The third quarter of the financial year 2010 has confirmed the signs of recovery in demand and in industrial output for all the Prysmian Group's businesses from the minimum levels reached in the first three months of 2010. Given this context, Prysmian expects the positive trend of volumes in Trade & Installers and Power Distribution to continue in the fourth quarter, although affected by the typically weaker seasonality of the final part of the year; improving production and sales' volumes will also allow to achieve a higher level of industrial efficiency. Order backlog in power transmission (submarire and terrestrial high voltage) is supported by the recent acquisition of important projects mainly for off-shore windfarm connections and underground interconnections in Europe, thus reaching an historical peak and ensuring a high visibility on the sales of the next quarters. A positive order intake was also achieved during the recent months in certain industrial applications, such as renewable energy and off-shore oil and gas (for instance, umbilical cables in Brazil).

The Prysmian Group also continues to rationalise and improve efficiency in its industrial footprint, starting to benefit from the recovering volumes. Apart from changes of perimeter coming from the new acquisitions in Russia (December 2009) and India (January 2010), fixed costs in 2010 are confirmed in line with the previous year and provide an excellent base to face still competitive market conditions.

Based on the above described trends, Prysmian management is confident to confirm the guidance already provided on November 10th 2010 with the release of the third-quarter results and achieve a 2010 full-year Adjusted Ebitda (before non-recurring items) in the range of 375 mio.

Significant investments in high value-added businesses are ongoing (flexible pipes manufacturing facility in Brazil; increase of high voltage capacity in China) and new investment plans have been launched in some high growth segments – such as submarine cables – and in the fastest growing countries, such as Russia and India, where Prysmian recently completed two acquisitions.

14. LEGAL PROCEEDINGS

The Prysmian Group is involved in a certain number of claims arising from time to time in the ordinary conduct of its business, including civil, labour, antitrust, administrative, tax and criminal proceedings. To cover possible damages or penalties that may result from these proceedings, the Prysmian Group has established reserves amounting to €109 million as of 30 September 2010. The outcome of litigation and other legal proceedings is inherently uncertain, and no assurance can be given that Prysmian will prevail in any or all of these proceedings or otherwise not be required to make related payments, which could be significant. However, except as indicated below under "Antitrust Matters", Prysmian does not believe, considering its reserve policy, insurance, evaluations of the likelihood of recovery and the amount of such claims, that the payments it would be likely to make in respect of its current or anticipated litigation risks would have a material adverse effect on its financial condition and results of operations.

14.1 Anti-trust Matters

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

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

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

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

14.2 Tax Matters

Fibre Ottiche Sud-FOS S.r.l. (***FOS***) is party to a tax proceeding in connection with certain tax deductions totalling Euro 12 million made in the year ended 31 December 2002. As of 30 September 2010, FOS had established a Euro 4.2 million reserve to cover any risks related to this proceeding, which FOS management believes to be adequate.

Prysmian Kabel Und Systeme GmbH (***PKS***) is currently involved in a tax assessment related to a debt push-down transaction, which may result in an estimated potential tax liability of approximately 12 million. No reserves have been set aside by PKS since its management believes the likelihood of a liability ruling to be remote.

14.3 Environmental Matters

The Prysmian Group is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates, particularly in Europe, the United States and Canada. These laws and regulations impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination and require producers to obtain a number of air, water, hazardous waste, and other operating permits. These standards expose the Prysmian Group to the risk of substantial environmental compliance costs and liabilities, including liabilities associated with divested assets and past activities. The Prysmian Group's U.S. operations are subject to, among other things, federal and state environmental remediation laws that can impose liability upon certain statutorily defined categories of parties for the entire costs of the clean-up of a contaminated site, without regard to fault or the lawfulness of the original activity. The Prysmian Group, working primarily through its dedicated Environmental Health and Safety division in Milan, has adopted an environmental audit programme to periodically monitor and

analyse, in compliance with relevant laws and regulations, various environmental parameters, including the presence of asbestos. In particular, it conducts assessments and evaluations of the Prysmian Group's manufacturing facilities worldwide in line with applicable law and international standards (such as ISO 9000, ISO 14001 and OHSAS 18001) relating to environmental management systems.

Although Prysmian is subject to environmental claims that have arisen in the ordinary course of its business, none of these claims is expected to have a material adverse effect on the Prysmian Group's consolidated financial position or results of operations.

15. RISK MANAGEMENT

The Prysmian Group's risk management activities are aimed at identifying, quantifying, mitigating and preventing operating risks, as well as defining and managing the transfer and coverage of such risks. In particular, the risk management department periodically verifies the levels of risk coverage, the premiums paid, the amount of damages sustained, insurance proceeds received by the Prysmian Group, and provides a risk prevention plan for each of the Prysmian Group's companies that identifies the most urgent measures and investments needed to control risk.

In addition, in order to identify and analyse all possible risks, the risk management department periodically examines the Prysmian Group's facilities and classifies them as: (i) plants with risk levels under control, (ii) plants with low risk levels, (iii) plants with low-average risk levels, (iv) plants with average risk levels, and (v) plants with high risk levels. In connection with this classification process, the risk management department estimates the investment required at each plant to reduce the projected risk level and help each plant be classified as having risks under control. As of 31 December 2009, almost all of the Prysmian Group's facilities were classified in the categories under (i), (ii) or (iii) above, with the only exception of one plant being classified below the low-average risk level.

16. EMPLOYEES

As of 31 October 2010, the Prysmian Group had 12,675 employees, of which 283 worked for the Headquarter central functions, 10,451 worked for the Energy Cables & Systems business segment and 1,941 worked for the Telecom Cables & Systems business segment. The following table sets forth a breakdown of employees for the entire Prysmian Group by geographic region as at the same date.

Region	Employees
Europe, Middle East and Africa	8,513
North America	759
South America	1,338
Asia and Oceania (including India)	2,065
Total	12,675

The level of membership of employees in trade unions varies from country to country, and Prysmian has entered into various collective bargaining agreements. Prysmian renews or replaces its various labour arrangements relating to continuing operations when they expire.

For information on the number of employees at the end of each financial year for the period ending 31 December 2009, 31 December 2008 and 31 December 2007, see note n.15 of the Consolidated Financial Statements of the Offeror as of 31 December 2009 (in Section 1.2 Part III of this Offer Memorandum, page 27 and following of the Consolidated Financial Statements of the Offeror as of 31 December 2008, page 37 and following of the Consolidated Financial Statements of the Offeror as of 31 December 2007.

Prysmian's financial statements as at 31 December 2008 and 31 December 2007 are incorporated be reference in, and form, an integral part of this Offer Memorandum.

Prysmian has a stock option incentive plan in place, the main terms of which are illustrated in paragraph 17 below.

With the exception of the stock option incentive plan, there are no arrangements in place for involving the employees in the capital of the Offeror.

17. MANAGEMENT AND STATUTORY AUDITORS

17.1 Board of Directors

17.1.1 General

Pursuant to Prysmian's by-laws, the board of directors may be composed of not less than 7 and not more than 13 members. As of the date of this Offer Memorandum, Prysmian's board of directors is composed of 10 members. Most of the directors were appointed at the shareholders' meeting held on 9 April 2009 and will remain in office until the date of the shareholders' meeting that will be called to approve the Offeror's 2011 stand-alone financial statements. Stefano Bulletti was appointed at the shareholders' meeting held on 15 April 2010 and will remain in office until the date of the shareholders' meeting that will be called to approve the Offeror's 2011 stand-alone financial statements. Sergio Erede, Claudio De Conto and Massimo Tononi were appointed by co-optation on 21 July 2010 by the Board of Directors and will remain in office until the next shareholders' meeting.

Pursuant to the Offeror's by-laws, the board of directors granted all powers of ordinary and extraordinary management of the company, with the exclusion of those that are expressly reserved to the shareholders' meeting pursuant to the applicable law. The board of directors establishes the strategic, accounting, organisational and financing policies and appoints, recalls and supervises the members of the management. Moreover, the board of directors is responsible for the preparation of annual reports, organising and preparing shareholders' meetings and the implementation of shareholders' resolutions.

17.1.2 Members of the Board of Directors

The following table sets forth the current members of Prysmian's board of directors, their years of birth and the position they hold within the Offeror:

Name	Year of Birth	Position with Prysmian
Paolo Zannoni	1948	Chairman
Valerio Battista	1957	Chief Executive Officer
Bulletti Stefano	1957	Director
Fabio Romeo	1955	Director
Pier Francesco Facchini	1967	Chief Financial Officer
Wesley Clark*	1944	Director
Massimo Tononi*	1964	Director
Giulio Del Ninno*	1950	Director
Sergio Erede*	1940	Director
Claudio De Conto*	1962	Director

* Independent directors under Italian law.

The business address of the members of the Offeror's board of directors, for the purpose of their office, is Viale Sarca 222, 20126 Milan, Italy.

The following table sets forth the current positions held by the members of the board of directors with other companies which are significant with respect to the Offeror.

Member	Company	Position held
Paolo Zannoni	Atlantia S.p.A.	Director
	Dolce & Gabbana Holding S.r.l.	Chairman of the board of directors
	Gado S.r.l.	Director
Valerio Battista	Prysmian Cavi e Sistemi Energia S.r.l. (**)	Chairman of the Board of Directors
	Prysmian Cavi e Sistemi Telecom S.r.l. (**)	Chairman of the Board of Directors
	Prysmian Power Financial Services US, LLC (**)	Director
	Indesit Company S.p.A.	Director
Pier Francesco Facchini	P.T. Prysmian Cables Indonesia (**)	Chairman of board of commissioners
	Prysmian (Dutch) Holdings B.V. (**)	Member of Management Board
	Prysmian Cable Holding B.V. (**)	Member of board of management
	Prysmian Cables et Systemes France S.A.S (**)	Chairman of *Comite de Controle*
	Prysmian (China) Investment Company Ltd (**)	Member of board of directors
	Prysmian Cables and Systems B.V. (**)	Member of board of management
	Prysmian Cables and Systems Oy (**)	Member of board of directors
	Prysmian Cables y Sistemas S.A. (**)	Member of board of directors
	Prysmian Cavi e Sistemi Energia S.r.l. (**)	Member of board of directors
	Prysmian Cavi e Sistemi Italia S.r.l. (**)	Chairman of board of directors
	Prysmian Cavi e Sistemi Telecom S.r.l. (**)	Member of board of directors
	Prysmian Kablar och System AB (**)	Member of board of directors
	Prysmian Kabler og Systemer AS (**)	Member of board of directors
	Prysmian Mkm Magyar Kabel Muvek Kft (**)	Chairman of supervisory board
	Prysmian Treasury (Lux) S.a.r.l. (**)	Chairman of board of managers
	Prysmian Treasury S.r.l. (**)	Chairman of board of directors
Stefano Bulletti	Prysmian Cavi e Sistemi Energia S.r.l. (**)	Director
	Prysmian Cavi e Sistemi Telecom S.r.l. (**)	Director
Fabio Romeo	Prysmian Cavi e Sistemi Energia S.r.l. (**)	Managing Director
	Prysmian Powerlink S.r.l. (**)	Chairman of board of directors
	Turk Prysmian Kablo ve Sistemleri A.S. (**)	Member of board of directors
	Centro Elettrotecnico Sperimentale Italiano Giacinto Motta – Societa' per Azioni	Member of board of directors
	P.T. Prysmian Cables Indonesia (**)	Member of board of commissioners
	Pirelli Cables (India) Private Limited (**)	Member of board of directors
	Prysmian Cables et Systemes France S.A.S (**)	Member of *comite de controle*
	Prysmian (China) Investment Company Ltd (**)	Member of board of directors
	Prysmian Angel Tianjin Cable Co., Ltd (**)	Member of board of directors
	Prysmian Cables and Systems B.V. (**)	Member board of management
	Prysmian Cables and Systems Oy (**)	Member of board of directors
	Prysmian Cabluri si Sisteme S.A. (**)	Member of board of directors
	Prysmian Kablar och System AB (**)	Member of board of directors
	Prysmian Kabler Og Systemer AS (**)	Member of board of directors
	Prysmian Mkm Magyar Kabel Muvek Kft (**)	Chairman of supervisory board
	Prysmian Power Cables & Systems Australia Pty Limited (**)	Member of board of directors
	Prysmian Power Cables & Systems New Zealand Limited (**)	Member of board of directors
	Prysmian Power Cables and Systems Canada Ltd (**)	Member of board of directors
	Prysmian Tianjin Cables Co. Ltd (**)	Member of board of directors
	Prysmian Power Cables and Systems USA LLC (**)	Member of board of directors
Wesley Clark*	Rodman & Renshaw	Chairman
	AMG Advanced Metallurgic Group N.V.	Director
	Bankers Petroleum Ltd.	Director
	Juhl Wind Inc.	Director
	BNK Petroleum Inc.	Director
	Rentek	Director
	Solace Systems	Director
	Amaya Gaming	Director
	Accellion	Director
	rTerra	Director
	UGR	Director

Member	Company	Position held
	Clark Bova Group	Director
	Clean Terra	Director
Giulio Del Ninno*	Fondazione Edison	Vice-chairman
	ICQ Holding S.p.A.	Chairman
	SIAP – Sviluppo Italia Aree Produttive	Chairman
	Italgen S.p.A.	Vice-chairman
Sergio Erede*	Interpump Group S.p.A.	Director
	Luxottica Group S.p.A.	Director
	Gruppo Editoriale L'Espresso S.p.A.	Director
	Società Italo Britannica L. Manetti – H. Roberts S.p.A.	Director
	Manuli Rubber Industries S.p.A.	Director
	Banca Nazionale del Lavoro S.p.A.	Vice-chairman
	AON Italia S.p.A.	Chairman
	Gruppo IPG Holding S.r.l.	Director
	Bolton Group International SA	Chairman
	Sintonia S.A.	Director
	Foncière des Régions	Member of *Comitato di Sorveglianza* Member of *Comité des Rémunérations* Member of *Comité d'Audit*
Claudio De Conto*	Rcs MediaGroup S.p.A.	Director
	Star Capital SGR S.p.A.	Director
	Sesto Immobiliare S.p.A.	Director
Massimo Tononi*	Mittel S.p.A.	Director
	Sorin S.p.A.	Director
	London Stock Exchange	Director
	Borsa Italiana S.p.A.	Director

* Independent Directors under Italian law
** Prysmian Group Company

17.1.3 Election of Board of Directors

The members of the Offeror's board of directors are appointed or removed by shareholder resolutions. In the event a member resigns, the board of directors may appoint a temporary director to serve until a new director can be elected by a shareholders' meeting.

The by-laws establish a cumulative voting system for the election of the members of the board of directors whereby any shareholder or a group of shareholders acting together that holds 2 per cent. or more (or such lower percentage as required under applicable law or regulations from time to time) of ordinary shares of Prysmian carrying the right to vote in the ordinary shareholders' meeting is entitled to present a list of potential directors. This cumulative voting system ensures that at least one of the members of the Offeror's board of directors will be appointed by minority shareholders as required by Article 147-ter of the Italian Finance Act.

The CEO, Mr. Valerio Battista, is in charge of the Prysmian Group's ordinary business.

17.2 Committees

In compliance with the relevant requirements of the Italian self-governance code for listed companies issued by Borsa Italiana S.p.A. (the ***Corporate Governance Code***) and the provisions contained in the rules applicable to the MTA, the Offeror's board of directors has appointed the following committees:

- an internal control committee; and
- a compensation and nomination committee.

The board of directors has also resolved:

- to comply with the Corporate Governance Code; and
- to approve specific rules concerning the functioning of the above committees.

The Corporate Governance Code requires that the members serving on the internal control committee and the compensation and nomination committee have to be exclusively non-executive directors, the majority of which shall also fulfil the requirements of independence. The board of directors has appointed Giulio Del Ninno (Chairman), Claudio De Conto and Massimo Tononi, each an

independent director, to serve on the internal control committee; and Sergio Erede (Chairman), Claudio De Conto and Giulio Del Ninno, each an independent director, to serve on the compensation and nomination committee.

17.3 Senior Management

The table below sets forth the names, years of birth and position of the senior management team of the Offeror.

Name	Year of Birth	Position with Prysmian
Valerio Battista	1957	Chief Executive Officer
Pier Francesco Facchini	1967	Chief Financial Officer
Fabio Romeo	1955	Chief Commercial Officer
Massimo Battaini	1961	Chief Operating Officer

Valerio Battista, Pier Francesco Facchini and Fabio Romeo are also members of the board. See above "Board of Directors".

17.4 Board of Statutory Auditors

17.4.1 General

Pursuant to the Offeror's by-laws, the board of statutory auditors was appointed by a resolution of the shareholders' meeting on 15 April 2010. It will remain in office until the date of the shareholders' meeting that will be called to approve the Offeror's 2012 stand-alone financial statements, which shareholders' meeting shall appoint the new board of statutory auditors. The board of statutory auditors is composed of three standing auditors and two alternate auditors who are independent experts in accounting matters. The board of statutory auditors is required to meet at least once every 90 days, must promptly report any irregularities to Consob and is also obliged to report specified matters to the shareholders and the courts. Any members of the board of statutory auditors may request information directly from the Offeror. The board of statutory auditors or any two of its standing members may call meetings of the shareholders and each standing member of the board of statutory auditors may call meetings of the board of directors and of the executive committee (if any), in each case, subject to prior notification to the chairman of the board of directors. The board of statutory auditors may also request information from the directors regarding the Offeror's management, carry out inspections at the Offeror and exchange information with the Offeror's independent accountants.

17.4.2 Members of the Board of the Statutory Auditors

The following table sets forth the current members of the Offeror's board of statutory auditors, their years of birth and position they hold within the board of statutory auditors:

Name	Year of Birth	Position with Prysmian
Marcello Garzia	1946	Chairman of the Board of Statutory Auditors
Luigi Guerra	1962	Standing Auditor
Paolo Burlando	1962	Standing Auditor
Giovanni Rizzi	1969	Alternate Auditor
Luciano Rai	1954	Alternate Auditor

The following table sets forth the current positions held by the standing auditors with other companies.

Member	Company	Position held
Marcello Garzia	Fibre Ottiche Sud – F.O.S. S.r.l. (*)	Standing Auditor
	Prysmian Cavi e Sistemi Energia S.r.l. (*)	Standing Auditor
	Prysmian Cavi e Sistemi Telecom S.r.l. (*)	Standing Auditor
	Maristel S.p.A.	Standing Auditor
	Pirelli Cultura S.p.A.	Chairman of Board of Statutory Auditors
	Pirelli Servizi Finanziari S.p.A.	Standing Auditor
	Lambda S.r.l.	Standing Auditor
	GPI Trading S.r.l.	Standing Auditor
	B&T Tecnologie S.p.A.	Standing Auditor
Paolo Burlando	Authix Tecnologies S.r.l.	Chairman of Board of Statutory Auditors
	Alprodue S.r.l.	Standing Auditor
	BeeTv Enterprises S.r.l.	Chairman of Board of Statutory Auditors
	Buzzi Unicem S.p.A.	Director
	Cava degli Olmi S.r.l.	Chairman of Board of Statutory Auditors
	Cavit S.r.l.	Standing Auditor
	Cementi Moccia S.p.A.	Standing Auditor
	Centro finanziamenti S.p.A.	Standing Auditor
	Centro Istruttorie S.p.A.	Standing Auditor
	Crediti on Line S.p.A.	Standing Auditor
	Fratelli Buzzi S.p.A.	Standing Auditor
	Giuso Guido S.p.A.	Standing Auditor
	Cascaad S.r.l. (formerly Graphvine S.r.l.)	Chairman of Board of Statutory Auditors
	Gruppi Mutui On Line S.p.A.	Standing Auditor
	Intelligence Focus S.r.l.	Chairman of Board of Statutory Auditors
	Laterlite S.p.A.	Standing Auditor
	Leca sistemi S.p.A.	Standing Auditor
	Manifattura 2001 S.r.l.	Standing Auditor
	Marina Porto Antico S.p.A.	Director
	Mutui On Line S.p.A.	Standing Auditor
	SAFI S.r.l.	Chairman of Board of Statutory Auditors
	Selesta Ingegneria S.p.A.	Standing Auditor
	S.G. Serra Gerrace S.r.l.	Director
	Silicon Biosystems S.p.A.	Chairman of Board of Statutory Auditors
	Stefanina Group S.p.A.	Standing Auditor
	The Blog Tv S.r.l.	Standing Auditor
	Thorcem S.r.l.	Director
	Yarpa Investimenti SGR S.p.A.	Standing Auditor
	Yarpa Consulting S,r.l. con socio unico	Standing Auditor
Luigi Guerra	Fibre Ottiche Sud – F.O.S. S.r.l. (*)	Standing Auditor
	Prysmian Treasury S.r.l. (*)	Standing Auditor
	Pirelli Tyre S.p.A.	Standing Auditor
	Meridiana Fly S.p.A.	Chairman of Board of Statutory Auditors
	Meridiana Maintenance S.p.A.	Chairman of Board of Statutory Auditors
	ABD Broadbands S.p.A.	Standing Auditor
	Pirelli Labs S.p.A.	Standing Auditor
	Pirelli Industrie Pneumatici S.r.l.	Standing Auditor
	PGT Photonics S.P.A. in liquidazione	Chairman of Board of Statutory Auditors
	Koinos S.c.a r.l.	Chairman of Board of Statutory Auditors
	NET S.r.l.	Standing Auditor
	Tecnocosmesi S.p.A.	Standing Auditor
	Eurofrigo Vernate S.r.l.	Standing Auditor
	Shine Sim S.p.A.	Standing Auditor
	Sinerga S.r.l.	Standing Auditor
	Sinerga Group S.r.l.	Standing Auditor
	Techmed S.p.A.	Standing Auditor
	Eureka Holding S.p.A.	Standing Auditor
	Eureka Life S.p.A.	Standing Auditor
	Prelios Valuations & E-Services S.p.A.	Standing Auditor
	Prenatal S.p.A.	Standing Auditor
	Zagliani S.p.A. dal 1947	Standing Auditor
	Guido Veneziani Editore S.r.l.	Standing Auditor
	Ordine degli Architetti P.P.C. di Milano	Auditor
	R.B.G. S.r.l.	Director

(*) Prysmian Group company.

The business address of the members of the Offeror's board of statutory auditors, for the purpose of their office, is Viale Sarca 222, 20126 Milan, Italy.

17.5 Appointment and Removal

The members of the board of statutory auditors are elected by the shareholders, and may be removed only for just cause and with the approval of an Italian court.

The by-laws of the Offeror establish a cumulative voting system for the election of the members of the board of statutory auditors whereby any shareholder or a group of shareholders acting together that holds 2 per cent. or more (or such lower percentage as required under applicable law or regulations from time to time) of ordinary shares of Prysmian with right to vote in the ordinary shareholders' meeting is entitled to present a list of potential auditors. In accordance with Article 148 of the Italian Finance Act, this voting system ensures that at least one standing auditor (serving as chairman of the board of statutory auditors) and one alternate auditor is chosen by the minority shareholders.

17.6 Additional information on directors, statutory auditors and senior managers of the Prysmian Group

17.6.1 Stock Option Incentive Plan

In November 2006, the Offeror's shareholders approved a stock option incentive plan pursuant to which 2,963,250 options were granted to 99 employees of the Prysmian Group over the years, including the CFO, Mr. Facchini. At the same time the Offeror's shareholders approved a capital increase up to Euro 310,000 (representing a maximum of 3,100,000 ordinary share of the Offeror), dedicated to such stock option incentive plan. As of the date of the Offer Memorandum, 193,923 options have expired (and thus no longer exercisable) and 2,029,302 options have been exercised, including by Mr. Facchini who exercised options to purchase 294,152 shares of the Offeror that were subsequently sold by Mr. Facchini. The extraordinary shareholders' meeting held on 15 April 2010 resolved to extend the exercise period of the options and, consequently, to extend until 30 June 2013 the period for the subscription of the capital increase serving the stock option incentive plan.

17.7 Judicial and disciplinary proceedings involving members of the Board of Directors and Board of Statutory Auditors and senior managers of the Offeror

To the best of the Offeror's knowledge, in the five years prior to the date hereof none of the members of the Board of Directors, Board of Statutory Auditors and senior managers: (i) has been found guilty of fraud; (ii) has been the subject of bankruptcy or, for reasons of the position held, involved in any way in crimes of bankruptcy, controlled receivership or liquidation procedures; (iii) has been charged officially and/or sanctioned by public or regulatory authorities (including designated professional associations), and/or banned by a court from serving as a member of administrative, management or auditing bodies of the Offeror or from performing the work of corporate management or administration of any issuer of financial instruments, except that As an exception to the foregoing

- the criminal court of Parma, by a first degree decision issued on 9 December 2010, has found Mr. Sergio Erede, a director of Parmalat Finanziaria S.p.A. until April 2001, guilty on grounds of negligence of the criminal offence of bankruptcy (bancarotta semplice) in relation to the Parmalat group. The first degree decision also provides, as an ancillary restriction, for an 18 month prohibition to hold directorships. However, the court of Parma has ordered the suspension of the sentence (sospensione condizionale della pena) also in respect of the ancillary restrictions. The first degree decision pronounced by the criminal court of Parma is subject to appeal and, in any event, the criminal offence attributed to Mr. Erede will become extinct and die out in June 2011 by virtue of the lapsing of the applicable statute of limitations;
- Bank of Italy, by a ruling issued on 3 October 2006, imposed a monetary fine of Euro 7,000 to Mr. Luigi Guerra, as member of the board of statutory auditors of Shine Sim S.p.A., for failures by the board of statutory auditors in control on the company's activity.

17.8 Conflicts of interest

To the best of the Offeror's knowledge as of the date of this Offer Memorandum, there are no actual or potential conflicts of interests between any duties of the Offeror's members of the board of directors and board of statutory auditors to the Offeror on the one hand, and their private interests

or other duties in connection with the Offer or the New Prysmian Shares Offer, on the other hand, except that:

- Mr. Sergio Erede is partner of Bonelli Erede Pappalardo, Studio Legale, which has advised Prysmian on certain Italian legal matters related to the Offer and the New Prysmian Shares Offer;
- Mr. Paolo Zannoni is managing director of Goldman Sachs International, which has acted as financial advisor of Prysmian on certain matters related to the Offer and the New Prysmian Shares Offer .

17.9 Remuneration of the members of the Board of Directors, the Board of Statutory Auditors and of the Senior Managers

The following table includes the details of the remuneration paid and benefits in kind granted to each of the directors, the statutory auditors and the senior managers of Prysmian by the Offeror and its subsidiaries for services rendered to the Offeror and its subsidiaries, as well as the relevant number of stock options held, where applicable, as of 31 December 2009

			OTHER COMPENSATION			
NAME	EMOLUMENTS OF OFFICE	BENEFITS IN KIND	FIXED	VARIABLE	TOTAL	NO. STOCK OPTIONS
Directors						
Paolo Zannoni	—	—	—	—	—	—
Valerio Battista	—	5,140	970,000	948,367	1,903,527	—
Wesley Clark	75,000	—	—	—	75,000	—
Giulio Del Ninno	75,000	—	—	—	75,000	—
Pier Francesco Facchini	—	3,508	450,000	258,030	711,538	207,203
Fabio Labruna	25,000	—	—	—	25,000	—
Hugues Lepic	—	—	—	—	—	—
Michael Ogrinz	—	—	—	—	—	—
Fabio Romeo (**)	—	3,330	555,709	357,306	—	—
Udo Günter Werner Stark	75,000	—	—	—	75,000	—
Michele Titi Cappelli	—	—	—	—	—	—
Francesco Paolo Mattioli (*)	75,000	—	—	—	75,000	—
Statutory Auditors						
Marcello Garzia	20,660	—	103,790	—	124,450	—
Paolo Burlando	12,920	—	45,450	—	58,370	—
Luigi Guerra	12,920	—	—	—	12,920	—
Giovanni Rizzi(*)	—	—	38,000	—	38,000	
Senior Managers						
Hakan Ozmen (***)	—	—	301,847	533,300	835,147	61,008

(*) Directors or Statutory Auditors who, as of 31 December 2009, had ceased their functions.

(**) Fabio Romeo received the remuneration from Prysmian Cavi e Sistemi Energia S.r.l. in his capacity as employee of the same company.

(***) Hakan Ozmen received the remuneration from Turk Prysmian Cablo Ve Sistemleri A.S. in his capacity as Chief Executive Officer of the same company.

The shareholders' meeting of the Offeror held on 15 April 2010 resolved upon an overall gross amount of Euro 325,000 should be granted to the members of the board of directors for the year 2010, i.e. the period from the same 15 April 2010 (date of the shareholders' meeting approving the financial statements for year 2009) to the date on which the shareholders' meeting for the approval of the financial statements for year 2010 will be held.

On the basis of the above resolution of the shareholders' meeting, the board of directors, after examining the proposals of the remuneration and nomination committee and hearing the board of statutory auditors, resolved to allocate the above mentioned overall sum only among the non-executive and independent members. Directors are also eligible for reimbursement of the expenses incurred in carrying out their functions.

The following table sets out the emoluments granted by the board of directors to its non-executive and independent members during year 2010, taking into account both the specific responsibilities of each and the portion of the year in which each director has served

Name	Period in charge	Fee (€)
Wesley Clark	From 15 April 2010 to approval of financial statements for year 2010	70,000
Claudio De Conto	From 21 July 2010 to approval of financial statements for year 2010	51,400
Giulio Del Ninno	From 15 April 2010 to approval of financial statements for year 2010	70,000
Sergio Erede	From 21 July 2010 to approval of financial statements for year 2010	51,400
Fabio Labruna	From 15 April 2010 to 19 July 2010	6,600
Massimo Tononi	From 21 July 2010 to approval of financial statements for year 2010	51,400
Udo Stark	From 15 April 2010 to 19 July 2010	18,400

17.10 Contracts with directors with indemnities for resignation, dismissal or termination

Valerio Battista, the Chief Executive Officer and General Manager, is also an employee of Prysmian S.p.A., with a permanent contract as a manager since 1 June 2006. His length of service and his appointment to management status date back to 1 January 1989, while his employee indemnity liability runs from 1 July 2005. Should the Company terminate the relationship without due cause or adequate disciplinary reasons for such termination, it will pay Valerio Battista the gross sum of Euro 4.5 million.

Pier Francesco Facchini, a Director as well as CFO, is also an employee of Prysmian S.p.A., with a permanent contract as a manager since 8 January 2007. Should the Company terminate the relationship without due cause or adequate disciplinary reasons for such termination, and also in the case of dismissal with due cause, the Company will pay Pier Francesco Facchini indemnity in lieu of notice corresponding to 24 months' salary.

17.11 Total amounts set aside or accrued by the Offeror or its subsidiaries to provide pension, retirement or similar benefits

As of 31 December 2009, the Prysmian Group had set aside a total amount of Euro 142 millions to provide pension funds, employee indemnity liability (Trattamento di fine rapporto), medical benefit plans and termination benefits and others.

17.12 Shares and options held by directors and senior managers

The following table sets forth the number of Prysmian shares and options over Prysmian shares held by directors and senior managers of the Offeror, as of the date of this Offer Memorandum. The options have been granted on the basis of the Stock Option Incentive Plan described in Section 17.6.1, Part II, of this Offer Memorandum

Name	Position with Prysmian	Number of Shares	Number of Options
Valerio Battista	Director – Chief Executive Officer	2,218,607	—
Pier Francesco Facchini	Director – Chief Financial Officer	33,000	98,051
Massimo Battaini	Chief Operating Officer	2,300	—
Stefano Bulletti	Director	5,000	—

18. PRINCIPAL SHAREHOLDERS

18.1 Shareholders

As at the date of this Offer Memorandum, based on the information made public by Consob and/or available to the Offeror, shareholders owning (directly and indirectly) more than 2 per cent. of the share capital of the Offeror are as follows:

Shareholder	Direct shareholder (where different)	%	Total %
Clubtre S.r.l.		5.008	**5.008**
	Blackrock Investment Management (UK) Ltd	1.076	
	Blackrock Institutional Trust Company NA	1.300	
	Blackrock (Luxembourg) SA	0.803	
	Blackrock Advisors (UK) Limited	0.210	
	Blackrock Fund Advisors	0.338	
	Blackrock (Netherlands) BV	0.060	
	Blackrock Advisors LLC	0.092	
	Blackrock Asset Management Japan Limited	0.246	
Blackrock Inc.	Blackrock Asset Management Deutschland AG	0.093	**4.746**
	Blackrock Investment Management LLC	0.089	
	Blackrock Asset Management Canada Limited	0.026	
	Blackrock International Limited	0.021	
	Blackrock Financial Management Inc	0.051	
	Blackrock Asset Management Australia Limited	0.015	
	Blackrock Investment Management (Australia) Ltd	0.007	
	Blackrock Asset Management Ireland Ltd	0.318	
Standard Life Investments Ltd.	Standard life Investments Ltd	1.159	**2.157**
	Vidacos Nominees	0.998	
J.P.Morgan Chase & Co. Corporation	J.P. Morgan Securities Ltd.	2.139	**2.155**
	J.P. Morgan Whitefriars Inc.	0.006	
	J.P. Morgan Ventures Corp.	0.010	
Norges Bank		2.107	**2.107**
Schroder Investment Management Ltd.		2.027	**2.027**
Franklin Templeton Institutional LLC		2.023	**2.023**
Oppenheimerfunds Inc.		2.001	**2.001**

To the best of the knowledge of the Offeror, no other shareholder owns more than 2 per cent. of its ordinary shares. To the best of the knowledge of the Offeror, there are no arrangements in place the operation of which may at a subsequent date result in a change in control of the Offeror.

18.2 Other voting rights of the Offeror's principal shareholders

As of the date of this Offer Memorandum, the Offeror has issued only ordinary shares. The ordinary shares all benefit of one vote each share.

18.3 Individuals and legal entities which exercise control over the Offeror

As of the date hereof, to the Offeror's knowledge, there are no individuals or legal entities capable of exercising control over Prysmian pursuant to Article 93 of the Italian Finance Act.

18.4 Shareholders' agreements

As to the date hereof, to the Offeror's knowledge, there are no shareholders' agreements which could result in a change of control over the Offeror.

19. RELATED-PARTY TRANSACTIONS

Prysmian has, in the past, entered into, and continues to enter into, a range of commercial and financial dealings with related parties.

For details of commercial and financial dealings entered into by the Offeror with related parties as of 30 September 2010, 30 June 2010 and 31 December 2009 respectively, please refer to, respectively, Note 22 of the Offeror's third-quarter report as of 30 September 2010, Note 22 of the Offeror's half-year financial report as of 30 June 2010, and to Note 33 of the financial statements of the Offeror for the financial year ended 31 December 2009. The financial statements as at 31 December 2009, the half-year financial report as at 30 June 2010 and the third quarter report as at 30 September 2010 are included in Section 1.3 and 1.4, Part III, of this Offer Memorandum.

None of the related party transactions entered into by Prysmian in years 2007, 2008, 2009 and until 30 September 2010 qualifies as material for the Prysmian Group or for the Offeror (other than the intercompany transactions between Prysmian and its subsidiaries), and all of them fall into the normal course of business. Those transactions have taken place under market terms and conditions, according to the type of goods and services provided.

Transactions between Prysmian and its subsidiaries and associates mainly relate to services (technical, organisational and general) provided by head office to subsidiaries worldwide and financial relations entered into on behalf of, and with, its subsidiaries. All those transactions form part of the Prysmian Group's continuing operations.

Transactions between Prysmian's subsidiaries mainly refer to trade relations involving intercompany purchases and sales of raw materials and finished goods. Furthermore the treasury group company maintains financial relations on behalf of, and with, other Prysmian subsidiaries. Although during 2010 The Goldman Sachs Group Inc. sold its interests in Prysmian held through Prysmian (Lux) II S.à r.l. (16.24% of share capital) and Goldman Sachs International (0.564% of share capital), Prysmian decided to consider the Goldman Sachs Group Inc. still a related party for the entire year 2010.

20. ADDITIONAL INFORMATION

20.1 Share Capital

As at date of the Offer Memorandum, the authorised share capital of the Offeror was equal to Euro 18,310,000, and its issued fully paid and subscribed share capital was equal to Euro 18,202,930.20, divided into 182,029,302 ordinary shares outstanding, with nominal value of Euro 0.10 each. The authorised share capital is inclusive of a capital increase of an original amount of Euro 310,000 that was approved at a shareholders' meeting held on 30 November 2006 to serve a stock option plan in favour of the Offeror's employees and that, as at 15 April 2010 is outstanding as to Euro 77,388.80. The issued and outstanding share capital of the Offeror may therefore be increased from time to time as additional shares are issued pursuant to the stock option plan.

On 15 December 2010, the Offeror EGM has been called for 21, 22 and 24 January 2011, in first, second and third call respectively, to resolve upon a share capital increase for a maximum amount of EUR 426,461,450.96 by means of the issuance of a maximum number of 32,704,099 New Prysmian Shares, reserved for subscription to the Shareholders adhering to the Offer. For more information, see the Report of the board of directors prepared in view of the Offeror EGM pursuant to Article 2441, paragraph 6, of the Italian Civil Code (the **Board of Directors' Report**). Such document is incorporated by reference in, and forms an integral part, of this Offer Memorandum).

Prysmian has been listed on the Italian Stock Exchange since May 2007 and its shares are traded on the MTA, the regulated market of the Italian Stock Exchange.

20.2 Existence of shares not representing capital

As of the date of this Offer Memorandum, the Offeror has not issued shares not representing capital.

20.3 Number, book value and nominal value of shares held by the Offeror

In the framework of a plan aimed at purchasing own shares authorised by the shareholders' meeting of the Offeror on 15 April 2008, as of the date of this Offer Memorandum, the Offeror holds 3,028,500 of own shares, the book value of which is EUR 30.179 million and the aggregate nominal value of which is EUR 302,850.

20.4 Amount of convertible securities, exchangeable securities or securities with warrants with an indication of the conditions governing and the procedures for conversion, exchange and subscription

As of the date of this Offer Memorandum, the Offeror has not issued convertible securities, exchangeable securities or securities with warrants.

20.5 Existence of rights and/or obligations to acquire authorised but unissued capital or of an undertaking to increase the capital

With the exception of those deriving from the Stock Option Incentive Plan referred to in Section 17 above, as of the date hereof, there are no rights and/or obligations to acquire the capital of the Offeror.

20.6 Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate

Subject to the indications of Part I, Section 6 of this Offer Memorandum and with the exception of the Stock Option Incentive Plan referred to in Section 17 above, there are no other instruments representing the capital offered to members of the Group.

20.7 Articles of incorporation and by-laws

20.7.1 Company's objects and purposes

For a description of the Offeror's objects and purposes, see Article 3 of the Offeror's by-laws, which are incorporated by reference in, and form an integral part of, this Offer Memorandum.

20.7.2 Rights, preferences and restrictions attaching to each class of existing shares

As of the date of this Offer Memorandum, all shares of the Offeror are ordinary shares of the same class and grant the same rights.

20.7.3 Methods for the amendment of shareholders' rights

The Offeror's by-laws do not envisage methods for amending shareholders' rights other than those envisaged by Italian law.

20.7.4 Provisions of the by-laws concerning ordinary and extraordinary shareholders' meetings of the Offeror

The ordinary and extraordinary shareholders' meetings of the Offeror are regulated by Articles 9, 10, 11, 12 and 13 of the Offeror's by-laws, which are incorporated by reference in, and form an integral part of, this Offer Memorandum.

20.7.5 Provisions of the by-laws that could delay, defer or prevent a change in the Offeror's controlling structure

There are no provisions in the Offeror's by-laws that could delay, defer or prevent a change in the Offeror's controlling structure.

20.7.6 Provisions of the by-laws governing the ownership threshold in the Offeror's share capital above which there is an obligation to notify the public of the shares held

There are no provisions in the Offerors' by-laws that prescribe a specific ownership threshold above which there is an obligation to notify the public of the shares held. The thresholds above which there is an obligation to notify the public of the amount of shares held are those envisaged by Italian law.

20.7.7 Provisions of the by-laws governing changes in the share capital

There are no provisions in the Offerors' by-laws that envisage greater constraints on changes in the share capital than the ones envisaged by Italian law.

21. MATERIAL CONTRACTS

The terms and conditions of the agreements in force, other than those entered into during the ordinary course of business in the two-year period prior to the date of this Offer Memorandum, are as follows.

21.1 Facility agreements

A summary of the terms and conditions of the Existing Facilities Agreement and of the FSF is included in Section II, paragraph 7 (''Operating and financial review and sources of funding''). For more information, see also Notes No. 10 and 23 of the Offeror's half-year financial reports as of 30 June 2010. Such document is included in Section 1.3, Part III, of this Offer Memorandum.

21.2 Bond issue agreements

On 30 March 2010, Prysmian completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400 million. The bond has a 5-year term and pays a fixed annual coupon of 5.25%. The bond has been admitted to the Luxembourg Stock Exchange's official list and trades on the related regulated market. For additional information on the placement of the unrated bonds, see Section 8.2 and refer to page 9 of the half-yearly report of the Offeror as of 30 June 2010 available at the Offeror's registered office (Viale Sarca 222, 20126 Milan, Italy), Borsa Italiana S.p.A. (Piazza degli Affari, No. 6, Milan, Italy) and on the Offeror's website www.prysmian.com.

22. INFORMATION ON HOLDINGS

For a detailed list of the companies that are consolidated line-by-line by the Offeror as of 30 September 2010, please refer to attachment A (Scope of Consolidation) of the Unaudited Condensed Consolidated Interim Financial Statements of the Offeror for the nine month period ended 30 September 2010. Such documents are included in Section 1.4, Part III, of this Offer Memorandum.

23. SECURITIES TRADING IN ITALY

All transactions in securities on the Italian Stock Exchange are quoted in euro. Securities trading in Italy is subject to the control of: (i) Consob, the public authority charged, *inter alia*, with regulating securities, markets and public offerings of securities in Italy; and (ii) the Italian Stock Exchange (*Borsa Italiana*), a joint stock limited liability corporation incorporated to manage and supervise the Italian regulated financial markets (including the MTA). The Italian Stock Exchange became operative in January 1998, and has issued the Securities Market Regulations (*Regolamenti di Borsa*) governing, *inter alia*, the organization and administration of the Italian stock exchange, the futures and options markets as well as the admission to listing on and trading in these markets. The shareholders of the Italian Stock Exchange are primarily financial intermediaries.

The Italian Finance Act (*Testo Unico delle disposizioni in materia di intermediazione finanziaria*) was enacted by Legislative Decree No. 58 of 24 February 1998 in order to consolidate the regulation of the Italian financial markets, primarily by restating the provisions of the EC Directive 93/22/EEC (***Investment Services Directive***). The Italian Finance Act provides, with minor exceptions, that only registered securities dealers and banks may trade equity securities, as well as engage in any other investment services, and that non-Italian banks and investment services firms regulated in other EU Member States may do so provided that Consob and the Bank of Italy are notified of the intention of the relevant bank or investment services firm to operate in Italy by the relevant competent financial authority in that EU Member State. Non-EU banks and non-EU investment firms may operate in Italy either by setting up a branch or on a cross-border basis, subject to specific authorization by Consob and the Bank of Italy.

The legal framework regulating securities trading in Italy, and in particular the Italian Finance Act, was reformed in 2007 by Legislative Decree No. 164 of 17 September 2007, which implemented, respectively, Directive 2004/39/EC, Directive 2006/73/EC and Regulation (EC) No. 1287/2006 (***MiFID Directive***). This major reform of Italian securities trading focused primarily on pre-trade and post-trade transparency requirements for equity securities, which now apply to both trading on the mainstream regulated exchanges and trading in alternative venues or through other systems that are functionally similar to exchanges.

23.1 Clearance and Settlement in Italy

The settlement of Italian Stock Exchange transactions is facilitated by Monte Titoli, a centralized securities clearing system owned by the Italian Stock Exchange. Most Italian banks and certain Italian securities dealers have securities accounts with Monte Titoli and act as depositories for investors. Beneficial owners of shares may hold their interests through custody accounts with any such institution. Beneficial owners of shares held with Monte Titoli may transfer their shares, collect dividends and exercise other rights with respect to the shares through such institutions. Participants in Euroclear and Clearstream, Luxembourg may hold their interests in shares, transfer their shares, collect dividends, create liens and exercise other shareholders' rights through Euroclear or Clearstream, Luxembourg.

Holders of ordinary shares may request Euroclear or Clearstream, Luxembourg to transfer their shares to an account set up for such holders with an Italian bank or any authorized broker having an account with Monte Titoli.

Pursuant to the Legislative Decree No. 213 of 24 June 1998, which came into force on January 1, 1999, holders of shares deposited with Monte Titoli in most cases no longer have the right to obtain the physical delivery of certificates representing their shares.

23.2 Market Regulation

The Italian financial markets are primarily regulated by legislation that implements EU Directives regulating financial markets, banking and investment business, namely, the MiFID Directive (which replaced the Investment Services Directive) as well as Directive 2006/48/EC and Directive 2006/49/EC (which replaced Directive 93/6/EEC, also referred to as the "Capital Adequacy Directive"). This regime is now consolidated in the Italian Finance Act.

A three-day rolling cash settlement period applies to all trades of equity securities in Italy. Any person, through an authorized intermediary, may purchase or sell listed securities following: (i) in the case of sales, deposit of the securities; and (ii) in the case of purchases, deposit of 100% of their purchase price in cash or deposit of listed securities or government bonds for an equivalent amount. No "closing price" is reported for the electronic trading system, but (i) an "official price" for each

security calculated as a weighted average of all trades effected during such day; and (ii) a ''reference price'' is also calculated for each security equal to the closing-auction price.

If the opening price of a security (established each trading day prior to the commencement of trading based on bids received) differs by more than 5% (or such other amount established by the Italian Stock Exchange) from the previous day's reference price, trading in that security will not be permitted until the Italian Stock Exchange authorizes the re-commencement of trading. If in the course of a trading day the price of a security fluctuates by more than 3.5% from the last reported sale price (or 10% from the previous day's reference price), an automatic five minute suspension is declared. In the event of such a suspension, orders already placed may not be modified or cancelled, and new orders may not be processed. The Italian Stock Exchange has the authority to suspend trading of any security in response to extreme price fluctuations or for other reasons.

The Italian Finance Act provides that Consob may prohibit the implementation of admission and exclusion decisions or order the revocation of a decision to suspend financial instruments or intermediaries from trading within five days of the Italian Stock Exchange receiving the relevant notification if, on the basis of the information in its possession, it considers the decision to be contrary to the aim of ensuring the transparency of the market, the orderly conduct of trading and the protection of investors. Consob may request the Italian Stock Exchange: (i) to provide all the information it considers necessary for such purposes; and (ii) to suspend financial instruments or intermediaries from trading.

24. FOREIGN INVESTMENT AND EXCHANGE CONTROL REGULATIONS IN ITALY

There are currently no exchange controls as such in Italy restricting rights deriving from the ownership of shares. Residents and non-residents of Italy may hold foreign currency and foreign securities of any kind, within and outside Italy. Non-residents may invest in Italian securities without restriction and may transfer to and from Italy cash, instruments of credit and securities (in both foreign currency and euro) representing interest, dividends, other asset distributions and the proceeds of any dispositions.

Certain procedural requirements, however, are imposed by law. Updated reporting and record-keeping requirements are contained in Italian legislation implementing Directive No. 88/361/EEC on the free movement of capital. Such legislation requires that transfers into or out of Italy of cash or securities in excess of Euro 12,500 be reported in writing to the Financial Intelligence Unit of the Bank of Italy by the credit institutions or other authorized intermediaries effecting such transactions in Italy. In addition, credit institutions and other intermediaries effecting such transactions in Italy of behalf of residents of Italy or non-residents are required to maintain records of such transactions for ten years, which may be inspected at any time by Italian tax and judicial authorities. Non-compliance with these reporting and record-keeping requirements may result in administrative fines or, in the case of false reporting and in certain cases of incomplete reporting, criminal penalties. Upon the verification of certain conditions, Financial Intelligence Unit of the Bank of Italy may make use of the data received and transfer the data to other government offices, to police money laundering departments, or operational tax evasion departments (*nuclei operativi della guardia di finanza*).

Individuals, non-profit entities and non-commercial partnerships that are residents of Italy must disclose on their annual tax declarations all investments and financial assets held outside Italy, as well as the total amount of transfers to, from, within and between countries other than Italy relating to such foreign investments or financial assets, even if at the end of the taxable period such foreign investments or financial assets are no longer owned. No such disclosure is required with respect to foreign investments or financial assets that are exempt from income tax, or if the tax has been already withheld in Italy. This disclosure requirement does not apply if the total value of the investments and assets at the end of the taxable period, or the total amount of the transfers effected during the year, is not greater than Euro 12,500. Corporations and partnerships resident in Italy are exempt from this disclosure requirement with respect to their annual tax declarations because this information is required to be disclosed in their financial statements.

There can be no assurance that the current regulatory environment in or outside Italy will continue or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership of the EU and other international organizations and its adherence to various bilateral and multilateral international agreements.

25. PROFIT FORECAST

25.1 Introduction

On 10 November 2010, Prysmian published its interim condensed consolidated financial statements as of and for the nine months ended 30 September 2010 and communicated with a press release that, based on the results achieved in the first nine months, combined with the size of the current order book, the target for FY 2010 adjusted EBITDA is expected to be in the region of Euro 375 million (the "**Profit Forecast**"), where adjusted EBITDA is defined as earnings/(loss) for the period, before the fair value change in metal derivatives, depreciation, amortization and impairment, finance income/(costs), the share of income/loss from associates, dividends from other companies, taxes and non-recurring income and expenses Furthermore, with "region" of Euro 375 million it is meant a potential range between Euro 350.million and Euro 400 million.

The Prysmian management prepares an annual budget (the "**Management Plan**"), which is updated for a forward three month period between January and April and from May onwards is updated on a monthly basis for the remainder of the year (the "Rolling Forecast"), which is based on a bottom-up approach country by country. The Profit Forecast comes from the Rolling Forecast as at 30 September 2010.

The Profit Forecast does not include any specific effect due to extraordinary transactions or acquisitions in the pipeline and has been prepared applying the accounting principles used in the preparation of the consolidated financial statements as of and for the year ended 31 December 2009 (i.e. the International Financial Reporting Standards as endorsed by the European Union).

The preparation of the Management Plan is based upon, among other things, certain assumptions and estimates concerning future events that management expects to occur and the actions management intends to pursue at the time the Management Plan is prepared. Such events and actions may not actually be realized, as they depend substantially on variables which management cannot control. On the other side, the Rolling Forecast on which the 2010 adjusted EBITDA of Euro 375 million is based, is derived from updated and substantially defined estimations that can therefore be different from those of the Management Plan.

25.2 Assumptions outside the control of management

The principal assumptions on which the Management Plan is based and which are outside the influence of the management generally refer to the macroeconomic scenario on the date of preparation of the Management Plant. In particular, the main assumptions relate to raw materials and exchange rates in the main markets and are as follows:

	Copper USD/ton	Aluminium USD/ton	Lead USD/ton	Cath. Prem USD/ton
MP 2010	4.650	1.600	1.600	80

	Exchange Rate
US Dollar	1.40
British Pound	0.84
Brazil Real	3.02
Australian Dollar	1.75

Furthermore, headquarter management provides each country with specific data in terms of GDP growth and inflation rate.

In particular, in the calculation of the September Rolling Forecast, and therefore the Profit Forecast, the principal assumptions used are:

- exchange rates for the US dollar, British pound, Brazil Real and Australian dollar. The exchange rates used were calculated using the average exchange rates of nine months ended 30 September 2010. In particular the exchange rates used with the reference to the US dollar, British pound, Brazil Real and Australian dollar are 1.314, 0.857, 2.340 and 1.465, respectively and
- standard price for metals which are derived from:

i) the price of metal as in order backlog, for the portion of the sale for which an order already exists; or

ii) the average price of metal booked in the previous month, for the portion of the sale for which there is no order.

25.3 Factors within the control of management

In relation to the assumptions within the control of the management, the Profit Forecast assumes:

- volumes by product: increase in Oil and Gas Products, Power distribution and Trade and Installers and mainly in France, Brazil, Italy and UK;
- expected contribution improvement to adjusted EBITDA mainly due to some transmission projects which derived from current backlog;
- Capex are expected to increase to Euro 100 million in the year ended 31 December 2010. Capex in nine months ended 30 September 2010 were Euro 56 million but management of Prysmian Group expects to double this capex in the last three months of the year 2010 due to acceleration of the investment program during this period already approved. The most significant capex contemplated by the Profit Forecast, mainly includes the production capacity increases for flexible pipes in Brazil (Vila Velha), for high voltage cables in China, for production capacity relocation in Canada and for optical fibre cables in Italy (FOS).

25.4 Forecast Data

The adjusted EBITDA for the nine months ended 30 September 2010 equals to Euro 281 million and the Profit Forecast of Euro 375 million is as at today consistent with backlog and further actual figures available.

The Profit Forecast, as previously stated, are based on future events and actions that Prysmian Group expects to occur, including the assumptions about trends in macroeconomic indicators and resulting developments described above. As the Profit Forecast is based on future events and management actions, it is characterized by subjectivity and unpredictability, especially in terms of the risk that the forecasted events and actions may not take place or may take place at a different time or to a different extent than anticipated, as well as the fact that certain events and actions may not have been foreseeable at the time the Profit Forecast was drafted. Consequently, the difference between actual results and Profit Forecast may be substantial.

As there is always uncertainty with respect to any projection, potential investors must not rely on the forecast data in making investment decisions in respect of the Offer.

25.5 **Independent Auditor's Report on Examination of Profit Forecast for the year ended on 31 December 2010**

PricewaterhouseCoopers SpA

INDEPENDENT AUDITORS' REPORT ON EXAMINATION OF PROFIT FORECAST

To the Board of Directors of
Prysmian SpA

1. We have examined the profit forecast of Prysmian SpA (the "Company") comprising the statement of forecast range of consolidated adjusted EBITDA for the year ended 31 December 2010 (the "Profit Forecast") of the Company and its subsidiaries (together the "Prysmian Group") which was published by the Company in a press release dated 10 November 2010 issued in connection with the publication of the third quarter results for the nine months ended 30 September 2010. The Profit Forecast and the material assumptions upon which it has been based are set out in Part II Section 25 of the Offer Memorandum, prepared in connection with the recommended mixed exchange and cash offer by the Company for all the issued and outstanding ordinary shares with a nominal value of Euro 0.50 each in the share capital of Draka Holding N.V. and the related listing of the new Prysmian shares on the Mercato Telematico Azionario, the regulated market of Borsa Italiana S.p.A.

   This report relates only to the Profit Forecast and does not relate to any other information included in the Offer Memorandum. The preparation of the Profit Forecast, including the principal assumptions upon which it is based, is the responsibility of the Board of Directors.

2. The preparation of the Profit Forecast is based upon, among other things, certain assumptions and estimates concerning future events that management expects to occur and the actions management intends to pursue. These assumptions include general and hypothetical assumptions as set out in Part II Section 25, relating to future events and management actions which may not occur in the future.

3. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3400 "The Examination of Prospective Financial Information", issued by IFAC – International Federation of Accountants.

4. Based on our examination of the evidence supporting the assumptions and the basis of preparation of the Profit Forecast, nothing has come to our attention which causes us to believe that, as at today, these assumptions

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

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do not provide a reasonable basis for the Profit Forecast, assuming that the hypothetical assumptions about future events and initiatives of the directors of the Company, described above in Paragraph 2, occur. Further, in our opinion, the Profit Forecast is properly prepared on the basis of the assumptions and the elements described above and are presented in accordance with the accounting standards used by the Company in the preparation of the consolidated financial statements as of and for the year ended 31 December 2009.

5. It should be noted that actual results may be different from those included in the Profit Forecast due to the uncertainty connected to the events and circumstances related to the Profit Forecast, both in terms of extent and timing. Even if the events set forth in Part II Section 25 do occur, the variations could be material due to the timing and extent of the events.

6. This report has been prepared for the purposes of Consob Regulation 11971/99, as subsequently modified and integrated, only with reference to the Profit Forecast included in the Part II Section 25 of the Offer Memorandum and it cannot be used, in whole or in part, for other purposes.

7. We do not assume any responsibility to modify this report for events or circumstances after the date of this report.

Milan, 23 December 2010

PricewaterhouseCoopers SpA

Fabio Facchini
(Partner)

26. LEGAL MATTERS

Allen & Overy Amsterdam has advised Draka on certain Dutch legal matters relating to the Offering. Freshfields Bruckhaus Deringer LLP Amsterdam has advised Prysmian on certain Dutch legal matters related to the Offering. Freshfields Bruckhaus Deringer Milan and Bonelli Erede Pappalardo, Studio Legale, have advised Prysmian on certain Italian legal matters related to the Offer and the New Prysmian Shares Offer.

27. WHERE YOU CAN FIND ADDITIONAL INFORMATION

Additional information can be obtained from Prysmian's principal office, which is located at Viale Sarca 222, 20126 Milan, Italy, telephone number +39 02 6449 1, or at Prysmian's website: www.prysmian.com.

28. EXPLANATORY NOTES

28.1 Essential Information

28.1.1 Statement on net working capital

Prysmian believes that the Prysmian Group's net working capital for the 12 months following the date of this Offer Memorandum is sufficient for its needs. For information on Prysmian's financial resources, please see Section 7, Part II of this Offer Memorandum

28.1.2 Capitalisation and Indebtedness

The following table sets forth the Prysmian Group's capitalisation and net financial indebtedness as at 31 October 2010 calculated in accordance with paragraph 127 of the CESR/05-054b Recommendations, implementing EC Regulation 809/2004, and in accordance with the Consob instruction of 26 July 2007.

CAPITALISATION AND INDEBTEDNESS

	As at 31 October
	2010
	in millions of Euro
Finance Leases	1
Guaranteed	—
Secured	14
Unguaranteed/Unsecured	85
Total current debt	**100**
Finance Leases	2
Guaranteed	0
Secured	36
Unguaranteed/unsecured	1,192
Total non-current debt (excluding current portion of long term debt)	**1,230**
Share capital	18
Reserves*	660
Shareholders' equity	**678**
Total capitalisation	**2,008**

* Reserves do not include comprehensive income subsequent to 30 September 2010 in accordance with the CESR recommendation.

A+B. Cash and cash equivalent	304
C. Trading securities	40
D. Liquidity (A)+(B)+(c)	**344**
E. Financial receivable	**237**
F. Current bank debt	76
G. Current portion of non current debt	14
H. Other current financial debt	10
I. Current financial debt (F)+(G)+(h)	**100**
J. Net current financial indebtedness (I)-(E)-(d)	**(481)**
K. Non current bank loans	798
L. Bonds issued	395
M. Other non current loans	37
N. Non current financial indebtedness (K)+(L)+(m)	**1,230**
O. Net financial indebtedness CESR (J)+(n)	**749**

For information on the Prysmian Group and Prysmian's sources of funding, see Section 7, Part II of this Offer Memorandum.

28.1.3 Interests of individuals and legal entities participating in the New Prysmian Shares Offer

Other than in respect of the undertakings by Flint Investments B.V. described in Section 6.11, Part I, of this Offer Memorandum, Prysmian is not aware of any interest of legal entities and individuals that is material to the offer of the New Prysmian Shares (the New Prysmian Shares Offer). J.P. Morgan is involved in the Offer as an advisor to Draka and has issued a Fairness Opinion in relation to the Offer Price. An affiliate of the J.P. Morgan group is also a shareholder of Prysmian.

28.1.4 Motivation of the Offer and use of proceeds

The New Prysmian Shares are offered in the context of the Offer, as part of the consideration payable to the Shareholders. As a consequence, no proceeds will be generated by the issuance of the New Prysmian Shares, which will be exchanged with Tendered Shares as described in Section 5.1, Part I, of this Offer Memorandum. For the rationale of the Offer, see Section 6.4 of Part I, of this Offer Memorandum.

28.1.5 Accounting treatment for the purchase of the controlling shareholding in Draka in the consolidated financial statements of Prysmian

In accordance with IFRS, for the purpose of its accounting treatment in the consolidated financial statements of Prysmian, the purchase price for the acquisition of Draka will be calculated by Prysmian as the sum of: (i) the cash due and payable by Prysmian under the Offer and (ii) the fair value of the New Prysmian Shares issued under the Offer which corresponds to the market price of the shares of Prysmian on the date that the New Prysmian Shares are issued (i.e. the Settlement Date) or, if earlier, the date the control over Draka is obtained (the ***Fair Value of the Prysmian Shares Issued***). Therefore, Prysmian's consolidated financial statements will record an increase in the shareholders equity which may be different from the aggregate Subscription Price of the New Prysmian Shares issued as determined according to Article 2441, paragraph 6, of the Italian Civil Code. The Fair Value of Prysmian Shares Issued, in fact, will depend on the related market price on the date of issuance of the New Prysmian Shares or, if earlier, on the date that control of Draka is obtained.

28.2 Information concerning the New Prysmian Shares

28.2.1 Description of the New Prysmian Shares

The New Prysmian Shares are Prysmian S.p.A.'s ordinary shares, each with a par value of Euro 0.10, regular benefits and the same characteristics as those listed as of the date of the Offer Memorandum.

Prysmian MTA listed shares have the ISIN code IT0004176001. The New Prysmian Shares will have the same ISIN code.

28.2.2 Laws permitting the New Prysmian Shares to be issued

The New Prysmian Shares will be issued in accordance with Italian law.

28.2.3 Form of the New Prysmian Shares

The New Prysmian Shares are nominal, indivisible, transferable, and placed in the book entry system subject to Legislative Decree No. 213 of 24 June 1998 and issued in the Monte Titoli centralized management system.

28.2.4 Currency of the New Prysmian Shares

The New Prysmian Shares are denominated in Euro.

28.2.5 Description of rights connected to the New Prysmian Shares

The New Prysmian Shares shall have the same characteristics and shall confer the same rights as the Prysmian's ordinary shares listed on the MTA as of the date of the Offer Memorandum. As of the date of the Offer Memorandum, all shares of Prysmian are ordinary shares of the same class and grant the same rights. Pursuant to Article 7 of the b-laws, the shares are ordinary and nominal. Prysmian may increase the share capital also through contribution in kind and may issue classes of shares having specific rights, as permitted by applicable laws and regulations.

Pursuant to Article 7 of the By-laws, each shareholder has the right to one vote per share held at the shareholders' meeting. On the dividend policy of Prysmian, see Section 4 , Part II of this Offer Memorandum.

28.2.6 Information on Resolution pursuant to which the New Prysmian Shares will be issued

On 15 December 2010, the Offeror EGM has been called for 21 January 2011, on the first call, 22 January 2011, on the second call, and 24 January 2011, on the third call, to resolve upon the capital increase for the issuance of the New Prysmian Shares. For more details, see the Board of Directors' Report. Such document is incorporated by reference in, and forms an integral part, of this Offer Memorandum.

28.2.7 Date for the issue of the New Prysmian Shares

The New Prysmian Shares will be made available to beneficiaries by the authorized financial intermediaries which have accounts with the centralized management system managed by Monte Titoli by the Settlement Date.

28.2.8 Limitations on free transfer of the New Prysmian Shares

There are no limitations on free transfer of the New Prysmian Shares.

28.2.9 Description of regulations concerning the obligation to make residual offers to the public for the purchase and/or the purchase and sale of the New Prysmian Shares

The New Prysmian Shares will be subject to the rules laid down in the Italian Finance Act and the applicable regulations, and in particular the Consob Regulation No. 11971 of 14 May 1999 (the Consob Regulation), as amended, with specific reference to the provisions regarding public offerings for purchase and sale.

28.2.10 **Previous public offers to purchase shares**

Prysmian's shares have never been subject to any public offering for purchase or exchange during the present or previous trading period.

28.2.11 **Taxation**

Please refer to Section 10.2, Part I, of this Offer Memorandum.

28.3 Terms of the New Prysmian Shares Offer of the New Prysmian Shares

28.3.1 Terms and statistics related to the New Prysmian Shares Offer, projected timetable and procedure for subscribing

(a) Conditions on which the New Prysmian Shares Offer depends

The New Prysmian Shares Offer is made in the context of the Offer and, therefore, it depends on the same conditions on which the Offer depends, including the approval by the Offeror EGM of the issuance of the New Prysmian Shares. See Section 6.7, Part I, of this Offer Memorandum.

(b) Total amount of the New Prysmian Shares Offer

The New Prysmian Shares subject to the New Prysmian Shares Offer derive from a capital increase of Prysmian to be resolved by the Offeror EGM. The share capital increase will entail issuance of a maximum number of 32,704,099 New Prysmian Shares, having a nominal value of Euro 0.10 each, to be offered for subscription to the Shareholders tendering their Shares to the Offer, at a subscription price (the Subscription Price) equal to Euro 13.04 for each Share (of which 0.10 as nominal value and Euro 12.94 as share premium), for a maximum amount of Euro 426,461,450.96 (of which 3,270,409.90 as total maximum nominal value and Euro 423,191,041.06 as total maximum share premium). See the Board of Directors' Report, which is incorporated by reference in, and forms an integral part, of this Offer Memorandum.

(c) Validity period of the New Prysmian Shares Offer and subscription procedure

The Shareholders can subscribe New Prysmian Shares by tendering their Shares in the Offer during the Offer Period, as possibly extended, and during the Post-Closing Acceptance Period, if any. See Sections 5.3 et seq, Part I, of this Offer Memorandum).

The procedure for the acceptance of the Offer is set forth in Section 5.2, Part I, of this Offer Memorandum whereas the procedure for settlement of the Offer and the delivery of New Prysmian Shares is set forth in Section 5.7, Part I, of this Offer Memorandum.

An indicative timetable for the Offer is set forth in Section 5.12, Part I, of this Offer Memorandum.

(d) Information concerning the suspension and/or termination of the New Prysmian Shares Offer

The New Prysmian Shares Offer will become irrevocable upon approval of the relevant capital increase by the Offeror EGM and registration with the competent Companies' Registry of the relevant minutes. However, no New Prysmian Share will be issued and delivered for subscription in exchange of Tendered Shares unless and until the Offer is declared unconditional pursuant to Sections 5.4 and 6.7, Part I, of this Offer Memorandum. No later than three (3) Business Days following the Closing Date, the Offeror will declare whether the Offer Conditions will have been satisfied or waived or not satisfied (see Section 5.4, Part I, of this Offer Memorandum) and will notify the public and Consob by means of communication pursuant to Article 114 of the Italian Finance Act and Article

66 of the Consob Regulation, and a special notice published in a daily newspaper with national circulation and sent simultaneously to Consob.

(e) Reduction of subscriptions and withdrawal

Subscribers will not have the right to reduce their subscriptions of New Prysmian Shares or withdraw from the Offer, subject to the right of withdrawal of any tender during any extension of the Offer Period in accordance with the provisions of Article 15, paragraph 3 of the Bob.

(f) Amount of subscription

The New Prysmian Shares Offer is reserved for the Shareholders, without any quantitative limitation, at the ratio described in Section 5.1, Part I, of this Offer Memorandum.

(g) Procedures and final terms for delivery of the New Prysmian Shares

The Shares will be made available for delivery to the Shareholders in exchange for Tendered Shares as set forth in Section 5.7, Part I, of this Offer Memorandum.

(h) Publication of results of the New Prysmian Shares Offer

Prysmian is the party required to disclose the results of the Offer and the New Prysmian Shares Offer to the public and to Consob. Those results will be notified within 5 calendar days after the end of the Offer Period, as possibly extended, through a special notice, pursuant to the applicable provisions of the Consob Regulation.

(i) Procedure for the exercise of any pre-emptive rights, for trading of subscription rights and for the processing of unexercised subscription rights

The by-laws of Prysmian do not provide for any pre-emptive rights over the New Prysmian Shares.

28.3.2 Distribution and allocation plan

(a) Offer recipients and markets

The New Prysmian Shares will be offered exclusively to Shareholders in exchange for their Shares as described in Section 5.1, Part I, of this Offer Memorandum. The New Prysmian Shares Offer is being made in The Netherlands and is subject to the same restrictions to which the Offer is subject, which are set forth in Section 2, Part I, of this Offer Memorandum.

(b) Commitments to subscribe New Prysmian Shares

Flint Investments B.V. has undertaken vis-à-vis Prysmian to tender all its Shares in the Offer (and, as a consequence, to subscribe New Prysmian Shares at the ratio described in Section 5.1, Part I, of this Offer Memorandum) under, and subject to the conditions of, the irrevocable undertaking described in Section 6.11, Part I, of this Offer Memorandum.

As of the date of the Offer Memorandum, Prysmian is not aware of any member of the Board of Directors and the Board of Statutory Auditors of Prysmian holding any Share and/or having expressed any intention regarding the subscription of the New Prysmian Shares by tendering Shares in the Offer.

(c) Information to be provided before allocation

Before the allocation of the New Prysmian Shares, Prysmian will make the announcement set forth in Sections 5.4, Part I, of this Offer Memorandum in respect of the Offer becoming unconditional and, as the case may be, the announcement set forth in Section 5.5, Part I, of this Offer Memorandum in respect of the possible extension of the Offer Period. If Prysmian decides to grant to the remaining Shareholders a Post Closing Acceptance Period, it will make the appropriate announcement set forth in Section 5.6, Part I, , of this Offer Memorandum.

(d) Procedure for communicating allocations to subscribers

The final allocation of the New Prysmian Shares will be communicated by the authorized financial intermediaries to their respective customers.

(e) Over Allotment and Greenshoe Option

Not applicable to the New Prysmian Shares Offer.

28.3.3 Setting of the Subscription Price

(a) Subscription Price and expenses payable by subscribers

On 6 December 2010, Prysmian's Board of Directors determined the Subscription Price equal to Euro 13.04 for each New Prysmian Share (of which 0.10 as nominal value and Euro 12.94 as share premium), for a maximum amount of Euro 426,461,450.96 (of which EUR 3,270,409.90 as total maximum nominal value and Euro 423,191,041.06 as total maximum share premium). The New Prysmian Shares will be paid in by contribution in kind of Shares, at the ratio set forth in Section 5.1, Part I, of this Offer Memorandum. In determining the Subscription Price, the Board of Directors applied the criteria described in the report of the board of directors prepared under Article 2441, paragraph 6 of the Italian Civil Code. See also the Board of Directors' Report, which is incorporated by reference in, and forms an integral part, of this Offer Memorandum.

Prysmian will not charge subscribers for any additional cost or expense.

(b) Announcement of the Subscription Price

The Subscription Price of the New Prysmian Shares will be notified to the market by making available the report of the board of directors prepared under Article 2441, paragraph 6 of the Italian Civil Code, in the manner set forth in Article 70, paragraph 4 of the Consob Regulation, at least twenty-one (21) calendar days before the dated of the Offeror EGM, as set forth in Article 158, paragraph 2 of the Italian Finance Act.

(c) Limitations of rights

The New Prysmian Shares are offered to the Shareholders in exchange for their Shares and therefore no limitations to the New Prysmian Shares are envisaged.

(d) Difference between the Subscription Price and the price paid for shares of Prysmian during the previous year or to be paid by members of the Board of Directors, members of the Board of Statutory Auditors and senior managers

As far as Prysmian is aware, members of the board of directors, senior management and board of statutory auditors and the general managers or persons closely associated with them have not purchased shares of Prysmian at a price lower than the Subscription Price, except for purchases made and disclosed to the market in compliance with current laws and regulations and in the context of the existing stock option plan in favour of certain employees of the Prysmian Group, and except for a purchase of 2300 shares at a price of Euro 12,83 made by Mr. Massimo Battaini (Chief Operating Officer of Prysmian) on 22 November 2010.

28.3.4 Placement and subscription

(a) Information on parties responsible for placement of the New Prysmian Shares Offer and dealers

Given the nature of the New Prysmian Shares Offer, there is no party responsible for placement.

(b) Name and address of organisations appointed to perform financial services and depositary agents in each country

Subscriptions to the New Prysmian Shares Offer will be made through the authorised financial intermediaries.

(c) Subscription and underwriting commitments

See "Commitments to subscribe Prysmian's Shares" above.

29. AUTHORIZATION FOR TRADING AND TRADING PROCEDURES

29.1 Listing markets

Prysmian ordinary shares are officially listed on the MTA.

The New Prysmian Shares are expected to be admitted to listing on the MTA on or prior to the Settlement Date.

The capital increase to be approved by the Offeror EGM provides for the issue of up to a maximum number of 32,704,099 New Prysmian Shares, which represent an amount greater than 10% of the number of Prysmian shares of the same class already admitted for trading. Prysmian, pursuant to Article 57, paragraph 1, letter (c) of the Consob Regulation, will not publish a listing prospectus for the listing of the New Prysmian Shares since the Offer Memorandum includes information equivalent to the information to be included in a prospectus. Therefore, the listing of the New Prysmian Shares will be applied for on the basis of the information included in this Offer Memorandum, pursuant to Article 57(1)(c) of the Consob Regulation.

29.2 Other regulated markets

As of the date of the Offer Memorandum, the shares of Prysmian are exclusively traded on the MTA.

29.3 Other transactions relating to the New Prysmian Shares for which admission to a regulated market is required

No other operations for the subscription or private placement of financial instruments of the same class as those of the New Prysmian Shares Offer are planned to be carried out in the imminence of the capital increase.

29.4 Intermediaries in secondary market transactions

Not applicable to this New Prysmian Shares Offer.

29.5 Stabilisation

No stabilisation activities by Prysmian or by parties appointed by it are planned.

30. HOLDERS OF FINANCIAL INSTRUMENTS INTENDING TO SELL

30.1 Information regarding the entity offering Shares for sale

The New Prysmian Shares are offered directly by Prysmian and, therefore, for all information regarding Prysmian and the Prysmian Group, please refer to the data and information already provided in this Part II of the Offer Memorandum.

30.2 Number and class of financial instruments offered by each of the holders of financial instruments intending to sell

The New Prysmian Shares Offer does not provide for the sale of existing shares of Prysmian as the New Prysmian Shares Offer is for newly issued shares only.

30.3 Lock-up agreements

As far as the Offeror is aware, no lock-up agreements have been entered into in respect of the New Prysmian Shares.

31. OFFERING-RELATED EXPENSES

31.1 Total net proceeds and estimate of total New Prysmian Shares Offer-related expenses

The New Prysmian Shares are offered in the context of the Offer, as part of the consideration payable to the Shareholders. As a consequence, no proceeds will be generated by the issuance of the New Prysmian Shares, which will be exchanged with Tendered Shares as described in Section 5.1, Part I, of this Offer Memorandum.

The total amount of the expenses related to the Offer is estimated at approximately 25 million gross of the related tax effect, estimated in Euro 8 million, determined applying the tax rate 32.3% (i.e. 27.5% for IRES and 4.82% for IRAP).

32. DILUTION

In the event all the New Prysmian Shares will be issued and exchanged with Tendered Shares, existing shareholders will be affected by a maximum dilution of their interests, in terms of percentage of share capital of Prysmian, of approximately 15%. See also Section 5.1.1 of Part I of this Offer Memorandum.

PART III

FINANCIAL INFORMATION

1. FINANCIAL INFORMATION PRYSMIAN

Preliminary Note - Timing of publication of the review report on the third quarter financial statements 2010

Pursuant to an exemption granted by the AFM, Prysmian has not included a review report on financial information in respect of the third quarter of 2010 in this Offer Memorandum. However, Prysmian will publish such statement by press release as soon as possible, but ultimately prior to the date of the Shareholders' Meeting. The review report on the third quarter financial statements 2010 will also be made available on the websites of Prysmian.

1.1 Introduction

The following information sets forth the consolidated statement of financial position, consolidated income statement and consolidated cash flow statement of the Prysmian Group as of and for the periods indicated. In particular:

- Paragraphs 1.1.1 to 1.1.3 sets forth the consolidated statement of financial position as of 31 December 2009, 2008 and 2007, the consolidated income statement and the consolidated statement of cash flows for the years then ended (the "**Summary Consolidated Financial Information**"). The information included in the Summary Consolidated Financial Information has been derived from the Prysmian Group's consolidated financial statements as of and for the years ended 31 December 2009, 2008 and 2007, audited by PricewaterhouseCoopers S.p.A., which issued its audit report, without qualification, on 12 March 2010, 20 March 2009 and 26 March 2008, respectively;
- Paragraphs 1.1.5 to 1.1.7 sets forth the unaudited consolidated statement of financial position as of 30 June 2010 and 31 December 2009, the unaudited consolidated income statement and the unaudited consolidated statement of cash flows for the six months ended 30 June 2010 and 2009 (the "**June Unaudited Summary Interim Consolidated Financial Information**"). The June Unaudited Summary Interim Consolidated Financial Information has been derived from the unaudited condensed consolidated financial statements of the Prysmian Group for the six month period ended 30 June 2010 that was subject to limited review procedures by PricewaterhouseCoopers S.p.A., which issued its limited review report, without qualification, on 5 August 2010; and
- Paragraphs 1.1.8 to 1.1.10 sets forth the unaudited consolidated statement of financial position as of 30 September 2010 and 31 December 2009, the unaudited consolidated income statement and the unaudited consolidated statement of cash flows for the nine months ended 30 September 2010 and 2009 (the "**September Unaudited Interim Summary Consolidated Financial Information**"). The September Unaudited Interim Summary Consolidated Financial Information has been derived from the unaudited condensed consolidated financial statements of the Prysmian Group for the nine month period ended 30 September 2010. As previously indicated, pursuant to an exemption granted by the AFM, Prysmian has not included a limited review report on financial information in respect of the third quarter of 2010 in this Offer Memorandum. However, Prysmian will publish such statement by press release as soon as possible, but ultimately prior to the date of the Shareholders' Meeting. The review report on the third quarter financial statements 2010 will be made available on the websites of Prysmian.

Prysmian Group management is responsible for the preparation of the Summary Consolidated Financial Information, the June Unaudited Interim Summary Consolidated Financial Information and the September Unaudited Interim Consolidated Financial Information. The information set forth below should be read together with the Prysmian Group's audited financial statements for each of the years ended 31 December 2007, 2008 and 2009, unaudited condensed consolidated interim financial statements for the six month period ended 30 June 2010 and unaudited condensed consolidated financial statements for the nine month period ended 30 September 2010, including the relevant notes thereto.

1.1.1 **Consolidated statement of financial position relating to the financial years 2009, 2008 and 2007**

	As at 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Non-current assets			
Property, plant and equipment	872	806	838
Intangible assets	43	31	21
Investments in associates	9	9	9
Available-for-sale financial assets	6	10	13
Derivatives	9	21	32
Deferred tax assets	47	44	29
Trade receivables	—	2	2
Other receivables	28	26	34
Total non-current assets	**1,014**	**949**	**978**
Current assets			
Inventories	443	514	582
Trade receivables	622	732	831
Other receivables	359	301	276
Financial assets held for trading	42	38	40
Derivatives	44	46	25
Cash and cash equivalents	492	492	252
Total current assets	**2,002**	**2,123**	**2,006**
Assets held for sale	28	26	—
Total assets	**3,044**	**3,098**	**2,984**
Equity attributable to the Group:	**677**	**447**	**433**
Share capital	18	18	18
Reserves	411	192	115
Profit for the year	248	237	300
Equity attributable to non-controlling interests:	**21**	**16**	**21**
Share capital and reserves	17	18	19
Profit/(loss) for the year	4	(2)	2
Total equity	**698**	**463**	**454**
Non-current liabilities			
Borrowings from banks and other lenders	884	969	991
Other payables	13	30	43
Provisions for risks and charges	41	34	27
Derivatives	7	33	2
Deferred tax liabilities	67	30	62
Employee benefit obligations	142	125	112
Total non-current liabilities	**1,154**	**1,221**	**1,237**
Current liabilities			
Borrowings from banks and other lenders	152	189	61
Trade payables	561	650	738
Other payables	326	346	356
Derivatives	46	120	29
Provisions for risks and charges	62	67	75
Current tax payables	45	42	34
Total current liabilities	**1,192**	**1,414**	**1,293**
Total liabilities	**2,346**	**2,635**	**2,530**
Total equity and liabilities	**3,044**	**3,098**	**2,984**

1.1.2 **Consolidated income statement relating to the financial years 2009, 2008 and 2007**

	For the year ended 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Sales of goods and services	3,731	5,144	5,118
Change in inventories of work in progress, semi-finished and finished goods	(50)	(51)	27
Other income	32	39	111
of which non-recurring other income	—	*3*	*60*
Raw materials and consumables used	(2,060)	(3,127)	(3,198)
Fair value change in metal derivatives*	91	—	—
Personnel costs	(517)	(551)	(548)
of which non-recurring personnel costs	*(17)*	*(11)*	*(4)*
Amortisation, depreciation and impairment	(71)	(70)	(65)
of which non-recurring amortisation, depreciation and impairment	*(2)*	*(5)*	—
Other expenses	(770)	(936)	(937)
of which non-recurring other expenses	*(20)*	*(16)*	*(12)*
Operating income	**386**	**448**	**508**
Finance costs	(292)	(543)	(230)
of which non-recurring finance costs	—	*(3)*	*(59)*
Finance income	240	378	107
of which non-recurring finance income	*9*	—	*4*
Share of income from investments in associates and dividends from other companies	3	3	2
Profit before taxes	**337**	**286**	**387**
Taxes	(85)	(51)	(85)
Profit for the year	**252**	**235**	**302**
Attributable to:			
Owners of the parent	248	237	300
Non-controlling interests	4	(2)	2
Basic earnings per share (in Euro)	**1.40**	**1.32**	**1.67**
Diluted earnings per share (in Euro)	**1.39**	**1.31**	**1.65**

* Starting from 2009 the fair value change in metal derivatives has been reclassified from finance income/costs in this line.

1.1.3 **Consolidated statement of cash flows relating to the financial years 2009, 2008 and 2007**

	For the year ended 31 December		
	2009	**2008**	**2007**
	in millions of Euro		
Profit before taxes	337	286	387
Depreciation and impairment of property, plant and equipment	66	66	60
Amortisation and impairment of intangible assets	5	4	5
Badwill from acquisition of Facab Lynen Gmbh & Co. Kg.	—	(3)	—
Price adjustment and other indemnification relating to the acquisition of the Energy and Telecom Cables & Systems divisions from Pirelli & C. S.p.A.	—	—	(60)
Net gains from disposal of property, plant and equipment, intangible assets and other non-current assets	—	—	(1)
Share of income from investments in associates and joint ventures	(3)	(3)	(2)
Share-based compensation	1	2	6
Fair value change in metal derivatives*	(91)	—	—
Net finance costs	52	165	123
Changes in inventories	88	56	(50)
Changes in trade receivables and payables	23	17	24
Changes in other receivables and payables	(90)	(5)	(26)
Changes in receivables/payables for derivatives	15	(2)	(8)
Taxes paid	(62)	(83)	(86)
Utilisation of provisions (including employee benefit obligations)	(58)	(44)	(53)
Increases in provisions (including employee benefit obligations)	46	46	47
A. Net cash flow provided by operating activities	**329**	**502**	**366**
Price adjustment and other indemnification relating to the acquisition of the Energy and Telecom Cables & Systems divisions from Pirelli & C. S.p.A.	—	16	45
International Wire & Cable acquisition	—	—	(3)
Facab Lynen Gmbh & Co. Kg acquisition	—	(1)	—
Rybinsk Elektrokabel acquisition	(3)	—	—
Investments in property, plant and equipment	(91)	(103)	(87)
Disposals of property, plant and equipment	1	1	4
Investments in intangible assets	(16)	(13)	(2)
Disposals of intangible assets	—	—	2
Investments in financial assets held for trading	—	(7)	(22)
Disposals of financial assets held for trading	5	1	7
Disposals of available-for-sale financial assets	6	3	—
Dividends received	3	3	3
B. Net cash flow used in investing activities	**(95)**	**(100)**	**(53)**
Capital contributions and other changes in equity	5	2	(30)
Dividends paid	(75)	(76)	—
Purchase of treasury shares	—	(30)	—
Finance costs paid	(277)	(461)	(171)
Finance income received	231	373	88
Changes in net financial payables	(124)	41	(337)
C. Net cash flow used in financing activities	**(240)**	**(151)**	**(450)**
D. Currency translation gains/(losses) on cash and cash equivalents	6	(11)	(4)
E. Total cash flow provided/(used) in the year (A + B + C+ D)	**—**	**240**	**(141)**
F. Net cash and cash equivalents at the beginning of the year	**492**	**252**	**393**
G. Net cash and cash equivalents at the end of the year (E + F)	**492**	**492**	**252**

* Starting from 2009 the fair value change in metal derivatives has been reclassified from finance income/costs in this line.

1.1.4 **Audit report on the Summary Consolidated Financial Information**

Report of the independent auditor on the summary consolidated financial information

To the Board of Directors of Prysmian SpA

The summary consolidated financial information, as set out in Part III, Sections 1.1.1 to 1.1.3, of this offer memorandum (the "Offer Memorandum"), which comprise the consolidated statement of financial position as of 31 December 2009, 2008 and 2007 and the consolidated income statement and the consolidated statement of cash flows for the years then ended (the "Summary Consolidated Financial Information"), is derived from the audited consolidated financial statements of Prysmian SpA and its subsidiaries ("Prysmian Group") for the years ended 31 December 2009, 2008 and 2007. We expressed an unmodified audit opinion on those consolidated financial statements in our reports dated 12 March 2010, 20 March 2009 and 26 March 2008, respectively. Those financial statements, and the Summary Consolidated Financial Information, do not reflect the effects of events that occurred subsequent to the date of our reports on those financial statements.

The Summary Consolidated Financial Information does not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union. Reading the Summary Consolidated Financial Information, therefore, is not a substitute for reading the audited consolidated financial statements of the Prysmian Group.

Management's Responsibility for the Summary Consolidated Financial Information

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Part III, Section 1.1 of the Offer Memorandum.

Auditor's Responsibility

Our responsibility is to express an opinion on the Summary Consolidated Financial Information based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the Summary Consolidated Financial Information derived from the audited consolidated financial statements of the Prysmian Group for the years ended 31December 2009, 2008 and 2007 is consistent, in all material respects, with those financial statements, on the basis described in Part III, Section 1.1 of the Offer Memorandum.

The Summary Consolidated Financial Information and our report thereon were prepared solely for inclusion in the Offer Memorandum and are not suitable for any other purpose.

Milan, 28 December 2010

PricewaterhouseCoopers SpA

Fabio Facchini
(Partner)

1.1.5 **Unaudited consolidated statement of financial position as of 30 June 2010**

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

1.1.6 **Unaudited consolidated income statement for the six months ended 30 June 2010**

	For the six months ended 30 June	
	2010	**2009**
	in millions of Euro	
Sales of goods and services	2,148	1,848
Change in inventories of work in progress, semi-finished and finished goods	85	(35)
Other income	12	14
Raw materials and consumables used	(1,424)	(1,012)
Fair value change in metal derivatives	(17)	75
Personnel costs	(270)	(261)
of which non-recurring personnel costs	*(4)*	*(6)*
Amortisation, depreciation and impairment	(43)	(32)
of which non-recurring amortisation, depreciation and impairment	*(5)*	—
Other expenses	(376)	(374)
of which non-recurring other expenses	*(2)*	*(7)*
Operating income	**115**	**223**
Finance costs	(185)	(175)
Finance income	133	157
of which non-recurring finance income	*2*	*8*
Share of income from investments in associates and dividends from other companies	1	2
Profit before taxes	**64**	**207**
Taxes	(20)	(57)
Profit for the period	**44**	**150**
Attributable to:		
Owners of the parent	45	146
Non-controlling interests	(1)	4
Basic earnings per share (in Euro)	**0.25**	**0.82**
Diluted earnings per share (in Euro)	**0.25**	**0.81**

1.1.7 **Unaudited consolidated statement of cash flows for the six months ended 30 June 2010**

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

1.1.8 **Unaudited consolidated statement of financial position as of 30 September 2010**

	As at 30 September 2010	As at 31 December 2009
	in millions of Euro	
Non-current assets		
Property, plant and equipment	906	872
Intangible assets	69	43
Investments in associates	9	9
Available-for-sale financial assets	83	6
Derivatives	14	9
Deferred tax assets	60	47
Other receivables	46	28
Total non-current assets	**1,187**	**1,014**
Current assets		
Inventories	639	443
Trade receivables	856	622
Other receivables	423	359
Financial assets held for trading	44	42
Derivatives	36	44
Available-for-sale financial assets	71	—
Cash and cash equivalents	390	492
Total current assets	**2,459**	**2,002**
Assets held for sale	17	28
Total assets	**3,663**	**3,044**
Equity attributable to the Group:	**678**	**677**
Share capital	18	18
Reserves	570	411
Profit for the period	90	248
Equity attributable to non-controlling interests:	**40**	**21**
Share capital and reserves	38	17
Profit/(loss) for the year	2	4
Total equity	**718**	**698**
Non-current liabilities		
Borrowings from banks and other lenders	1,206	884
Other payables	18	13
Provisions for risks and charges	39	41
Derivatives	49	7
Deferred tax liabilities	68	67
Employee benefit obligations	156	142
Total non-current liabilities	**1,536**	**1,154**
Current liabilities		
Borrowings from banks and other lenders	73	152
Trade payables	814	561
Other payables	369	326
Derivatives	24	46
Provisions for risks and charges	70	62
Current tax payables	59	45
Total current liabilities	**1,409**	**1,192**
Total liabilities	**2,945**	**2,346**
Total equity and liabilities	**3,663**	**3,044**

1.1.9 **Unaudited consolidated income statement for the nine months ended 30 September 2010**

	For the nine months ended 30 September	
	2010	**2009**
	in millions of Euro	
Sales of goods and services	3,330	2,777
Change in inventories of work in progress, semi-finished and finished goods	109	(31)
Other income	18	21
Raw materials and consumables used	(2,195)	(1,535)
Fair value change in metal derivatives	3	88
Personnel costs	(404)	(385)
of which non-recurring personnel costs	*(5)*	*(9)*
Amortisation, depreciation and impairment	(63)	(50)
of which non-recurring amortisation, depreciation and impairment	*(6)*	—
Other expenses	(586)	(576)
of which non-recurring other expenses	*(4)*	*(12)*
Operating income	**212**	**309**
Finance costs	(247)	(237)
Finance income	168	206
of which non-recurring finance income	*2*	*8*
Share of income from investments in associates and dividends from other companies	2	2
Profit before taxes	**135**	**280**
Taxes	(43)	(76)
Profit for the period	**92**	**204**
Attributable to:		
Owners of the parent	90	203
Non-controlling interests	2	1
Basic earnings per share (in Euro)	**0.50**	**1.14**
Diluted earnings per share (in Euro)	**0.50**	**1.14**

1.1.10 **Unaudited consolidated statement of cash flows for the nine months ended 30 September 2010**

	For the nine months ended 30 September	
	2010	**2009**
	in millions of Euro	
Profit before taxes	135	280
Depreciation and impairment of property, plant and equipment	53	47
Amortisation and impairment of intangible assets	4	3
Impairment of assets held for sale	6	—
Share of income from investments in associates	(2)	(2)
Fair value change in metal derivatives	(3)	(88)
Net finance costs	78	31
Changes in inventories	(176)	51
Changes in trade receivables/payables	28	(48)
Changes in other receivables/payables	(24)	(110)
Changes in receivables/payables for derivatives	(6)	(1)
Taxes paid	(47)	(44)
Utilisation of provisions (including employee benefit obligations)	(39)	(49)
Increases in provisions (including employee benefit obligations)	28	30
A. Net cash flow provided by operating activities	**35**	**100**
Acquisitions	(21)	—
Investments in property, plant and equipment	(45)	(65)
Disposals of property, plant and equipment	6	1
Investments in intangible assets	(11)	(11)
Investments in financial assets held for trading	(12)	(5)
Disposals of financial assets held for trading	13	15
Investments in available-for-sale financial assets	(152)	—
Disposals of available-for-sale financial assets	3	6
Dividends received	2	3
B. Net cash flow used in investing activities	**(217)**	**(56)**
Capital contributions and other changes in equity	13	5
Dividends paid	(75)	(75)
Finance costs paid	(214)	(211)
Finance income received	166	199
Changes in net financial payables	183	(85)
C. Net cash flow provided by/(used in) financing activities	**73**	**(167)**
D. Currency translation gains on cash and cash equivalents	7	2
E. Total cash flow used in the year (A + B + C +D)	**(102)**	**(121)**
F. Net cash and cash equivalents at the beginning of the year	**492**	**492**
G. Net cash and cash equivalents at the end of the year (E + F)	**390**	**371**

1.2 Consolidated Financial Statements of the Prysmian Group as of 31 December 2009

1.2.1 **Financial Statements with explanatory notes**

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2009	Of which related parties (Note 33)	31 December 2008	Of which related parties (Note 33)
		(in millions of Euro)			
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**	

	Note	31 December 2009	Of which related parties (Note 33)	31 December 2008	Of which related parties (Note 33)
			(in millions of Euro)		
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

	Note	2009	Of which related parties (Note 33)	2008	Of which related parties (Note 33)
			(in millions of Euro)		
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

	Note	2009	2008
		(in millions of Euro)	
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

	Share capital Note 11	Fair value gains and losses on available-for-sale financial assets Note 4	Actuarial gains/ (losses) on employee benefits Note 15	Cash flow hedges Note 8	Currency translation reserve Note 11	Other reserves Note 11	Profit/ (loss) for the year Note 11	Non-controlling interests Note 11	Total
				(in millions of Euro)					
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

	2009	Of which related parties (Note 33)	2008	Of which related parties (Note 33)
	(in millions of Euro)			
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	

		2009	Of which related parties (Note 33)	2008	Of which related parties (Note 33)
			(in millions of Euro)		
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**	

"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.

Interest expense paid in 2009 amounts to Euro 32 million (Euro 61 million in 2008);

Interest income collected in 2009 amounts to Euro 7 million (Euro 9 million in 2008).

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

EXPLANATORY NOTES

A. GENERAL INFORMATION

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

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

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). 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.

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 policies 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 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

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.

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.

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.

Patents, concessions, licences, trademarks and similar rights

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

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.

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".

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified in the statement of financial position as "Trade and other receivables" and treated as current assets (Note 5), except for those with contractual 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.

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

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

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:

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.

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:

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.

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.

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.

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

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.

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.

		2009		**2008**
	- 5%	**+5%**	**- 5%**	**+5%**
		(in millions of Euro)		
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**

		2009		**2008**
	- 10%	**10%**	**- 10%**	**10%**
		(in millions of Euro)		
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.

				2009
	- 5%	+5%	- 10%	+10%
	(in millions of Euro)			
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**

				2008
	- 5%	5%	- 10%	10%
	(in millions of Euro)			
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 translating the equity of Group companies whose functional currency is not the Euro.

[b] Interest rate risk

The interest rate risk to which the Group is exposed is mainly due to long-term financial 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 hedging 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 the 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.

		2009		2008
	- 0. 25%	0. 25%	- 0. 25%	0. 25%
	(in millions of Euro)			
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.

		2009		2008
	- 10%	**10%**	**- 10%**	**10%**
		(in millions of Euro)		
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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.

	31 December 2009			
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
	(in millions of Euro)			
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**

	31 December 2008			
	Due within 1 year	**Due between 1-2 years**	**Due between 2-5 years**	**Due after 5 years**
	(in millions of Euro)			
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:

	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**
	(in millions of Euro)					
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

	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**
	(in millions of Euro)					
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:

	2009	**2008**
	(in millions of Euro)	
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 active market is based on market price at the reporting date. The market price used for derivatives is the bid price, whilst for financial liabilities the ask price is used. The fair value of instruments 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.

	31 December 2009			
	Level 1	Level 2	Level 3	Total
	(in millions of Euro)			
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 position, 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.

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.

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.

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.

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.

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.

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:

	Pre-acquisition book value	**Fair value***
	(in millions of Euro)	
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 fair values are provisional ones.

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 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.

	Energy					Telecom	Corporate/ Eliminations	2009 Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
	(in millions of Euro)							
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 s ales	16.7%	4.0%	9.8%	—	11.1%	7.6%		10.8%
EBITDA (B)	**250**	**31**	**58**	**3**	**342**	**30**	**(6)**	**366**
% of s ales	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 s ales	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								
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**

	Energy	Telecom	Unallocated	2009 Group total
	(in millions of Euro)			
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**

	Energy					Telecom	Corporate/ Eliminations	2008 Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
				(in millions of Euro)				
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

	Utilities	Trade & Installers	Industrial	Other	Total	Telecom	Corporate/ Eliminations	2008 Group 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**

	Energy	Telecom	Unallocated	2008 Group total
		(in millions of Euro)		
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.

	EMEA*	*of which Italy*	Nord America	Latin America	Asia Pacific	2009 Total
			(in millions of Euro)			
Sales of goods and services	**2,636**	***734***	**349**	**365**	**381**	**3,731**
Non-current assets [(1)]	**674**	***155***	**72**	**118**	**80**	**943**

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

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

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

1. PROPERTY, PLANT AND EQUIPMENT

Details of these balances and related movements are as follows:

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
				(in millions of Euro)			
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 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**

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2008	**165**	**319**	**247**	**10**	**8**	**57**	**806**
Movements in 2009:							
– Investments	—	3	13	1	1	73	91
– Disposals	—	—	(1)	—	—	—	(1)
– Business combinations	—	8	4	—	—	—	12
– Depreciation and impairment	—	(12)	(47)	(4)	(3)	—	(66)
– Currency translation 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:

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
				(in millions of Euro)			
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**

	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:

	2009	2008
	(in millions of Euro)	
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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**

	Rodco Ltd	Kabeltrommel Gmbh & Co. K.G.		Sikonec Gmbh	Eksa Sp.Zo.o
		(in millions of Euro)			
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)****:**					
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

* 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.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Movements in this balance are detailed as follows:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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**

Available-for-sale financial assets comprise:

	Type of financial asset	% owned by Group	31 December 2009	31 December 2008
		(in millions of Euro)		
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	31 December 2009		
	Non-current	Current	Total
	(in millions of Euro)		
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**

	31 December 2008		
	Non-current	Current	Total
	(in millions of Euro)		
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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 receivables that are past due but not impaired is as follows:

	31 December 2009	31 December 2008
	(in millions of Euro)	
past due between 1 and 30 days	16	15
past due between 31 and 90 days	—	3
past due between 91 and 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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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.

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

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

	31 December 2008	
	Asset	Liability
	(in millions of Euro)	
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:

	2009		2008	
	Gross reserve	Tax effect	Gross reserve	Tax effect
	(in millions of Euro)			
Opening balance	**(52)**	**15**	**(7)**	**2**
Changes in fair value	5	(1)	(44)	12
Releases to other finance cost/(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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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**

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

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 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:

	31 December 2009		
	Non-current	Current	Total
	(in millions of Euro)		
Borrowings from banks and other lenders	882	150	1,032
Finance lease obligations	2	2	4
Total	**884**	**152**	**1,036**

	31 December 2008		
	Non-current	Current	Total
	(in millions of Euro)		
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

(a) There are interest rate swaps to

	31 December 2009					
				Variable interest rate	Fixed interest rate	
	Euro	USD	GBP	Other currencies	Euro and other currencies	Total
	(in millions of Euro)					
Due within one year	118	12	—	19	3	152
Due between one and two years	173	24	—	1	3	201
Due between two and three years	583	79	—	1	14	677
Due between three and four years	—	—	—	1	1	2
Due between four and five years	—	—	—	—	1	1
Due after more than five 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%

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.

	31 December 2008					
				Variable interest rate	Fixed interest rate	
	Euro	USD	GBP	Other currencies	Euro and other currencies	Total
	(in millions of Euro)					
Due within one year	119	28	8	31	3	189
Due between one and two years	87	12	—	—	2	101
Due between two and three years	174	24	—	—	2	200
Due between three and four years	583	82	—	—	2	667
Due between four and five years	—	—	—	—	—	—
Due after more than five 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%

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**

(*) amount at exchange rates at which the New Credit Agreement was granted.

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:

	31 December 2009	**31 December 2008**
	(in millions of Euro)	
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**

(*) amount at exchange rates at which the New Credit Agreement was granted.

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''.

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

	New Credit Agreement	Other borrowings	Total
	(in millions of Euro)		
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**

	New Credit Agreement	Other borrowings	Total
	(in millions of Euro)		
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:

	31 December 2009		
	Total lines	**Used**	**Unused**
	(in millions of Euro)		
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**

	31 December 2008		
	Total lines	Used	Unused
	(in millions of Euro)		
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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

	Note	31 December 2009	Related parties (Note 33)	31 December 2008	Related parties (Note 33)
			(in millions of Euro)		
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	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":

	Note	31 December 2009	Related parties (Note 33)	31 December 2008	Related parties (Note 33)
		(in millions of Euro)			
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:

	31 December 2009		
	Non-current	**Current**	**Total**
	(in millions of Euro)		
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**

	31 December 2008		
	Non-current	Current	Total
	(in millions of Euro)		
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	31 December 2009		
	Non-current	Current	Total
	(in millions of Euro)		
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**

	31 December 2008		
	Non-current	Current	Total
	(in millions of Euro)		
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:

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Other risks and charges	Total
	(in millions of Euro)					
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	2009		
	Pension funds	Medical benefit plans	Employee indemnity liability
	(in millions of Euro)		
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**

	2008		
	Pension funds	Medical benefit plans	Employee indemnity liability
	(in millions of Euro)		
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:

	31 December 2009						
	Germany	France	Turkey	UK	USA	Canada	Total
	(in millions of Euro)						
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**

	31 December 2008						
	Germany	France	Turkey	UK	USA	Canada	Total
	(in millions of Euro)						
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	Average 1/1-31/12/2009	**%**	**At 31 December 2009**	**%**
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%**

	Average 1/1-31/12/2008	**%**	**At 31 December 2008**	**%**
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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	Accumulated depreciation	Provisions	Tax losses	Other	Total
			(in millions of Euro)		
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:

	31 December 2009
	(in millions of Euro)
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
Finished goods	(27)	(46)
Work-in-progress	(23)	(5)
Total	**(50)**	**(51)**

19. OTHER INCOME

This is detailed as follows:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	Fair value
	(in Euro)
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:

	31 December 2009		31 December 2008	
	Number of options	Strike price	Number of options	Strike price
		(in Euro)		
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)	4.65
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	2008
	(in millions of Euro)	
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:

	2009	Tax rate	2008	Tax rate
		(in millions of Euro)		
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 dividing profit for the period attributable to owners of the parent by the average number of the Company's outstanding shares. With regard to the denominator used for calculating earnings per share, the average number of outstanding shares also includes the shares issued following exercise of the first 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.

	2009	2008
	(in millions of Euro)	
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 economic and financial situation of the Group. Among other things, the sanction system under European law provides for financial penalties that could reach a maximum of 10% of Group turnover.

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

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

30. COMMITMENTS

(a) Commitments to purchase property, plant and equipment and intangible assets

Contractual commitments to purchase property, plant and equipment, already given to third parties at 31 December 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:

	31 December 2009	31 December 2008
	(in millions of Euro)	
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:

	1/1-31/12/2009		
	Sales of goods and services	**Cost of goods and services**	**Finance income/ (costs)**
	(in millions of Euro)		
Ultimate parent company	—	—	—
Associates	13	4	—
Other related parties:			
The Goldman Sachs Group Inc.	—	1	(2)
Total	**13**	**5**	**(2)**

	1/1-31/12/2008		
	Sales of goods and services	**Cost of goods and services**	**Finance income/ (costs)**
	(in millions of Euro)		
Ultimate parent company	—	—	—
Associates	17	3	—
Other related parties:			
The Goldman Sachs Group Inc.	—	1	5
Total	**17**	**4**	**5**

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

	31 December 2008			
	Trade and other receivables	Derivatives classified as assets	Trade and other payables	Financial payables and derivatives classified as liabilities
	(in millions of Euro)			
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:

	2009	2008
	(in thousands of Euro)	
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.

	2009	2008
	(in thousands of Euro)	
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:

	Supplier of services	Recipient	Fees relating to 2009	Fees relating to 2008
			(in thousands of Euro)	
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 millions of Euro)
Term Loan Facility	670
Revolving Credit Facility	400

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%
30 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, Tahian 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

SCOPE OF CONSOLIDATION – ATTACHMENT A

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,071,176	100.00%	Prysmian Energia Holding S.r.l.
Russian Federation					
Limited Liability Company "Investitsionno – Promyshlennaya Kompaniya Rybinskelektrokabel"	Rybinsk city	Russian 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 Kom Rybinskelektrokabel"
Limited Liability Company "Torgoviy Dom Rybinskelektrokabel"	Rybinsk city	Russian Ruble	40,000	100.00%	Limited Liability Company "Investitsionno – Promyshlennaya Kom Rybinskelektrokabel"
Limited Liability Company "NPP Rybinskelektrokabel"	Rybinsk city	Russian Ruble	36,720,000	100.00%	Limited Liability Company "Investitsionno – Promyshlennaya Kom Rybinskelektrokabel"
Finland					
Prysmian Cables and Systems OY	Kirkkonummi	Euro	2,000,000	100.00%	Prysmian Energia Holding S.r.l.
France					
Prysmian (French) Holdings S.A.S.	Paron de Sens	Euro	173,487,250	100.00%	Prysmian Energia Holding S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paron de Sens	Euro	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.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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.
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
Netherlands					
Prysmian Cable Holding B.V.	Delft	Euro	54,503,013	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Cables and Systems B.V.	Delft	Euro	5,000,000	100.00%	Prysmian 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					

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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
North 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.
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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
				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	Currency	Share capital	% ownership	Direct parent company
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Prysmian (Dutch) Holdings B.V.
				60.00%	Third parties
Power Cable Engineering Services (M) Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	100,000	100.00%	Power Cables Malaysia Sdn Bhd

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

Legal name	Office	Currency		% ownership	Direct parent company
Germany					
Kabeltrommel GmbH & 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	Polish Zloty	394,000	20.05%	Prysmian Energia Holding S.r.l.
				79.95%	Third parties

LIST OF INVESTMENTS PURSUANT TO ART.126 OF CONSOB REGULATION 11971

Legal name	% ownership	Direct parent company
Europe		
Austria		
Prysmian Kabelwerke und Systeme GmbH in Liquidation	100.00%	Prysmian Energia Holding S.r.l.
Germany		
Kabeltrommel GmbH	11.77%	Prysmian Kabel und Systeme GmbH
	5.88%	Bergmann Kabel und Leitungen GmbH
	82.35%	Third parties
Switzerland		
Voltimum S.A.	13.71%	Prysmian Cavi e Sistemi Energia S.r.l.
	86.29%	Third parties
Asia		
Saudia	**Arabia**	
Sicew- Saudi Italian Company for Electrical Works Ltd	34.00%	Prysmain Cable Holding B.V.
	66.00%	Third parties
Africa		
South Africa		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and 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	Manager responsible for preparing corporate accounting documents
Valerio Battista	**Pier Francesco Facchini**

1.2.2 Auditors report on the Consolidated Financial Statements of the Prysmian Group as of 31 December 2009

The audit report set forth below is a copy of the original audit report issued on 12 March 2010 and in accordance with Italian Law also refers to the Director's Report. This report should be read with the full set of 2009 financial statements.

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

PRYSMIAN SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

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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PRICEWATERHOUSECOOPERS

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.)

1.3 Unaudited Condensed Consolidated Interim Financial Statements of the Prysmian Group for the Six-Month Period Ended 30 June 2010

1.3.1 **Half-year as at 30 June 2010 and explanatory notes**

STATEMENT OF FINANCIAL POSITION

	Note	30 June 2010	Of which related parties (Note 22)	31 December 2009	Of which related parties (Note 22)
		(in millions of Euro)			
Non-current assets					
Property, plant and equipment	1	931		872	
Intangible assets	1	67		43	
Investments in associates		9		9	
Available-for-sale financial assets	2	104		6	
Derivatives	5	8		9	
Deferred tax assets		73		47	
Other receivables	3	43		28	
Total non-current assets		**1,235**		**1,014**	
Current assets					
Inventories	4	608		443	
Trade receivables	3	828	5	622	2
Other receivables	3	451		359	
Financial assets held for trading	6	51		42	
Derivatives	5	34		44	
Available-for-sale financial assets	2	50		—	
Cash and cash equivalents	7	462		492	
Total current assets		**2,484**		**2,002**	
Assets held for sale	8	25		28	
Total assets		**3,744**		**3,044**	
Equity attributable to the Group:		**628**		**677**	
Share capital	9	18		18	
Reserves		565		411	
Profit/(loss) for the period		45		248	
Equity attributable to non-controlling interests:		**39**		**21**	
Share capital and reserves		40		17	
Profit/(loss) for the period		(1)		4	
Total equity		**667**		**698**	

	Note	30 June 2010	Of which related parties (Note 22)	31 December 2009	Of which related parties (Note 22)
			(in millions of Euro)		
Non-current liabilities					
Borrowings from banks and other lenders	10	1,219		884	
Other payables	11	17		13	
Provisions for risks and charges	12	41		41	
Derivatives	5	57	1	7	
Deferred tax liabilities		70		67	
Employee benefit obligations	13	158		142	
Total non-current liabilities		**1,562**		**1,154**	
Current liabilities					
Borrowings from banks and other lenders	10	148		152	1
Trade payables	11	818	1	561	2
Other payables	11	360	3	326	2
Derivatives	5	69	2	46	3
Provisions for risks and charges	12	66		62	
Current tax payables		54		45	
Total current liabilities		**1,515**		**1,192**	
Total liabilities		**3,077**		**2,346**	
Total equity and liabilities		**3,744**		**3,044**	

INCOME STATEMENT

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

STATEMENT OF COMPREHENSIVE INCOME

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

STATEMENT OF CHANGES IN EQUITY

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

STATEMENT OF CASH FLOWS

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

	1st half 2010	Of which related parties (Note 22)	1st half 2009	Of which related parties (Note 22)
	(in millions of Euro)			
E. Total cash flow provided/(used) in the period (A+B+C+D)	**(30)**		**(148)**	
F. Net cash and cash equivalents at the beginning of the period	**492**		**492**	
G. Net cash and cash equivalents at the end of the period (E+F)	**462**		**344**	

(1) See section D. Business combinations for details.
(2) Refer to purchases of government and blue chip corporate bonds for temporarily investing the Group's liquidity.
(3) Refer to the disposal of shares in American Superconductor.

EXPLANATORY NOTES

A. GENERAL INFORMATION

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

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

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

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

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

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

B. FORM AND CONTENT

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

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

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

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

B.1 FINANCIAL STATEMENTS AND REPORTING

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

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

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

B.2 ACCOUNTING STANDARDS

Accounting standards used for preparing the half-year report

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

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

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

The main changes to IFRS 3 are as follows:

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

b) if a 100% equity interest is not acquired, the share of equity attributable to non-controlling interests may be measured either at fair value (under the full goodwill method) or using the method previously allowed by IFRS 3;

c) all costs associated with the acquisition are expensed to the income statement and liabilities for any contingent consideration are recognised on the acquisition date.

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

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

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

Improvements 2008 to IFRS *5 – Non-current Assets Held for Sale and Discontinued Operations*

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

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

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

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

On 12 November 2009, the IASB issued the first part of a new accounting standard *IFRS 9 – Financial Instruments,* which will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. This initial document addresses the classification of financial instruments and forms part of a three-part project, whose second and third parts will address the impairment methodology for financial assets and the application of hedge accounting respectively.

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

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

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

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

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

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

B.3 CHANGES IN THE SCOPE OF CONSOLIDATION

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

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

Acquisitions

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

The year end of both companies is 31 March.

New company formations

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

Liquidations

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

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

C. SEGMENT INFORMATION

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

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

The Board of Directors:

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

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

A) Energy segment:

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

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

All Corporate fixed costs are allocated to the Energy and Telecom segments. Revenues and costs are allocated to each operating segment by identifying all revenues and costs directly attributable to that segment and by allocating indirect costs on the basis of Corporate resources (personnel, space used, etc.) absorbed by the operating segments.

C.1 OPERATING SEGMENTS

The following tables present information by operating segment.

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

Reconciliation of EBITDA to Adjusted EBITDA

	Utilities	Trade & Installers	Industrial	Other	Total	Telecom	Corporate/ Eliminations	Group total
EBITDA (A)	**119**	**18**	**26**	**(4)**	**159**	**17**	**(1)**	**175**
Non-recurring expenses/(income):								
Company reorganisation	—	3	—	—	3	—	1	4
Environmental remediation	1	—	—	—	1	—	—	1
Release of provision for tax inspections	—	(1)	(1)	—	(2)	—	—	(2)
Special project costs	—	—	1	2	3	—	—	3
Total non-recurring expenses/ (income) (B)	**1**	**2**	**—**	**2**	**5**	**—**	**1**	**6**
Adjusted EBITDA (A+B)	**120**	**20**	**26**	**(2)**	**164**	**17**	**—**	**181**

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

Reconciliation of EBITDA to Adjusted EBITDA

	Utilities	Trade & Installers	Industrial	Other	Total	Telecom	Corporate/ Eliminations	Group total
EBITDA (A)	**120**	**20**	**25**	**2**	**167**	**16**	**(3)**	**180**
Non-recurring expenses/(income):								
Company reorganisation	2	3	1	—	6	—	—	6
Antitrust investigation legal costs	4	—	—	—	4	—	1	5
Special project costs	—	—	—	—	—	—	2	2
Total non-recurring expenses/ (income) (B)	**6**	**3**	**1**	**—**	**10**	**—**	**3**	**13**
Adjusted EBITDA (A+B)	**126**	**23**	**26**	**2**	**177**	**16**	**—**	**193**

C.2 GEOGRAPHICAL AREAS

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

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

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

* EMEA: Europe, Middle East and Africa

D. BUSINESS COMBINATIONS

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

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

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

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

* The fair values are provisional ones

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

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

* The fair values are provisional ones

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

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

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

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

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

* The fair values are provisional ones

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

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

* The fair values are provisional ones

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

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

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

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

* The fair values are provisional ones

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

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

* The fair values are provisional ones

1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

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

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

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

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

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

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

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

2. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

All the non-instrumental bonds are highly liquid.

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

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

3. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

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

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

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

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

4. INVENTORIES

These are detailed as follows:

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

5. DERIVATIVES

These are detailed as follows:

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

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

6. FINANCIAL ASSETS HELD FOR TRADING

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

7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

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

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

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

8. ASSETS HELD FOR SALE

These are detailed as follows:

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

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

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

9. SHARE CAPITAL AND RESERVES

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

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

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

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2008	**180,546,227**	**(3,028,500)**	**177, 517,727**
Capital increase(*)	247,847	—	247,847
Treasury shares	—	—	—
Balance at 30 June 2009	**180,794,074**	**(3,028,500)**	**177,765, 574**

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2009	**181,235,039**	**(3,028,500)**	**178,206,539**
Capital increase(*)	786,548	—	786,548
Treasury shares	—	—	—
Balance at 30 June 2010	**182, 021, 587**	**(3, 028, 500)**	**178, 993, 087**

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

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

Treasury shares

On 15 April 2008, the shareholders voted to adopt a share buy-back and disposal programme, involving up to 18,000,000 of the Company's ordinary shares which could be purchased in one or more blocks over a period of no more than 18 months from the date of the resolution. The Board of Directors was delegated with responsibility for enacting this programme. Under this resolution, purchases and sales of shares had to meet the following conditions: (i) the minimum price could be

no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (ii) the maximum price could be no more than 10% above the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (iii) the maximum number of shares purchased per day could not exceed 25% of the average daily volume of trades in Prysmian shares on the Milan Stock Exchange in the 20 trading days prior to the purchase date; (iv) the purchase price could not be greater than the higher of the price of the last independent transaction and the highest independent bid price currently quoted on the market. On 7 October 2008, the Board of Directors subsequently granted the Chief Executive Officer and Chief Financial Officer separate powers to purchase up to 4 million of the Company's shares by 31 December 2008. At that date a total of 3,028,500 shares had been bought back for Euro 30 million.

On 9 April 2009, the shareholders renewed the authorisation to buy and dispose of treasury shares, while cancelling the previous resolution in this regard adopted on 15 April 2008. The authorisation permits the purchase of shares representing no more than 10% of the Company's share capital at any time, including any treasury shares already held by the Company. Purchases may not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved annual financial statements. The programme will last for a maximum of 18 months commencing from the date of the shareholders' approval.

10. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

	30 June 2010		
	Non-current	**Current**	**Total**
	(in millions of Euro)		
Borrowings from banks	821	143	964
Bond	396	4	400
Finance lease obligations	2	1	3
Total	**1,219**	**148**	**1,367**

	31 December 2009		
	Non-current	**Current**	**Total**
	(in millions of Euro)		
Borrowings from banks	882	150	1,032
Financial lease obligations	2	2	4
Total	**884**	**152**	**1,036**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bonding Facility was not covered by the new agreement.

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

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

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

NET FINANCIAL POSITION

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

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

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

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

11. TRADE AND OTHER PAYABLES

These are detailed as follows:

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

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

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

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

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

12. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

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

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

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

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

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

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

– contractual risks (Euro 3 million), mainly relating to the Submarine and High Voltage businesses;

– legal risks (Euro 1 million), for legal costs relating to an unfinalised acquisition project.

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

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

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

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

13. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

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

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

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

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

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

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

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

14. OPERATING INCOME

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

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

15. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

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

Finance income is detailed as follows:

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

16. TAXES

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

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

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

17. EARNINGS/(LOSS) PER SHARE

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

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

	1st half 2010	1st half 2009
	(in millions of Euro)	
Profit attributable to owners of the parent	45	146
Weighted average number of ordinary shares (thousands)	178,720	177,666
Basic earnings per share (in Euro)	**0.25**	**0. 82**
Profit attributable to owners of the parent	45	146
Weighted average number of ordinary shares (thousands)	178,720	177,666
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	1,047	1,004
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	179,767	178,671
Diluted earnings per share (in Euro)	**0.25**	**0.81**

18. CONTINGENT LIABILITIES

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

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

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

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

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

19. COMMITMENTS

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

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

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

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

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

20. RECEIVABLES FACTORING

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

21. SEASONALITY

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

22. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

Transactions with associates

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

Transactions with The Goldman Sachs Group Inc.

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

Key management compensation

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

23. FINANCIAL COVENANTS

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

a) Financial covenants

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

b) Non-financial covenants

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

Default events

The main default events are as follows:

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

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

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

24. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

25. STOCK OPTION PLANS

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

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

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

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

* options can be exercised only in specified periods

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

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

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

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

26. DIVIDEND PAYMENT

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

27. EXCHANGE RATES

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

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

28. SUBSEQUENT EVENTS

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

– Prysmian Cavi e Sistemi Energia S.r.l. absorbed Prysmian Energia Holding S.r.l.;

– Prysmian Cavi e Sistemi Telecom S.r.l. absorbed Prysmian Telecom S.r.l. in a reverse merger.

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

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

Milan, 3 August 2010

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN
Paolo Zannoni

SCOPE OF CONSOLIDATION – ATTACHMENT A

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

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Italy					
Prysmian Cavi e Sistemi Energia S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Energia Holding S.r.l.	Milan	Euro	10,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	77.45%	Prysmian Cavi e Sistemi Energia S.r.l.
				22.55%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Telecom S.r.l.	Milan	Euro	10,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Telecom S.r.l.	Milan	Euro	31,930,000	100.00%	Prysmian Telecom S.r.l.
Prysmian Treasury S.r.l.	Milan	Euro	4,242,476	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian PowerLink S.r.l.	Milan	Euro	50,000,000	84.80%	Prysmian Cavi e Sistemi Energia S.r.l.
				15.20%	Prysmian Cavi e Sistemi Italia S.r.l.
Fibre Ottiche Sud – F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Luxembourg					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	3,050,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Norway					
Prysmian Kabler og Systemer A.S. Ski	Norwegian	Krone	100,000	100.00%	Prysmian Cables and Systems OY
Netherland					
Prysmian Cable Holding B.V.	Delft	Euro	54,503,013	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Cables and Systems B.V.	Delft	Euro	5,000,000	100.00%	Prysmian Energia Holding S.r.l.
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Energia Holding S.r.l.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	21,367,920	99.9995%	Prysmian (Dutch) Holdings B.V.
				0.0005%	Prysmian Cavi e Sistemi Energia S.r.l.
Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Energia Holding S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables y Sistemas S.A.	Vilanova I la 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
North America					
Canada					
Prysmian Power Cables and Systems Canada Ltd.	New Brunswick	Canadian Dollar	1,000,000	100.00%	Prysmian (Dutch) Holdings B.V.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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.	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.
Brasil					
Prysmian (Brazil) Holdings Limitada	Sao Paulo	Brazilian Real	4,700	99.98%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				0.02%	Prysmian S.p.A.
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	166,825,035	99.83%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.17%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	58,309,129	99.87%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				0.13%	Prysmian Cavi e Sistemi Telecom S.r.l.
Sociedade Produtora de Fibras Opticas S.A.	Sorocaba	Brazilian Real	1,500,100	51.00%	Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.
				49.00%	Third parties
Surflex Umbilicais e Tubos Flexiveis do Brasil LTDA	Vila Velha	Brazilian Real	50,000	99.83%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.17%	Prysmian Cavi e Sistemi Telecom S.r.l.
Chile					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,119,148,955	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
Africa					
Ivory Coast					
SICABLE – 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	3,500,000	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.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
New Zealand					
Prysmian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Power Cables & Systems Australia Pty Ltd.
Asia					
China					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	20,400,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Baosheng Cable Co. Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd.	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	55,000,000	83.00%	Prysmian Energia Holding S.r.l.
				17.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	55,000,000	100.00%	Prysmian Hong Kong Holding Ltd.
India					
Ravin Cables Limited	Mumbai	Indian Rupee	209,230,110	51.00%	Prysmian Cavi e Sistemi Energia S.r.l.
	49.00%	Third parties			
Pirelli Cables (India) Private Ltd.	New Dehli	Indian Rupee	10,000,000	99.998%	Prysmian Cable Holding B.V.
				0.002%	Prysmian Cavi e Sistemi Energia S.r.l.
Indonesia					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Prysmian (Dutch) Holdings B.V.
				0.52%	Prysmian Cavi e Sistemi Energia S.r.l.
Malaysia					
Bicc (Malaysia) Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	—	100.00%	Prysmian Cables Asia-Pacific Pte Ltd.
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
Singapore					
Prysmian Cables Asia-Pacific Pte Ltd	Singapore	Singapore Dollar	213,324,290	100.00%	Prysmian (Dutch) Holdings B.V.
Prysmian Cable Systems Pte Ltd	Singapore	Singapore Dollar	25,000	50.00%	Prysmian (Dutch) Holdings B.V.
				50.00%	Prysmian Cables & Systems Ltd.

The following companies have been consolidated on a proportionate basis:

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

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

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

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

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

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

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

It is reported that:

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

3. They also attest that:

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

a) have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;

b) correspond to the underlying accounting records and books of account;

c) are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.

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

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

3 August 2010

Signed: Valerio Battista
Chief Executive Officer

Massimo Branda and Jordi Calvo
Managers responsible for preparing corporate accounting documents

Valerio Battista **Massimo Branda** **Jordi Calvo**

1.3.2 Limited review report on June 2010 financial statements

PricewaterhouseCoopers SpA

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

To the Shareholders of
Prysmian SpA

1. We have reviewed the condensed consolidated interim financial statements of Prysmian SpA and its subsidiaries (Prysmian Group) as of 30 June 2010 and for the six-month period then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and related explanatory notes. Prysmian SpA's Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2. Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the performance of analytical review procedures on the data contained in the above mentioned condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike for an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

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

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: Bari 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – Bologna Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – Firenze 50121 Viale Gramsci 15 Tel. 0552482811 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Napoli 80121 Piazza dei Martiri 58 Tel. 08136181 – Padova 35138 Via Vicenza 4 Tel. 049873481 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 Viale Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38122 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel. 0458002561

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Prysmian Group as of 30 June 2010 and for the six-month period then ended have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

4. As described in the explanatory notes to the condensed consolidated interim financial statements in note 18 "Contingent liabilities", during 2009, the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and on other electrical cable manufacturers aimed at assessing the existence of price fixing agreements in the high voltage land and submarine cables business. At the current stage, the outcome of the investigation is still uncertain; in the event of ascertained breaches of applicable price fixing laws and regulations, the penalties levied could be significant to the Prysmian Group.

Milan, 5 August 2010

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

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

(2)

1.4 Unaudited Condensed Consolidated Interim Financial Statements of the Prysmian Group for the Nine-Month Period Ended 30 September 2010

1.4.1 **Financial statements with explanatory notes**

STATEMENT OF FINANCIAL POSITION

	Note	30 September 2010	Of which related parties (Note 22)	31 December 2009	Of which related parties (Note 22)
			(in millions of Euro)		
Non-current assets					
Property, plant and equipment	1	906		872	
Intangible assets	1	69		43	
Investments in associates		9		9	
Available-for-sale financial assets	2	83		6	
Derivatives	5	14		9	
Deferred tax assets		60		47	
Other receivables	3	46		28	
Total non-current assets		**1,187**		**1,014**	
Current assets					
Inventories	4	639		443	
Trade receivables	3	856	6	622	2
Other receivables	3	423		359	
Financial assets held for trading	6	44		42	
Derivatives	5	36		44	
Available-for-sale financial assets	2	71		—	
Cash and cash equivalents	7	390		492	
Total current assets		**2,459**		**2,002**	
Assets held for sale	8	17		28	
Total assets		**3,663**		**3,044**	
Equity attributable to the Group:		678		677	
Share capital	9	18		18	
Reserves		570		411	
Profit/(loss) for the period		90		248	
Equity attributable to non-controlling interests:		**40**		**21**	
Share capital and reserves		38		17	
Profit/(loss) for the period		2		4	
Total equity		**718**		**698**	
Non-current liabilities					
Borrowings from banks and other lenders	10	1,206		884	
Other payables	11	18		13	
Provisions for risks and charges	12	39		41	
Derivatives	5	49	1	7	
Deferred tax liabilities		68		67	
Employee benefit obligations	13	156		142	
Total non-current liabilities		**1,536**		**1,154**	
Current liabilities					
Borrowings from banks and other lenders	10	73		152	1
Trade payables	11	814	2	561	2
Other payables	11	369	2	326	2
Derivatives	5	24		46	3
Provisions for risks and charges	12	70		62	
Current tax payables		59		45	
Total current liabilities		**1,409**		**1,192**	
Total liabilities		**2,945**		**2,346**	
Total equity and liabilities		**3,663**		**3,044**	

INCOME STATEMENT

	Note	9 months 2010	Of which related parties (Note 22)	9 months 2009	Of which related parties (Note 22)
			(in millions of Euro)		
Sales of goods and services		3,330	16	2,777	9
Change in inventories of work in progress, semi-finished and finished goods		109		(31)	
Other income		18		21	
Raw materials and consumables used		(2,195)	(4)	(1,535)	(3)
Fair value change in metal derivatives		3		88	
Personnel costs		(404)		(385)	
of which non-recurring personnel costs		*(5)*		*(9)*	
Amortisation, depreciation and impairment		(63)		(50)	
of which non-recurring amortisation, depreciation and impairment		*(6)*		—	
Other expenses		(586)		(576)	
of which non-recurring other expenses		*(4)*		*(12)*	
Operating income	14	**212**		**309**	
Finance costs	15	(247)	(8)	(237)	(1)
Finance income	15	168		206	
of which non-recurring finance income		*2*		*8*	
Share of income from investments in associates and dividends from other companies		2		2	
Profit before taxes		**135**		**280**	
Taxes	16	(43)		(76)	
Profit/(loss) for the period		**92**		**204**	
Attributable to:					
Owners of the parent		90		203	
Non-controlling interests		2		1	
Basic earnings/(loss) per share (in Euro)	17	**0.50**		**1.14**	
Diluted earnings/(loss) per share (in Euro)	17	**0.50**		**1.14**	

INCOME STATEMENT – 3RD QUARTER

	3rd quarter 2010	Of which related parties	3rd quarter 2009	Of which related parties
	(in millions of Euro)			
Sales of goods and services	1,182	7	929	4
Change in inventories of work in progress, semi-finished and finished goods	24		4	
Other income	6		7	
Raw materials and consumables used	(771)	(2)	(523)	(1)
Fair value change in metal derivatives	20		13	
Personnel costs	(134)		(124)	
of which non-recurring personnel costs	*(1)*		*(3)*	
Amortisation, depreciation and impairment	(20)		(18)	
of which non-recurring amortisation, depreciation and impairment	*(1)*		—	
Other expenses	(210)		(202)	
of which non-recurring other expenses	*(2)*		*(5)*	
Operating income	**97**		**86**	
Finance costs	(62)	(3)	(62)	(1)
Finance income	35		49	(1)
Share of income from investments in associates and dividends from other companies	1		—	
Profit before taxes	**71**		**73**	
Taxes	(23)		(19)	
Profit/(loss) for the period	**48**		**54**	
Attributable to:				
Owners of the parent	45		57	
Non-controlling interests	3		(3)	

STATEMENT OF COMPREHENSIVE INCOME

	9 months 2010	9 months 2009
	(in millions of Euro)	
Profit/(loss) for the period	**92**	**204**
Fair value gains/(losses) on available-for-sale financial assets – gross of tax	(3)	2
Fair value gains/(losses) on available-for-sale financial assets – tax effect	1	—
Fair value gains/(losses) on cash flow hedges – gross of tax	3	8
Fair value gains/(losses) on cash flow hedges – tax effect	—	(2)
Actuarial gains/(losses) on employee benefits – gross of tax	(9)	3
Actuarial gains/(losses) on employee benefits – tax effect	4	—
Currency translation differences	13	49
Total post-tax other comprehensive income/(loss) for the period	**9**	**60**
Total comprehensive income/(loss) for the period	**101**	**264**
Attributable to:		
Owners of the parent	98	263
Non-controlling interests	3	1

STATEMENT OF COMPREHENSIVE INCOME – 3RD QUARTER

	3rd quarter 2010	3rd quarter 2009
	(in millions of Euro)	
Profit/(loss) for the period	**48**	**54**
Fair value gains/(losses) on available-for-sale financial assets – gross of tax	—	2
Fair value gains/(losses) on available-for-sale financial assets – tax effect	—	—
Fair value gains/(losses) on cash flow hedges – gross of tax	24	8
Fair value gains/(losses) on cash flow hedges – tax effect	(6)	(2)
Actuarial gains/(losses) on employee benefits – gross of tax	—	—
Actuarial gains/(losses) on employee benefits – tax effect	1	—
Currency translation differences	(16)	8
Total post-tax other comprehensive income/(loss) for the period	**3**	**16**
Total comprehensive income/(loss) for the period	**51**	**70**
Attributable to:		
Owners of the parent	50	73
Non-controlling interests	1	(3)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Fair value gains and losses on available-for-sale financial assets	Actuarial gains/ (losses) on employee benefits	Cash flow hedges	Currency translation reserve	Other reserves	Profit/ (loss) for the period	Non-controlling interests	Total
				(in millions of Euro)					
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)
Total comprehensive income/ (loss) for the period	—	2	3	6	49	—	203	1	264
Balance at 30 September 2009	**18**	**3**	**13**	**(31)**	**(65)**	**498**	**203**	**18**	**657**
Balance at 31 December 2009	**18**	**3**	**(1)**	**(32)**	**(58)**	**499**	**248**	**21**	**698**
Allocation of prior year profit	—	—	—	—	—	248	(248)	—	—
Capital contributions	—	—	—	—	—	4	—	9	13
Dividend payment	—	—	—	—	—	(75)	—	—	(75)
Put options held by non-controlling interests	—	—	—	—	—	(26)	—	—	(26)
Reclassification of cash flow hedges	—	—	—	14	—	(14)	—	—	—
Share-based compensation	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—	7	7
Total comprehensive income/ (loss) for the period	—	(2)	(5)	3	12	—	90	3	101
Balance at 30 September 2010	**18**	**1**	**(6)**	**(15)**	**(46)**	**636**	**90**	**40**	**718**

STATEMENT OF CASH FLOWS

	9 months 2010	Of which related parties (Note 22)	9 months 2009	Of which related parties (Note 22)
		(in millions of Euro)		
Profit before taxes	135		280	
Depreciation and impairment of property, plant and equipment	53		47	
Amortisation and impairment of intangible assets	4		3	
Impairment of assets held for sale	6		—	
Share of income from investments in associates	(2)		(2)	
Share-based compensation	—		—	
Fair value change in metal derivatives	(3)		(88)	
Net finance costs	78		31	
Changes in inventories	(176)		51	
Changes in trade receivables/payables	28	(4)	(48)	(1)
Changes in other receivables/payables	(24)		(110)	
Changes in receivables/payables for derivatives	(6)		(1)	
Taxes paid	(47)		(44)	
Utilisation of provisions (including employee benefit obligations)	(39)		(49)	
Increases in provisions (including employee benefit obligations)	28		30	
A. Net cash flow provided by/(used in) operating activities	**35**		**100**	
Acquisitions[1]	(21)		—	
Investments in property, plant and equipment	(45)		(65)	
Disposals of property, plant and equipment[2]	6		1	
Investments in intangible assets	(11)		(11)	
Investments in financial assets held for trading	(12)		(5)	
Disposals of financial assets held for trading	13		15	
Investments in available-for-sale financial assets[3]	(152)		—	
Disposals of available-for-sale financial assets[4]	3		6	
Dividends received	2		3	
B. Net cash flow provided by/(used in) investing activities	**(217)**		**(56)**	
Capital contributions and other changes in equity	13		5	
Dividends paid	(75)		(75)	(24)
Finance costs paid	(214)	3	(211)	
Finance income received	166		199	
Changes in net financial payables	183		(85)	
C. Net cash flow provided by/(used in) financing activities	**73**		**(167)**	
D. Currency translation gains/(losses) on cash and cash equivalents	7		2	
E. Total cash flow provided/(used) in the period (A+B+C+D)	**(102)**		**(121)**	

		9 months 2010	Of which related parties (Note 22)	9 months 2009	Of which related parties (Note 22)
			(in millions of Euro)		
F.	**Net cash and cash equivalents at the beginning of the period**	**492**		**492**	
G.	**Net cash and cash equivalents at the end of the period (E+F)**	**390**		**371**	

(1) See section D. Business combinations for details.
(2) Refer to the disposal of the plant in Prescot (United Kingdom), classified under assets held for sale.
(3) Refer to purchases of government and blue chip corporate bonds for temporarily investing the Group's liquidity.
(4) Refer to the disposal of shares in American Superconductor.

EXPLANATORY NOTES

A. GENERAL INFORMATION

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

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

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

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

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

The consolidated financial statements contained herein were approved by the Board of Directors on 10 November 2010.

B. FORM AND CONTENT

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

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

The information contained in the third-quarter report must be read in conjunction with the annual IFRS consolidated financial statements at 31 December 2009.

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

B.1 FINANCIAL STATEMENTS AND DISCLOSURES

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

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

B.2 ACCOUNTING STANDARDS

Accounting standards used for preparing the third-quarter report

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

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

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

The main changes to IFRS 3 are as follows:

a) in the case of step acquisitions, the obligation to value a subsidiary's individual assets and liabilities at fair value at every individual stage of acquisition has been eliminated. Goodwill is only determined at the stage that control is acquired and is equal to the difference between the value of the previously-held equity interest immediately before the acquisition, the acquisition consideration and the value of net assets acquired;
b) if a 100% equity interest is not acquired, the share of equity attributable to non-controlling interests may be measured either at fair value (under the full goodwill method) or using the method previously allowed by IFRS 3;
c) all costs associated with the acquisition are expensed to the income statement and liabilities for any contingent consideration are recognised on the acquisition date.

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

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

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

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

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

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

On 4 November 2009, the IASB issued a revised version of *IAS 24 – Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a "related party". At the present document date, the European Union had completed the endorsement process needed for its application. The revised version of IAS 24 and the amendments to IFRS 8, published in the European Union's Official Journal on 20 July 2010, are applicable from 1 January 2011.

On 12 November 2009, the IASB issued the first part of a new accounting standard *IFRS 9 – Financial Instruments,* which will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. This initial document addresses the classification of financial instruments and forms part of a three-part project, whose second and third parts will address the impairment methodology for financial assets and the application of hedge accounting respectively.

This new standard, whose purpose is to simplify and reduce the complexity of accounting for financial instruments, classifies financial instruments in three categories that the reporting entity defines according to its business model, and to the contractual characteristics and related cash flows of the instruments in question. On October 28th, the IASB issued new requirements on the accounting for financial liabilities. These requirements will be added to *IFRS 9* and complete the classification and measurement phase of the IASB's project to replace *IAS 39*.

At the present document date, the European Union had not yet completed the endorsement process needed for its application, due from 1 January 2013.

On 26 November 2009, the IFRIC issued the interpretation *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments* which addresses situations in which a creditor agrees to accept equity instruments from a debtor to settle its financial liability. At the present document date, the European Union had completed the endorsement process needed for its application. The revised version of this interpretation, published in the European Union's Official Journal on 24 July 2010, is applicable from 1 July 2010.

Also on 26 November 2009, the IFRIC issued an amendment to the interpretation *IFRIC 14* to define the treatment of liabilities relating to pension funds when an entity is subject to minimum funding requirements for defined benefit plans and makes an early payment of contributions to cover those requirements. At the present document date, the European Union had completed the endorsement process needed for its application. The revised version of this interpretation, published in the European Union's Official Journal on 20 July 2010, is applicable from 1 January 2011.

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

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

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

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

B.3 CHANGES IN THE SCOPE OF CONSOLIDATION

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

The following change took place during the first nine months of 2010:

Acquisitions

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

The year end of both companies is 31 March.

New company formations

- Surflex Umbilicais e Tubos Flexiveis do Brasil LTDA was formed in Brazil on 9 April 2010 and changed its name to Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil LTDA on 9 August 2010.

The company is owned by Prysmian Cavi e Sistemi Energia S.r.l. (99.83%) and by Prysmian Cavi e Sistemi Telecom S.r.l. (0.17%).

Liquidations

– Bicc (Malaysia) Sdn Bhd completed its winding-up process and consequent removal from the local company registry on 21 January 2010.
– Aberdare Cables in the United Kingdom was closed down on 29 June 2010 and removed from the local company registry.

Mergers by absorption

– Prysmian Energia Holding S.r.l. completed its merger into Prysmian Cavi e Sistemi Energia S.r.l. on 1 July 2010.

As a result, Prysmian Energia Holding S.r.l. has ceased to exist and all its former holdings of equity investments have been transferred to Prysmian Cavi e Sistemi Energia S.r.l.

– Prysmian Telecom S.r.l completed its merger into Prysmian Cavi e Sistemi Telecom S.r.l. on 1 July 2010.

As a result, Prysmian Telecom S.r.l. has ceased to exist and all the share capital of Prysmian Cavi e Sistemi Telecom Energia S.r.l. is now held by Prysmian S.p.A.

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

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

C. SEGMENT INFORMATION

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

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

The Board of Directors:

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

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

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

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

All Corporate fixed costs are allocated to the Energy and Telecom segments. Revenues and costs are allocated to each operating segment by identifying all revenues and costs directly attributable to that segment and by allocating indirect costs on the basis of Corporate resources (personnel, space used, etc.) absorbed by the operating segments.

C.1 OPERATING SEGMENTS

The following tables present information by operating segment.

	9 months 2010							
	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
	(in millions of Euro)							
Sales of goods and services:								
– third parties	1,292	1,095	529	81	2,997	333	—	3,330
– Group companies	1	1	—	14	16	6	(22)	—
Total sales of goods and services	**1,293**	**1,096**	**529**	**95**	**3,013**	**339**	**(22)**	**3,330**
Adjusted EBITDA (A)	**182**	**32**	**41**	**1**	**256**	**25**	**—**	**281**
% of sales	14.1%	2.9%	7.7%	—	8.5%	7.3%		8.4%
EBITDA (B)	**179**	**29**	**41**	**(1)**	**248**	**25**	**(1)**	**272**
% of sales	13.8%	2.6%	7.7%	—	8.3%	7.3%		8.2%
Amortisation and depreciation (C)	(25)	(12)	(14)	—	(51)	(6)	**—**	**(57)**
Adjusted operating income (A+C)	**157**	**20**	**27**	**1**	**205**	**19**	**—**	**224**
% of sales	12.2%	1.9%	5.1%	—	6.8%	5.6%		6.7%
Fair value change in metal derivatives (D)								**3**
Impairment of production facilities (E)								**(6)**
Operating income (B+C+D+E)								**212**
% of sales								6.3%
Share of income from investments in associates and dividends from other companies					2			2
Finance costs								(247)
Finance income								168
Taxes								(43)
Profit/(loss) for the period								**92**
Attributable to:								
Owners of the parent								90
Non-controlling interests								2

Reconciliation of EBITDA to Adjusted EBITDA

	Utilities	Trade & Installers	Industrial	Other	Total	Telecom	Corporate/ Eliminations	Group total
EBITDA (A)	**179**	**29**	**41**	**(1)**	**248**	**25**	**(1)**	**272**
Non-recurring expenses/ (income):								
Company reorganisation	1	4	—	—	5	—	1	6
Antitrust investigation legal costs	1	—	—	—	1	—	—	1
Environmental remediation	1	—	—	—	1	—	—	1
Release of provision for tax inspections	—	(1)	(1)	—	(2)	—	—	(2)
Special project costs	—	—	1	2	3	—	—	3
Total non-recurring expenses/(income) (B)	**3**	**3**	**—**	**2**	**8**	**—**	**1**	**9**
Adjusted EBITDA (A+B)	**182**	**32**	**41**	**1**	**256**	**25**	**—**	**281**

	9 months 2009							
	Energy					Telecom	Corporate/ Eliminations	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
	(in millions of Euro)							
Sales of goods and services:								
– third parties	1,191	754	458	62	2,465	312	—	2,777
– Group companies	—	1	—	11	12	5	(17)	—
Total sales of goods and services	**1,191**	**755**	**458**	**73**	**2,477**	**317**	**(17)**	**2,777**
Adjusted EBITDA (A)	**192**	**32**	**40**	**3**	**267**	**25**	**—**	**292**
% of sales	16.2%	4.3%	8.7%	—	10.8%	7.7%		10.5%
EBITDA (B)	**183**	**27**	**39**	**3**	**252**	**24**	**(5)**	**271**
% of sales	15.4%	3.6%	8.5%	—	10.2%	7.5%		9.8%
Amortisation and depreciation (C)	(21)	(10)	(12)	(2)	(45)	(5)	—	**(50)**
Adjusted operating income (A+C)	**171**	**22**	**28**	**1**	**222**	**20**	**—**	**242**
% of sales	14.2%	2.9%	6.2%	—	8.9%	6.4%		8.7%
Fair value change in metal derivatives (D)								88
Impairment of production facilities (E)								—
Operating income (B+C+D+E)								**309**
% of sales								11.1%
Share of income from investments in associates and dividends from other companies					2			2
Finance costs								(237)
Finance income								206
Taxes								(76)
Profit/(loss) for the period								**204**
Attributable to:								
Owners of the parent								203
Non-controlling interests								1
Reconciliation of EBITDA to Adjusted EBITDA								
EBITDA (A)	**183**	**27**	**39**	**3**	**252**	**24**	**(5)**	**271**
Non-recurring expenses/ (income):								
Company reorganisation	3	5	1	—	9	1	—	10
Antitrust investigation legal costs	6	—	—	—	6	—	1	7
Special project costs	—	—	—	—	—	—	4	4
Total non-recurring expenses/(income) (B)	**9**	**5**	**1**	**—**	**15**	**1**	**5**	**21**
Adjusted EBITDA (A+B)	**192**	**32**	**40**	**3**	**267**	**25**	**—**	**292**

C.2 GEOGRAPHICAL AREAS

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

	9 months 2010					
	EMEA*	*of which Italy*	North America	Latin America	Asia Pacific	Total
	(in millions of Euro)					
Sales of goods and services	**2,323**	*593*	**296**	**353**	**358**	**3,330**

	9 months 2009					
	EMEA*	*of which Italy*	North America	Latin America	Asia Pacific	Total
	(in millions of Euro)					
Sales of goods and services	**1,950**	*373*	**269**	**268**	**290**	**2,777**

* EMEA: Europe, Middle East and Africa

D. BUSINESS COMBINATIONS

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

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

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

	(in millions of Euro)
Cash outlay	22
Total acquisition cost (A)	**22**
Fair value of net assets acquired* (B)	7
Goodwill (A)-(B)	**15**
Financial outlay for acquisition	22
Cash and cash equivalents held by acquired companies	(1)
Acquisition cash flow	**21**

* The fair values are provisional ones

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

	Pre-acquisition book value	Fair value*
	(in millions of Euro)	
Property, plant and equipment	3	9
Investments in joint ventures	3	3
Inventories	7	6
Trade and other receivables	12	13
Trade and other payables	(4)	(4)
Deferred taxes	—	(1)
Current taxes	(2)	(3)
Borrowings from banks and other lenders	(10)	(10)
Cash and cash equivalents	2	1
Net assets	**11**	**14**
Net assets acquired – 51% (B)	**6**	**7**

* The fair values are provisional ones

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

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

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

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

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

* The fair values are provisional ones

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

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

* The fair values are provisional ones
** Power Plus Cable is consolidated proportionately, meaning that the amounts consolidated represent 49% of this company's reported total.

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

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

	(in millions of Euro)
Cash outlay	2
Costs directly related to the acquisition	1
Total acquisition cost (A)	**3**
Fair value of net assets acquired* (B)	1
Goodwill (A)-(B)	**2**
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:

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

* The fair values are provisional ones

1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

	Property, plant and equipment	Intangible assets
	(in millions of Euro)	
Balance at 31 December 2009	**872**	**43**
Movements in period:		
– Investments	45	11
– Disposals	—	—
– Business combinations	15	17
– Depreciation, amortisation and impairment	(53)	(4)
– Currency translation differences	27	2
Total movements	**34**	**26**
Balance at 30 September 2010	**906**	**69**
Of which:		
– Historical cost	1,239	159
– Accumulated depreciation/amortisation and impairment	(333)	(90)
Net book value	**906**	**69**

	Property, plant and equipment	Intangible assets
	(in millions of Euro)	
Balance at 31 December 2008	**806**	**31**
Movements in period:		
– Investments	65	11
– Disposals	(1)	—
– Depreciation, amortisation and impairment	(47)	(3)
– Currency translation differences	21	—
Total movements	**38**	**8**
Balance at 30 September 2009	**844**	**39**
Of which:		
– Historical cost	1,105	123
– Accumulated depreciation/amortisation and impairment	(261)	(84)
Net book value	**844**	**39**

Investments during 2010 in property, plant and equipment amount to Euro 45 million at 30 September 2010. Of these:

– 59% refer to projects for increasing production capacity and developing new products;

– 7% are for projects to improve industrial efficiency;

– 31% are for structural work on buildings or for entire production lines to make them compliant with the latest regulations;

– 2% refer to expenditure on replacing a series of obsolete office equipment;

– the remaining 1% refer to research and development expenditure.

Investments in intangible assets amount to Euro 11 million, of which Euro 5 million refers to the SAP Consolidation project, aimed at standardising the information system in all the Group's companies over the next few years, while Euro 6 million refers to new product development.

Intangible assets have also increased by Euro 17 million for the recognition of goodwill relating to the acquisitions of Ravin Cables Limited (Euro 15 million) and Investitsionno Promyshlennaya Kompaniya Rybinskelektrokabel (Euro 2 million).

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

2. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

All the non-instrumental bonds are highly liquid.

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

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

3. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

	30 September 2010		
	Non-current	**Current**	**Total**
	(in millions of Euro)		
Trade receivables	—	899	899
Allowance for doubtful accounts	—	(43)	(43)
Total trade receivables	**—**	**856**	**856**
Other receivables:			
Tax receivables	14	99	113
Financial receivables	1	66	67
Prepaid finance costs	16	3	19
Receivables from employees	2	4	6
Construction contracts	—	191	191
Advances	—	13	13
Others	13	47	60
Total other receivables	**46**	**423**	**469**
Total	**46**	**1,279**	**1,325**

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

Trade and other receivables are reported net of the allowance for doubtful accounts, amounting to Euro 43 million at 30 September 2010 (Euro 39 million at 31 December 2009).

The increase of Euro 33 million in financial receivables is largely due to the investment in time deposits of part of the proceeds of the bond issue described in Note 10.

4. INVENTORIES

These are detailed as follows:

	30 September 2010	**31 December 2009**
	(in millions of Euro)	
Raw materials	195	126
of which allowance for obsolete and slow-moving raw materials	*(11)*	*(11)*
Work in progress and semi-finished goods	181	118
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	*(4)*	*(8)*
Finished goods	263	199
of which allowance for obsolete and slow-moving finished goods	*(21)*	*(24)*
Total	**639**	**443**

5. DERIVATIVES

These are detailed as follows:

	30 September 2010	
	Asset	**Liability**
	(in millions of Euro)	
Non-current		
Interest rate swaps (cash flow hedges)	—	21
Forward currency contracts on commercial transactions (cash flow hedges)	9	4
Forward currency contracts on financial transactions (cash flow hedges)	—	6
Total hedging derivatives	**9**	**31**
Forward currency contracts on financial transactions	2	17
Metal derivatives	3	1
Total other derivatives	**5**	**18**
Total non-current	**14**	**49**
Current		
Forward currency contracts on commercial transactions (cash flow hedges)	11	9
Total hedging derivatives	**11**	**9**
Forward currency contracts on commercial transactions	5	2
Forward currency contracts on financial transactions	3	7
Metal derivatives	17	6
Total other derivatives	**25**	**15**
Total current	**36**	**24**
Total	**50**	**73**

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

6. FINANCIAL ASSETS HELD FOR TRADING

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

7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

	30 September 2010	31 December 2009
	(in millions of Euro)	
Cash and cheques	9	3
Bank and postal deposits	381	489
Total	**390**	**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 235 million at 30 September 2010 compared with Euro 289 million at 31 December 2009.

8. ASSETS HELD FOR SALE

These are detailed as follows:

	30 September 2010	31 December 2009
	(in millions of Euro)	
Land	16	22
Buildings	1	6
Total	**17**	**28**

The balance at 30 September 2010 reflects the land and buildings of the plant in Eastleigh in the United Kingdom, which was classified as held for sale after reorganising Energy segment production activities in 2008.

The plant in Prescot was sold during the first nine months of 2010 for Euro 6 million.

The additional reduction of Euro 5 million since 31 December 2009 reflects the recognition of an impairment loss of Euro 6 million due to the property market crisis, as partially offset by an increase of Euro 1 million due to appreciation of the Euro against the British pound during 2010.

9. SHARE CAPITAL AND RESERVES

Consolidated equity has increased by Euro 20 million since 31 December 2009, mainly due to Euro 90 million in profit for the period attributable to the Group, as partially offset by the dividend of Euro 75 million paid by Prysmian S.p.A.

The share capital of Prysmian S.p.A. amounts to Euro 18,202,930.20 at 30 September 2010, corresponding to 182,029,302 shares.

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

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2008	**180,546,227**	**(3,028,500)**	**177,517,727**
Capital increase (*)	688,812	—	688,812
Treasury shares	—	—	—
Balance at 30 September 2009	**181,235,039**	**(3,028,500)**	**178,206,539**

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2009	**181,235,039**	**(3,028,500)**	**178,206,539**
Capital increase (*)	794,263	—	794,263
Treasury shares	—	—	—
Balance at 30 September 2010	**182,029,302**	**(3,028,500)**	**179,000,802**

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

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

Treasury shares

On 15 April 2008, the shareholders voted to adopt a share buy-back and disposal programme, involving up to 18,000,000 of the Company's ordinary shares which could be purchased in one or more blocks over a period of no more than 18 months from the date of the resolution. The Board of Directors was delegated with responsibility for enacting this programme. Under this resolution, purchases and sales of shares had to meet the following conditions: (i) the minimum price could be

no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (ii) the maximum price could be no more than 10% above the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (iii) the maximum number of shares purchased per day could not exceed 25% of the average daily volume of trades in Prysmian shares on the Milan Stock Exchange in the 20 trading days prior to the purchase date; (iv) the purchase price could not be greater than the higher of the price of the last independent transaction and the highest independent bid price currently quoted on the market. On 7 October 2008, the Board of Directors subsequently granted the Chief Executive Officer and Chief Financial Officer separate powers to purchase up to 4 million of the Company's shares by 31 December 2008. At that date a total of 3,028,500 shares had been bought back for Euro 30 million.

On 9 April 2009, the shareholders renewed the authorisation to buy and dispose of treasury shares, while cancelling the previous resolution in this regard adopted on 15 April 2008. The authorisation permitted the purchase of shares representing no more than 10% of the Company's share capital at any time, including any treasury shares already held by the Company. Purchases could not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved annual financial statements. The programme was to last for a maximum of 18 months commencing from the date of the shareholders' approval and therefore expired on 9 October 2010.

10. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

	30 September 2010		
	Non-current	**Current**	**Total**
	(in millions of Euro)		
Borrowings from banks	810	62	872
Bond	395	10	405
Finance lease obligations	1	1	2
Total	**1,206**	**73**	**1,279**

	31 December 2009		
	Non-current	**Current**	**Total**
	(in millions of Euro)		
Borrowings from banks	882	150	1,032
Finance lease obligations	2	2	4
Total	**884**	**152**	**1,036**

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

(in millions of Euro)

	30 September 2010	31 December 2009
	(in millions of Euro)	
Credit Agreement	771	960
Bond	405	—
Other borrowings	101	72
Total	**1,277**	**1,032**

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

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

The following tables summarise the committed lines available to the Group at 30 September 2010 and 31 December 2009:

	30 September 2010		
	Total lines	**Used**	**Unused**
	(in millions of Euro)		
Term Loan Facility	770	(770)	—
Revolving Credit Facility	400	(7)	393
Bonding Facility	300	(144)	156
Total New Credit Agreement	**1,470**	**(921)**	**549**
Securitization	350	—	350
Total	**1,820**	**(921)**	**899**

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

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

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

	Credit Agreement	Bond	Other borrowings	Total
		(in millions of Euro)		
Balance at 31 December 2009	**960**	—	**72**	**1,032**
Business combinations	—	—	15	15
Currency translation differences	6	—	5	11
Drawings	—	395	93	488
Repayments	(200)	—	(66)	(266)
Amortisation of bank and financial fees and other expenses	2	—	—	2
Interest and other	3	10	(18)	(5)
Total movements	**(189)**	**405**	**29**	**245**
Balance at 30 September 2010	**771**	**405**	**101**	**1,277**

	Credit Agreement	Bond	Other borrowings	Total
		(in millions of Euro)		
Balance at 31 December 2008	**995**	—	**159**	**1,154**
Currency translation differences	(6)	—	(7)	(13)
Drawings	—	—	—	—
Repayments	—	—	(99)	(99)
Amortisation of bank and financial fees and other expenses	2	—	—	2
Other	3	—	(4)	(1)
Total movements	**(1)**	**—**	**(110)**	**(111)**
Balance at 30 September 2009	**994**	**—**	**49**	**1,043**

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

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

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

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

The Bonding Facility was not covered by the new agreement.

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

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

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

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

NET FINANCIAL POSITION

	Note	30 September 2010	Of which related parties (Note 22)	31 December 2009	Of which related parties (Note 22)
			(in millions of Euro)		
Long-term financial payables					
Term Loan Facility		770		864	
Bank fees		(3)		(4)	
New Credit Agreement	10	**767**		**860**	
Bond	10	395		—	
Finance leases	10	1		2	
Forward currency contracts on financial transactions	5	23		3	
Interest rate swaps	5	21	1	2	
Other financial payables	10	43		22	
Total long-term financial payables		**1,250**		**889**	
Short-term financial payables					
Term Loan Facility	10	4		100	
Bank fees		—		—	
Bond	10	10		—	
Finance leases	10	1		2	
Securitization	10	—		—	
Interest rate swaps	5	—		12	3
Forward currency contracts on financial transactions	5	7		8	
Other financial payables	10	58		50	1
Total short-term financial payables		**80**		**172**	
Total financial liabilities		**1,330**		**1,061**	
Long-term financial receivables	3	1		2	
Available-for-sale financial assets (non-current)[1]	3	80		—	
Long-term bank fees	3	16		4	
Interest rate swaps	5	—		—	
Forward currency contracts on financial transactions (non-current)	5	2		5	
Forward currency contracts on financial transactions (current)	5	3		6	
Short-term financial receivables	3	66		33	
Available-for-sale financial assets (current)[1]	3	71		—	
Short-term bank fees	3	3		3	
Financial assets held for trading	6	44		42	
Cash and cash equivalents	7	390		492	
Net financial position		**654**		**474**	

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

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

	Note	30 September 2010	Of which related parties (Note 22)	31 December 2009	Of which related parties (Note 22)
			(in millions of Euro)		
Net financial position – as reported above		**654**		**474**	
Long-term financial receivables	3	1		2	
Long-term bank fees	3	16		4	
Net forward currency contracts on commercial transactions	5	(10)		(3)	
Net metal derivatives	5	(13)		(11)	
Recalculated net financial position		**648**		**466**	

11. TRADE AND OTHER PAYABLES

These are detailed as follows:

	30 September 2010		
	Non-current	**Current**	**Total**
		(in millions of Euro)	
Trade payables	—	814	814
Total trade payables	**—**	**814**	**814**
Other payables:			
Tax and social security payables	11	76	87
Advances	—	89	89
Payables to employees	—	50	50
Accrued expenses	—	85	85
Others	7	69	76
Total other payables	**18**	**369**	**387**
Total	**18**	**1,183**	**1,201**

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

Advances include Euro 54 million due to customers for construction contracts at 30 September 2010 compared with Euro 58 million at 31 December 2009. This liability represents the gross amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

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

Trade payables include positions relating to the purchase of strategic metals (copper, aluminium and lead), whose payment terms are longer than normal for this type of transaction.

12. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

	30 September 2010		
	Non-current	Current	Total
	(in millions of Euro)		
Restructuring costs	1	4	5
Contractual and legal risks	26	34	60
Environmental risks	2	5	7
Tax inspections	2	17	19
Other risks and charges	8	10	18
Total	**39**	**70**	**109**

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

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

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Other risks and charges	Total
	(in millions of Euro)					
Balance at 31 December 2009	**8**	**57**	**6**	**15**	**17**	**103**
Currency translation differences	—	2	—	1	1	4
Increases	1	15	1	—	4	21
Utilisations	(2)	(10)	(1)	(5)	(3)	(21)
Releases	(1)	(6)	—	(1)	(1)	(9)
Other	(1)	2	1	9	—	11
Total movements	(3)	3	1	4	1	6
Balance at 30 September 2010	**5**	**60**	**7**	**19**	**18**	**109**

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

The increase of Euro 15 million in the provision for contractual and legal risks mostly refers to:

- contractual risks (Euro 9 million), mainly relating to the Submarine and High Voltage businesses;
- legal risks (Euro 1 million), for legal costs relating to an unfinalised acquisition project.

The utilisation of Euro 10 million from this provision includes Euro 8 million for risks relating to contractual guarantees and indemnities.

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

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

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

13. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

	30 September 2010	31 December 2009
	(in millions of Euro)	
Pension funds	97	88
Employee indemnity liability (Italian TFR)	23	22
Medical benefit plans	22	18
Termination benefits and others	14	14
Total	**156**	**142**

Pension funds and medical benefit plans have increased by a total of Euro 13 million, mainly because of actuarial losses recognised in equity and because of lower valuations of pension fund assets in the United Kingdom, United States and Canada.

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

	9 months 2010	9 months 2009
	(in millions of Euro)	
Pension funds	5	5
Employee indemnity liability (Italian TFR)	1	1
Medical benefit plans	3	2
Termination benefits and others	5	5
Total	**14**	**13**

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

	Average 9 months 2010	%	Closing at 30 September 2010	%
Blue collar	9,128	74%	9,284	74%
White collar and management	3,195	26%	3,185	26%
Total	**12,323**	**100%**	**12,469**	**100%**

	Average 9 months 2009	%	Closing at 30 September 2009	%
Blue collar	8,887	74%	8,629	74%
White collar and management	3,054	26%	3,075	26%
Total	**11,941**	**100%**	**11,704**	**100%**

14. OPERATING INCOME

Operating income is Euro 212 million in the first nine months of 2010 (Euro 309 million in the first nine months of 2009) and includes the following non-recurring items:

	9 months 2010	9 months 2009
	(in millions of Euro)	
Release of provision for tax inspections	2	—
Special project costs	(3)	(4)
Environmental remediation	(1)	—
Company reorganisation	(6)	(10)
Antitrust investigation legal costs	(1)	(7)
Impairment of assets held for sale	(6)	—
Total non-recurring (expenses)/income	**(15)**	**(21)**

15. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

	9 months 2010	9 months 2009
	(in millions of Euro)	
Interest on borrowings	12	24
Interest on bond	10	—
Amortisation of bank and financial fees and other expenses	4	3
Interest costs on employee benefits	5	6
Other bank interest	4	7
Costs for undrawn credit lines	—	—
Sundry bank fees	5	5
Other	19	10
Finance costs	**59**	**55**
Net losses on interest rate swaps	7	—
Net losses on forward currency contracts	22	4
Losses on derivatives	**29**	**4**
Foreign currency exchange losses	159	178
Total finance costs	**247**	**237**

Finance income is detailed as follows:

	9 months 2010	9 months 2009
	(in millions of Euro)	
Interest income from banks and other financial institutions	5	6
Other finance income	1	3
Other non-recurring finance income:		
Gain on disposal of available-for-sale financial assets	*2*	—
Release of provision for interest on disputed tax	—	*8*
Total non-recurring finance income	2	8
Finance income	**8**	**17**
Foreign currency exchange gains	160	189
Total finance income	**168**	**206**

16. TAXES

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

	9 months 2010	9 months 2009
	(in millions of Euro)	
Current income taxes	49	60
Deferred income taxes	(6)	16
Total	**43**	**76**

The tax rate in the first nine months of 2010 is 32% compared with 27% in the same period of 2009. This increase is mainly attributable to less utilisation of carryforward tax losses.

17. EARNINGS/(LOSS) PER SHARE

Basic earnings per share have been calculated by dividing profit for the period attributable to owners of the parent by the average number of the Company's outstanding shares. With regard to the denominator used for calculating earnings per share, the average number of outstanding shares also includes the shares issued following exercise of part of the first, second and third tranches of the Stock Option Plan during 2008, 2009 and the first nine months of 2010, involving the issue of a total of 2,029,302 shares.

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

	9 months 2010	9 months 2009
	(in millions of Euro)	
Profit attributable to owners of the parent	90	203
Weighted average number of ordinary shares (thousands)	178,812	177,792
Basic earnings per share (in Euro)	**0.50**	**1.14**
Profit attributable to owners of the parent	90	203
Weighted average number of ordinary shares (thousands)	178,812	177,792
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	610	1,055
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	179,422	178,847
Diluted earnings per share (in Euro)	**0.50**	**1.14**

18. CONTINGENT LIABILITIES

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

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

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

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

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

19. COMMITMENTS

Contractual commitments to purchase property, plant and equipment, and intangible assets, already given to third parties and not yet reflected in the financial statements, amount to Euro 36 million at 30 September 2010 (Euro 40 million at 30 September 2009).

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

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

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

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

20. RECEIVABLES FACTORING

As part of its factoring programme, the Group has factored trade receivables without recourse. The amount of receivables factored but not yet paid by customers was Euro 49 million at 30 September 2010 (Euro 35 million at 30 September 2009).

21. SEASONALITY

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

22. RELATED PARTY TRANSACTIONS

During 2010 The Goldman Sachs Group Inc. sold its interests in Prysmian S.p.A. held through Prysmian (Lux) II S. Sr.l. (16.24% of share capital) and Goldman Sachs International (0.564% of share capital);

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

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

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

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

	30 September 2010			
	Trade and other receivables	**Derivatives classified as assets**	**Trade and other payables**	**Financial payables and derivatives classified as liabilities**
	(in millions of Euro)			
Associates	6	—	4	—
Other related parties:				
The Goldman Sachs Group Inc.	—	—	—	1
Total	**6**	**—**	**4**	**1**

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

	9 months 2010		
	Sales of goods and services	Cost of goods and services	Finance income/ (costs)
	(in millions of Euro)		
Associates	16	4	—
Other related parties:			
The Goldman Sachs Group Inc.	—	—	(8)
Total	**16**	**4**	**(8)**

	9 months 2009		
	Sales of goods and services	Cost of goods and services	Finance income/ (costs)
	(in millions of Euro)		
Ultimate parent company	—	—	—
Associates	9	3	—
Other related parties:			
The Goldman Sachs Group Inc.	—	—	(1)
Total	**9**	**3**	**(1)**

Transactions with associates

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

Transactions with The Goldman Sachs Group Inc.

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

Key management compensation

Key management compensation amounts to Euro 5.4 million at 30 September 2010 (Euro 5.1 million at 30 September 2009).

23. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

24. STOCK OPTION PLANS

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

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

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

	30 September 2010		31 December 2009	
	Number of options	**Strike price**	**Number of options**	**Strike price**
		(in Euro)		
Options at start of period	1,560,436	4.65	2,318,974	4.65
Granted	—	—	—	—
Cancelled	(10,895)	—	(69,726)	—
Exercised	(794,263)	4.65	(688,812)	4.65
Options at end of period	755,278	4.65	1,560,436	4.65
of which vested at end of period	86,336	4.65	880,599	4.65
of which exercisable*	—	—	—	—
of which not vested at end of period	668,942	4.65	679,837	4.65

* Options can be exercised only in specified periods.

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

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

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

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

25. DIVIDEND PAYMENT

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

26. EXCHANGE RATES

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

	Closing rates at		Average rates	
	30 September 2010	31 December 2009	9 months 2010	9 months 2009
Europe				
British Pound	0.860	0.888	0.857	0.886
Swiss Franc	1.329	1.484	1.400	1.511
Hungarian Forint	275.750	270.420	275.372	283.620
Norwegian Krone	7.968	8.300	7.988	8.839
Swedish Krona	9.142	10.252	9.647	10.709
Romanian Leu	4.272	4.236	4.186	4.230
Turkish Lira	1.985	2.171	2.002	2.148
Polish Zloty	3.985	4.105	4.004	4.380
Russian Rouble	41.692	43.154	39.753	44.333
North America				
US Dollar	1.365	1.441	1.314	1.366
Canadian Dollar	1.407	1.513	1.361	1.594
South America				
Brazilian Real	2.312	2.508	2.340	2.841
Argentine Peso	5.405	5.474	5.120	5.059
Chilean Peso	659.403	730.384	683.384	781.485
Oceania				
Australian Dollar	1.407	1.601	1.465	1.823
New Zealand Dollar	1.844	1.980	1.853	2.274
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	1.936	1.897	1.887	1.867
Asia				
Chinese Renminbi (Yuan)	9.132	9.835	8.946	9.335
United Arab Emirates Dirham	5.012	5.291	4.827	5.018
Hong Kong Dollar	10.592	11.171	10.214	10.591
Singapore Dollar	1.794	2.019	1.817	2.012
Indian Rupee	60.815	66.829	60.415	66.797
Indonesian Rupiah	12,173.440	13,626.130	11,991.412	14,592.030
Malaysian Ringgit	4.210	4.933	4.278	4.867
Saudi Riyal	5.118	5.403	4.929	5.124

27. SUBSEQUENT EVENTS

On 12 October 2010, the Board of Directors of Prysmian S.p.A. updated the by-laws for certain provisions contained in Italian Decrees 27 and 39 dated 27 January 2010 and respectively relating to the exercise of certain rights of shareholders in listed companies and to statutory audits of annual separate and consolidated accounts.

More in detail, the by-laws have been amended to replace references to the ''audit of the accounts'' with the new concept of ''statutory audit'', and to alter the procedures governing publication of notices calling shareholders' meetings, governing presentation and publication of lists for the appointment of directors and statutory auditors and governing participation and representation in shareholders' meetings. Lastly, the by-laws have been amended to allow shareholders to notify the participation of a proxy at shareholders' meeting by sending the required document to a certified email address.

On 14 October 2010, Prysmian announced the launch of a new customer-centric organisational model with the creation of two new positions.

The Chief Operating Officer (COO), in the person of Massimo Battaini, will be responsible for the Group's entire supply chain (purchasing, operations, logistics). The main task of the new COO will be to implement a faster and leaner organisational strategy particularly aimed at accelerating the Group's decision-making process and time to market.

The Chief Commercial Officer (CCO), in the person of Fabio Romeo, will be accountable for the Group's sales and marketing, covering both the Energy and Telecom segments, with the aim of providing all Prysmian businesses with a common approach, a coherent strategy and the right level of resources. One of the main tasks of the new CCO will be to develop a more customer-centric approach, that will further enhance Prysmian's ability to meet customer needs and expectations.

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

Milan, 10 November 2010

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Paolo Zannoni

SCOPE OF CONSOLIDATION – ATTACHMENT A

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

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Italy					
Prysmian Cavi e Sistemi Energia S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	77.45%	Prysmian Cavi e Sistemi Energia S.r.l.
				22.55%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Cavi e Sistemi Telecom S.r.l.	Milan	Euro	31,930,000	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	4,242,476	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian PowerLink S.r.l.	Milan	Euro	50,000,000	84.80%	Prysmian Cavi e Sistemi Energia S.r.l.
				15.20%	Prysmian Cavi e Sistemi Italia S.r.l.
Fibre Ottiche Sud – F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
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 Cavi e Sistemi Energia S.r.l.
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	21,367,920	99.9995%	Prysmian (Dutch) Holdings B.V.
				0.0005%	Prysmian Cavi e Sistemi Energia S.r.l.
Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables y Sistemas S.A.	Vilanova I la Geltrù	Euro	14,000,000	85.71%	Prysmian Cavi e Sistemi Energia S.r.l.
				14.29%	Prysmian Cavi e Sistemi Telecom S.r.l.
Fercable S.L.	Sant Vicenç dels Horts	Euro	3,606,073	100.00%	Prysmian Cables y Sistemas S.A.
Prysmian Servicios de Tesoreria Espana S.L.	Madrid	Euro	3,100	100.00%	Prysmian Financial Services Ireland Limited
Sweden					
Prysmian Kablar och System AB	Hoganas	Swedish Krona	100,000	100.00%	Prysmian Cables and Systems OY
Switzerland					
Prysmian Cables and Systems SA	Manno	Swiss Franc	500,000	100.00%	Prysmian (Dutch) Holdings B.V.
Turkey					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya Bursa	Turkish New Lira	112,233,652	83.75%	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 Cavi e Sistemi Energia S.r.l.
Kabel Keszletertekesito BT	Budapest	Hungarian Forint	1,239,841,361	99.999%	Prysmian MKM Magyar Kabel Muvek KFT
				0.001%	Third parties
North 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.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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.	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.
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
Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil LTDA	Vila Velha	Brazilian Real	50,000	99.83%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.17%	Prysmian Cavi e Sistemi Telecom S.r.l.
Chile					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,119,148,955	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
Africa					
Ivory Coast					
SICABLE – Sociète Ivorienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Tunisia					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	3,500,000	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.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Asia					
China					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	20,400,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Baosheng Cable Co. Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd.	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	55,000,000	83.00%	Prysmian Cavi e Sistemi Energia S.r.l.
				17.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	55,000,000	100.00%	Prysmian Hong Kong Holding Ltd.
India					
Ravin Cables Limited	Mumbai	Indian Rupee	209,230,110	51.00%	Prysmian Cavi e Sistemi Energia S.r.l.
				49.00%	Third parties
Pirelli Cables (India) Private Ltd.	New Dehli	Indian Rupee	10,000,000	99.998%	Prysmian Cable Holding B.V.
				0.002%	Prysmian Cavi e Sistemi Energia S.r.l.
Indonesia					
P.T. Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Prysmian (Dutch) Holdings B.V.
				0.52%	Prysmian Cavi e Sistemi Energia S.r.l.
Malaysia					
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	Currency	Share capital	% ownership	Direct parent company
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Prysmian (Dutch) Holdings B.V.
				60.00%	Third parties
Power Cable Engineering Services (M) Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	100,000	100.00%	Power Cables Malaysia Sdn Bhd
U.A.E.					
Power Plus Cables CO: L.L.C.	Fujairah	U.A.E. Dirham	51,000,000	49.00%	Ravin Cables Limited
				51.00%	Third parties

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

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

2. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE PRYSMIAN GROUP

2.1 Introduction

This document includes the unaudited *pro forma* consolidated financial information prepared to represent the *pro forma* effects of the merger agreement entered into between Prysmian SpA (the "Offeror" and together with its subsidiaries the "Prysmian Group") on 22 November 2010 (the "Merger Agreement") for the public offer for all the issued and outstanding ordinary shares of Draka Holdings N.V. ("Draka" and together with its subsidiaries the "Draka Group") through a mixed exchange and cash offer (the "Offer"). In particular, in accordance with the Merger Agreement, for each share tendered in the Offer, the Offeror will offer consideration of 0.6595 new Prysmian shares and an amount of Euro 8.60 on cash. The closing of the transaction is subject to certain conditions precedent including all mandatory competition approvals and that the number of shares tendered in the Offer represents at least 85% of the aggregate of the Offeror's issued and outstanding ordinary share capital. More specifically, the unaudited *pro forma* consolidated financial information included in this document represents the effect of the acquisition of Draka, should the Offer be successful (the "Transaction").

The unaudited *pro forma* consolidated financial information includes (i) the unaudited *pro forma* consolidated statement of financial position as of 30 June 2010, (ii) the unaudited *pro forma* consolidated income statement for the six months ended 30 June 2010 and (iii) the unaudited *pro forma* consolidated income statement for the year ended 31 December 2009, with the related explanatory notes (together the "Unaudited Pro Forma Consolidated Financial Information") and has been prepared to reflect the effect of the Transaction on the Prysmian Group consolidated financial position and results of operations, for inclusion in the offer memorandum prepared in connection with the Transaction, which will include, *inter alia*, the information required by the Regulation 809/2004/EC regarding the issuance and offering of the New Prysmian Shares and the related listing on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A and ii) in the "Documento Informativo" Prysmian is required to prepare in accordance with articles 70 and 71 of Consob Regulation n° 11971 approved on May 14, 1999, as subsequently amended.

The purpose of the preparation of the Unaudited Pro Forma Consolidated Financial Information is to simulate, using accounting principles that are consistent with the historical data and compliant with the applicable legislation, the main effects of the Transaction on the consolidated financial position and result of operations of Prysmian Group, as if the Transaction had occurred on 30 June 2010, for the statement of financial position purposes, and on 1 January 2010 and on 1 January 2009, for the income statements purposes. As mentioned above, the Unaudited Pro Forma Consolidated Financial Information represents a simulation, for illustrative purposes only, of the main potential impacts of the Transaction. In particular, as *pro forma* information is prepared to illustrate retrospectively the effects of operations that will occur subsequently using generally accepted regulations and reasonable assumptions, there are limitations that are inherent to the nature of *pro forma* information; hence, had the Transaction taken place on the dates assumed above, the actual effects would not necessarily have been the same as those presented in the Unaudited Pro Forma Consolidated Financial Information. In particular, the *pro forma* financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results. Furthermore, in consideration of the different purposes of the Unaudited Pro Forma Consolidated Financial Information as compared to the historical financial statements and the different methods of calculation of the effects of the Transaction on the *pro forma* consolidated statements of financial position and on the *pro forma* consolidated income statements, the latter two statements should be read and interpreted without comparisons between them.

Finally, it should be noted that the Unaudited Pro Forma Consolidated Financial Information does not attempt to predict or estimate the future results of the Prysmian Group and should not be used for this purpose.

The Unaudited Pro Forma Consolidated Financial Information should be read together with:

- the consolidated financial statements of the Prysmian Group as of 31 December 2009 (the "Consolidated Financial Statements"), approved by the Board of Directors on 3 March 2010, and audited by PricewaterhouseCoopers S.p.A., which issued its audit report, without qualification, on 12 March 2010;
- the unaudited condensed consolidated interim financial statements of the Prysmian Group for the six-month period ended 30 June 2010 (the "Unaudited Condensed Consolidated Interim Financial Statements"), approved by the Board of Directors on 3 August 2010, and subject to limited review procedures by PricewaterhouseCoopers S.p.A., which issued its limited review report, without qualification, on 5 August 2010.

2.2 PRO FORMA CONSOLIDATED INFORMATION

This section presents the *pro forma* consolidated statement of financial position as of 30 June 2010 and the *pro forma* consolidated income statements for the year ended 31 December 2009 and for the six months ended 30 June 2010, as well as the relevant explanatory notes.

2.2.1 Unaudited Pro Forma Consolidated Statement of Financial Position as at 30 June 2010

The following tables present the *pro forma* adjustments made in order to present the main effects of the Transaction on the Prysmian Group's consolidated statement of financial position as of 30 June 2010.

			Pro forma adjustments						
	Prysmian Group Historical	Draka Group Historical	Employee benefits	Exercise of incentive plans	Preference Shares	Subordinated convertible bond	Other adjustments	The Transaction	Prysmian Group Pro Forma
	(A)	*(B)*	*(C1)*	*(C2)*	*(C3)*	*(C4)*	*(C5)*	*(D)*	
				(in millions of Euro)					
Property, plant and equipment	931	561	—	—	—	—	—	—	1,492
Intangible assets	67	116	—	—	—	—	(82)	414	515
Investments in associates	9	60	—	—	—	—	—	—	69
Available-for-sale financial assets	104	—	—	—	—	—	—	(104)	—
Derivatives	8	—	—	—	—	—	—	—	8
Deferred tax assets	73	58	—	—	—	—	—	8	139
Other receivables	43	15	—	—	—	—	—	—	58
Total non-current assets	**1,235**	**810**	**—**	**—**	**—**	**—**	**(82)**	**318**	**2,281**
Inventories	608	406	—	—	—	—	—	—	1,014
Trade and other receivables	1,279	521	—	—	—	—	—	—	1,800
Financial assets held for trading	51	—	—	—	—	—	—	—	51
Derivatives	34	—	—	—	—	—	—	—	34
Available-for-sale financial assets	50	—	—	—	—	—	—	(50)	—
Cash and cash equivalents	462	85	—	2	—	(26)	(13)	(191)	319
Total current assets	**2,484**	**1,012**	**—**	**2**	**—**	**(26)**	**(13)**	**(241)**	**3,218**
Assets held for sale	25	—	—	—	—	—	—	—	25
Total assets	**3,744**	**1,822**	**—**	**2**	**—**	**(26)**	**(95)**	**77**	**5,524**
Equity attributable to the Group:	**628**	595	(6)	2	(80)	—	(82)	(28)	1,029
Equity attributable to non-controlling interests:	**39**	25	—	—	80	—	—	—	144
Total equity	**667**	**620**	**(6)**	**2**	**—**	**—**	**(82)**	**(28)**	**1,173**
Borrowings from banks and other lenders	1,219	326	—	—	—	—	—	(308)	1,237
Other payables	17	—	—	—	—	—	—	—	17
Provisions for risks and charges	41	21	—	—	—	—	—	—	62
Derivatives	57	7	—	—	—	—	(7)	—	57
Deferred tax liabilities	70	16	—	—	—	—	—	—	86
Employee benefit obligations	158	84	6	—	—	—	—	—	248
Total non-current liabilities	**1,562**	**454**	**6**	—	—	**—**	**(7)**	**(308)**	**1,707**
Borrowings from banks and other lenders	148	96	—	—	—	(26)	—	413	631
Trade and other payables	1,178	617	—	—	—	—	—	—	1,795
Derivatives	69	9	—	—	—	—	(6)	—	72
Provisions for risks and charges	66	22	—	—	—	—	—	—	88
Current tax payables	54	4	—	—	—	—	—	—	58
Total current liabilities	**1,515**	**748**	**—**	**—**	**—**	**(26)**	**(6)**	**413**	**2,644**
Total liabilities	**3,077**	**1,202**	**6**	**—**	**—**	**(26)**	**(13)**	**105**	**4,351**
Total equity and liabilities	**3,744**	**1,822**	**—**	**2**	**—**	**(26)**	**(95)**	**77**	**5,524**

2.2.2 **Unaudited Pro Forma Consolidated Income Statement For The Year Ended 31 December 2009**

The following tables present the *pro forma* adjustments made in order to present the main effects of the Transaction on the Prysmian Group's consolidated income statement for the year ended 31 December 2009.

	Prysmian Group Historical	Draka Group Historical	Pro Forma Adjustments					Prysmian Group Pro Forma
			Exercise of incentive plans	Change of control	Preference shares	Fair value losses on metal derivatives	Transaction Financing	
	(E)	*(F)*	*(G1)*	*(G2)*	*(G3)*	*(G4)*	*(H)*	
				(in millions of Euro)				
Sales of goods and services	3,731	2,048	—	—	—	—	—	5,779
Personnel costs	(517)	(371)	3	—	—	—	—	(885)
Amortisation, depreciation and impairment	(71)	(67)	—	—	—	—	—	(138)
Other operating costs	(2,757)	(1,601)	—	—	—	(1)	—	(4,359)
Operating income	**386**	**9**	**3**	**—**	**—**	**(1)**	**—**	**397**
Finance costs	(292)	(35)	—	17	—	1	(29)	(338)
Finance income	240	4	—		—	—	—	244
Share of income from investments in associates and dividends from other companies	3	5	—	—	—	—	—	8
Profit before taxes	**337**	**(17)**	**3**	**17**	**—**	**—**	**(29)**	**311**
Taxes	(85)	2	(1)	(4)	—	—	8	(80)
Profit for the year	**252**	**(15)**	**2**	**13**	**—**	**—**	**(21)**	**231**
Attributable to:								
Owners of the parent	248	(18)	2	13	(5)	—	(21)	219
Non-controlling interests	4	3	—	—	5	—	—	12

2.2.3 **Unaudited Pro Forma Consolidated Income Statement For The Six Months Ended 30 June 2010**

The following tables present the *pro forma* adjustments made in order to present the main effects of the Transaction on the Prysmian Group's consolidated income statement for the six months ended 30 June 2010.

	Prysmian Group Historical	Draka Group Historical	Pro Forma Adjustments				Prysmian Group Pro Forma
			Exercise of incentive plans	Change of control	Preference shares	Transaction financing	
	(E)	*(F)*	*(G1)*	*(G2)*	*(G3)*	*(H)*	
				(in millions of Euro)			
Sales of goods and services	2,148	1,144	—	—	—	—	3,292
Personnel costs	(270)	(188)	1	—	—	—	(457)
Amortisation, depreciation and impairment	(43)	(31)	—	—	—	—	(74)
Other operating costs	(1,720)	(913)	—	—	—	—	(2,633)
Operating income	**115**	**12**	**1**	**—**	**—**	**—**	**128**
Finance costs	(185)	(15)	—	10	—	(14)	(204)
Finance income	133	1	—	—	—	—	134
Share of income from investments in associates and dividends from other companies	1	4	—	—	—	—	5
Profit before taxes	**64**	**2**	**1**	**10**	**—**	**(14)**	**63**
Taxes	(20)	1	(0)	(3)	—	4	(18)
Profit for the year	**44**	**3**	**1**	**7**	**—**	**(10)**	**45**
Attributable to:							
Owners of the parent	45	2	1	7	(3)	(10)	42
Non-controlling interests	(1)	1	—	—	3	—	3

2.3 BASIS OF PREPARATION AND ACCOUNTING PRINCIPLES

In accordance with the methodology for preparation of *pro forma* information, as stipulated by CONSOB communication DEM/1052803 of 5 July 2001, the Unaudited Pro Forma Consolidated Financial Information is prepared on the basis of the historical financial information derived from the Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements, adjusted to reflect the effects of the Transaction.

The accounting principles used for the preparation of the Unaudited Pro Forma Consolidated Financial Information are, unless otherwise specified, consistent with those used in the preparation of the Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements, which have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union ("**IFRS**").

2.4 NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following notes include a description of the *pro forma* adjustments and the basis of preparation for the Unaudited Pro Forma Consolidated Financial Information.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2010

(A) Prysmian Group Historical

This column includes the Prysmian Group consolidated statement of financial position as of 30 June 2010 derived from the Unaudited Condensed Consolidated Interim Financial Statements.

(B) Draka Group Historical

This column includes the Draka Group consolidated statement of financial position derived from the unaudited interim condensed consolidated financial information of the Draka Group as of and for the six months ended 30 June 2010, subject to limited review procedures by Deloitte Accountants B.V., which issued its limited review report, without qualification, on 17 December 2010.

C.1. Employee Benefits

Draka Group and Prysmian Group, as allowed by IAS 19 – Employee benefits, adopt different methods for the recognition of actuarial gains and losses relating to employee benefits. In particular, the Draka Group adopts the corridor method for recognising actuarial gains and losses on pension plan assets and liabilities whilst the Prysmian Group recognises gains and losses directly in reserve in equity. This column includes the adjustment to align the Draka Group's accounting for employee benefits with that of the Prysmian Group. The adjustment of Euro 6 million relates to the Draka Group's unrecognised net actuarial loss as of 30 June 2010.

C.2. Exercise of Incentive Plans

The Draka Group has granted stock options and other share based incentives to certain of its employees. In particular the Draka Group's stock option and incentive plans relate to (i) Share Option Plan (ii) Matching Share Plan (iii) Board of Management Share Plan and (iv) Stock Appreciation Rights. As result of the Transaction, all stock option and incentive plans granted by the Draka Group to its employees will be accelerated and, hence, deemed to have vested. The *pro forma* adjustment included in this column relates to i) the assumed conversion of the outstanding share options under Draka's Share Option Plan, ii) the shares that will be issued under the Matching Share Plan and Board of Management Share Plan and iii) the cash settlements under the Stock Appreciation Rights. In particular the adjustments are calculated as follows:

- **Share Option Plans**: it has been assumed that the Share Option Plan will be accelerated and all granted options will become vested prior to completion of the Transaction. At 30 September 2010 there were 624,535 share options outstanding, of which 436,199 are in the money and the remainder are out of the money, as compared to the Offer price. It has been assumed that only the options in the money will be exercised, while for those out of the money, in accordance with the Merger Agreement, it has been assumed that these options will be settled in cash by Prysmian at an amount corresponding to their fair value. The adjustment in respect of the new shares issued by Draka is an increase in cash of Euro 5 million and an increase in equity of

Euro 5 million. In respect of the options out of the money, based on the fair value of such options at 30 September 2010, Prysmian would pay an amount of Euro 2 million to settle such options;

- **Matching Share and Board of Management Share Plan:** Draka has granted certain senior management the right to use part of their regular bonus to acquire Draka ordinary shares. For the matching shares, if the employee remains employed during a three year vesting period, Draka will double the number of shares. For the Board of Management Share Plan, Draka will multiply the shares based on the performance of Draka compared to a peer group. It has been assumed that these plans will also be accelerated and all options will become vested prior to completion of the Transaction. At 30 September 2010 there were 228,101 options outstanding under these plans. It has been assumed that 228,101 new Draka shares will be issued in settlement of these plans;
- **Stock Appreciation Rights**: Draka has granted stock appreciation rights on its ordinary shares to certain members of senior management. The stock appreciation rights are granted under a service condition with no market or performance conditions associated. Stock appreciation rights are settled in cash. As of 30 September 2010 there were 117,494 stock appreciation rights outstanding. It has been assumed that these stock appreciation rights will be settled by the Draka Group in cash. It has been assumed that the price paid for rights in the money will be the Offer price minus the exercise price and that for options out of the money the price paid will be the fair value. The adjustment in respect of the cash payment is for an amount of Euro 1 million with a corresponding decrease in equity.

Therefore the total adjustment for the acceleration of the stock option and other share based incentive schemes is an increase in cash of Euro 2 million and an increase in equity of Euro 2 million.

It should be noted that following completion of the Transaction, if there are any options which are still outstanding, the Offeror will make the following cash payments:

- for options in the money, the Offer Price minus the exercise price per option in the money;
- for options out of the money, the fair value per option not in the money;
- for any conditional award of a share under the share plans, the Offer Price.

Therefore, if all options and rights are not exercised, the Offeror could be required to make a cash payment of Euro 11 million.

C.3. Preference Shares

Draka has issued 5,754,657 preference shares with a nominal value of Euro 0.50. These shares will not be tendered as part of the Offer. Therefore the reserves relating to the preference shares have been reclassified from "equity attributable to the group" to "equity attributable to non-controlling interests". The reclassification related to preference share capital amounting to Euro 3 million, share premium amounting to Euro 74 million and the preference shares dividend reserve amounting to Euro 3 million. The Prysmian Group shall enter into discussions with the holders of the preference shares in relation to the purchase of these shares. This Unaudited Pro Forma Consolidated Financial Information does not reflect any potential cash outflow associated with such repurchase, as at the date of the relevant preparation there are no agreements nor proposals in this respect.

C.4. Subordinated Convertible Bond

As of 30 June 2010 the Draka Group held a subordinated convertible bond with a principal value of Euro 25,715,000. This bond was redeemed at par value on 22 September 2010. The adjustment included in this column relates to the elimination of the book value of this subordinated convertible bond, amounting to Euro 26 million, and the corresponding use of cash of Euro 26 million to redeem it.

C.5. Other adjustments

This column relates to:

(i) the elimination of the goodwill recognised in the consolidated financial statements of the Draka Group as of 30 June 2010, amounting to Euro 82 million, for the purposes of calculating the goodwill attributable to the acquisition of Draka; and

(ii) the assumed closure of the derivative instruments on the Draka Group financial liabilities. In particular, as of 30 June 2010, Draka Group had interest rate derivatives with a negative fair value of Euro 13 million. Certain financial liabilities agreements of the Draka Group contain a mandatory prepayment obligation in the event of a change of control. It has been assumed that on repayment of the financial liabilities the associated derivative instruments will be early extinguished and have been assumed to have been settled in cash. This reclassification does not impact the net equity and there are no tax effects.

D The Transaction

This column includes the estimated *pro forma* effects to the Prysmian Group consolidated statement of financial position that may derive from the accounting of the Transaction. In particular, below are briefly discussed the *pro forma* adjustments to account for (i) the determination of provisional goodwill; (ii) the Transaction financing, (iii) the Transaction costs and (iv) the increase in equity attributable to the Group arising as a result of the Transaction.

(i) *Determination of provisional goodwill*: accordingly to IFRS 3 – Business combination, at the time of the acquisition, that is the date on which Prysmian will obtain control over Draka, should the Transaction be successful, Prysmian Group shall recognise goodwill as the excess of the consideration transferred over the net of the acquisition-date amounts of the fair value of all identifiable assets acquired and the liabilities assumed. In the circumstances, since the fair value of the Draka Group's assets and liabilities is not currently available, in accordance with IFRS 3, paragraph 62, goodwill has been determined on a provisional basis allocating the entire difference between the consideration resulting from the Offer and the book value of Draka Group net assets as of 30 June 2010, adjusted as result of the factors described above under Notes C1-C5.

The following table sets forth the determination of the provisional goodwill (in Euro million).

Purchase consideration (1)	843
Net assets acquired (2)	429
Provisional goodwill	414

1) The purchase consideration has been determined assuming the offer for 100% of the Draka ordinary shares outstanding (therefore excluding any minority interest and preference shares), including the shares deriving from the exercise of all the Draka Group's share options and incentive plans. In particular the acquisition cost has been calculated as follows:

Cash payment per share	8.60
Prysmian shares market price[(a)]	8.47
Assumed offer price	**17.07**
Number of shares tendered to the offer[(b)]	**49,372,102**
Purchase price of shares (Euro millions)	**843**

(a) The exchange ratio fixed in the Merger Agreement is 0.6595 Prysmian shares for 1 Draka Share. Assumed value of Prysmian shares is calculated applying the share ratio to the Prysmian share price of Euro 12.85 as of 23 December 2010.

(b) The number of shares tendered to be Offer includes (i) Draka's 48,707,802 ordinary shares outstanding at the date of the Merger Agreement (excluding treasury shares) (ii) 436,199 new Draka ordinary shares which will be issued on acceleration of Draka Group's Share Option Plans (See Note C2) and (iii) 228,101 new Draka ordinary shares which will be issued on acceleration of the Matching Share and Board of Management Share Plan (See Note C2). For the purposes of this calculation it has been assumed that the treasury shares will not be re-issued and that there will be no change in the number of treasury shares.

2) The book value of Draka Group net assets acquired has been determined as follows:

	Note Reference	*Euro millions*
Net assets as of 30 June 2010		**595**
Pro forma Adjustments		
Employee benefits	C.1.	(6)
Exercise of incentive plans	C.2.	2
Preference Shares	C.3.	(80)
Elimination of previously recognised goodwill	C.5.	(82)
Pro forma net assets acquired		**429**

It should be noted that the completion of the purchase price allocation in accordance with IFRS 3 will result in the recognition at the date of acquisition of all identifiable assets acquired and the liabilities or contingent liabilities assumed of Draka Group at fair value, including the relevant deferred tax, where applicable, with a corresponding adjustment to goodwill. As a consequence, also the consolidated income statement of Prysmian Group will be affected, accordingly to the fair value allocated to the Draka Group's assets and liabilities or contingent liabilities.

(ii) *Transaction financing*: relates to the *pro forma* adjustments to the statement of financial position deriving from the Transaction financing as follows: (i) the payment of the cash portion of the purchase consideration and (ii) the refinancing of Draka's debt which will become repayable as a result of the change in control as follows:

	Euro millions
Cash payment to Draka shareholders [(a)]	425
Draka debt to be refinanced [(b)]	367
Financing required	**792**

a) The cash payment is calculated by multiplying the number of share to be tendered to the Offer by Euro 8.60. The number of shares tendered to be Offer includes (i) Draka's 48,707,802 ordinary shares outstanding at the date of the Merger Agreement (excluding treasury shares) (ii) 436,199 new Draka ordinary shares which will be issued on acceleration of Draka Group's Share Option Plans (See Note C2) and (iii) 228,101 new Draka ordinary shares which will be issued on acceleration of the Matching Share and Board of Management Share Plan (See Note C2).). For the purposes of this calculation it has been assumed that the treasury shares will not be re-issued and that there will be no change in the number of treasury shares .

b) The debt to be refinanced is based on Draka's current and non-current debt as of 30 June 2010, adjusted for the repayment of the subordinated bond which took place in September 2010 and excluding finance lease liabilities amounting to Euro 20 million and bank overdrafts amounting to Euro 10 million which are not subject to change on control.

The Prysmian Group expect to use the following available sources of financing:

	Euro millions
Revolving credit facility	393
Securitisation facility	79
Available for sale financial assets	154
Cash	116
Time deposits	50
Total	**792**

As a result of the transaction financing, this column includes the following adjustments to the statement of financial position items "cash and cash equivalents" and current and non-current "borrowings from banks and other lenders":

	Euro millions
	Euro millions
Cash	116
Time deposits	50
Transaction costs*	25
Cash and cash equivalents adjustment	**191**

* See Note iii below for further details

	Current portion	Non-current portion
	Euro millions	
Draka financial liabilities subject to change in control	(59)	(308)
Use of revolving credit facility	393	—
Use of securitization facility	79	—
Adjustment to borrowings from banks and other lenders	**413**	**(308)**

(iii) *Transaction costs*: it should preliminary be noted that in accordance with IFRS 3, the Transaction related costs will be expensed as incurred, except for those costs that are strictly related to the capital increase that, in accordance with IAS 32 – Financial instruments: presentation, will be accounted for as reduction of the Prysmian Group shareholders' equity reserves, net of the tax effect. As a consequence, this column includes the *pro forma* effect of the Transaction costs estimated being Euro 25 million, gross of the related tax effect, estimated in Euro 8 million, determined applying the tax rate 32.3% (i.e. 27.5% for IRES and 4.82% for IRAP). It has been assumed that the Transaction costs will be settled in cash.

(iv) *Increase in equity attributable to the Group as a result of the Transaction*: as result of the transaction, the Prysmian net equity attributable to the Group will increase for an amount approximately of Euro 401 million, net of the related Transaction costs, increasing from Euro 628 million, as of 30 June 2010, to Euro 1,029 million. This column includes the adjustment to reflect the net effect of the capital increase for the new Prysmian shares to be issued as part of the purchase consideration, the Transaction costs and the consolidation entry to eliminate the equity attributable to shareholders of the Draka Group. In particular:

	Euro millions
Fair value of new Prysmian shares to be issued [(a)]	418
Elimination of equity attributable to shareholders of the Draka Group [(b)]	(429)
Transaction costs, net of the related tax effect [(c)]	(17)
Net effect of equity attributable to the Group	**(28)**

(a) as a result of the Transaction, the Prysmian Group will issue 32,560,901 new Prysmian shares. Based on the Prysmian share price of Euro 12.85 at 23 December 2010, the fair value of these shares is Euro 418 million.

(b) relates to the elimination of the equity attributable to shareholders of the Draka Group on consolidation. See Note 2 above for the relevant calculation.

(c) relates to the expected Transaction costs, net of the associated tax effect. See Note D iii above.

UNAUDITED CONSOLIDATED INCOME STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009 AND FOR THE SIX MONTHS ENDED 30 JUNE 2010

It should be preliminarily noted that for the purpose of the preparation of the Unaudited Pro Forma Consolidated Financial Information, certain items included in Prysmian's historical consolidated income statement have been aggregated in order to allow an homogeneous presentation with the one

presented by the Draka Group. This aggregation has been made in respect of IFRS and has not affected any of the sub-results presented in the historical consolidated income statements.

(E) Prysmian Group Historical

This column includes the Prysmian Group consolidated income statement for the year ended 31 December 2009 and for the six months ended 30 June 2010, derived from Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements, respectively.

(F) Draka Group Historical

This column includes the Draka Group consolidated income statement for the year ended 31 December 2009 and for the six months ended 30 June 2010, derived respectively from:

- the consolidated financial statements of Draka Group as of and for the year ended 31 December 2009, audited by Deloitte Accountants B.V. who issued an unqualified audit opinion on 19 February 2010;
- the unaudited condensed consolidated interim financial information of Draka Group as of and for the six months ended 30 June 2010, subject to limited review by Deloitte Accountants B.V., who issued an unqualified review report on 17 December 2010.

In this respect, it should be noted that the Draka Group's consolidated income statement has classification of expenses by function, while the Prysmian Group's has a classification of expenses by nature. As a consequence, certain reclassification have been made in the Draka Group's consolidated income statements in order to make them consistent with the one used for the preparation of the *pro forma* consolidated income statement.

G.1. Exercise of incentive plans

As discussed in Note C2, as result of the Transaction, all stock option and incentive plans granted by the Draka Group to its employees will be accelerated and, hence, deemed to have vested. As a result, this column includes the elimination of the stock option and incentive plan expenses, including the relevant tax effect. The effect on the Draka Group's consolidated income statement is an elimination of personnel costs of Euro 3 million in the year ended 31 December 2009 and Euro 1 million in the six months ended 30 June 2010. The tax effect is Euro 1 million in the year ended 31 December 2009 and Euro 0.3 million in the six months ended 30 June 2010 calculated using the tax rate applicable to the Draka Group of 25.5%.

G.2. Change of control

Certain financial liabilities agreements of the Draka Group contain a mandatory prepayment obligation in the event of a change of control. This column represents the elimination of 1) the finance costs related to the financial liabilities that will need to be repaid and 2) the effect of the evaluation of the associated derivatives; it has, in fact, been assumed that on repayment of the financial liabilities the associated derivative instruments will also be closed.

In particular, we have assumed that all of the Draka Group's outstanding debt at 31 December 2009 or 30 June 2010 that was subject to change of control would have been refinanced using the Prysmian Group's sources of financing. The relevant portion of finance expense charged on such debt during the period has been eliminated from the Draka Group's consolidated income statement by applying the average effective interest rate to the relevant debt at the period end as follows:

		Outstanding as of		**Finance expense to eliminate**	
	Interest rate	**31 December 2009**	**30 June 2010**	**Year ended 31 December 2009**	**Six months ended 30 June 2010**
			Euro millions		
Subordinated Convertible Bond	7.0%	26	26	2	1
Other debt	4.8%	316	367	15	9
Total				**17**	**10**

The effect on the Draka Group's consolidated income statement is an elimination of finance costs of Euro 17 million in the year ended 31 December 2009 and Euro 10 million in the six months ended 30 June 2010. The relevant tax effect is Euro 4 million and Euro 3 million in the year ended 31 December 2009 and in the six months ended 30 June 2010, respectively calculated using the tax rate applicable to the Draka Group of 25.5%.

It has been assumed that such financial liabilities will be refinanced using existing Prysmian Group financial resources. See Note H for further details.

G.3. Preference Shares

Draka has issued 5,754,657 preference shares, which are not part of the Offer. The preference shares are owned by two different shareholders and pay annual dividends of 7.12% or 7.06%, depending on the shareholder. As result of the Transaction, the owners of the preference shares should be considered as non-controlling interest and, as a consequence, the dividend payable to such owners should be classified as net result pertaining to non-controlling interests. This column relates to the reallocation of the dividend attributable to preference shareholders from Profit attributable to owners of the parent to Non-controlling interests. The reclassification amounts to Euro 5 million in the year ended 31 December 2009 and Euro 3 million in the six months ended 30 June 2010.

G.4. Fair value losses on metal derivatives

Draka Group and Prysmian Group, classify the fair value gains and losses related to metals derivative contracts in different line items within the consolidated income statements. More specifically, Draka Group records the related gain or loss within finance income or expense, respectively, while the Prysmian Group records such items as a component of income and costs above operating income. This column includes the reclassification to align the presentation of the Draka Group's fair value losses on metal derivatives with that of the Prysmian Group.

As a result, for the year ended 31 December 2009, an amount of Euro 1 million was reclassified from finance costs to other operating costs. Draka Group's fair value gains on metal derivatives in the six months ended 30 June 2010 was Euro 0.1 million.

(H) Transaction Financing

This column includes the *pro forma* effects on the finance income and costs as a result of the Transaction. As described in Note D the Offeror expects to use the following sources of financing to make the payment for the cash portion of the purchase consideration and refinance the portion of Draka Group's debt which will become repayable as a result of the change in control.

	Euro millions
Revolving credit facility	393
Securitisation facility	79
Available for sale financial assets	154
Cash	116
Time deposits	50
Total	**792**

However, since the above amount of investments in available-for-sale financial assets and time deposits existed only from the 2010 second quarter, it has been assumed that for the remaining part of the six month ended 30 June 2010 and for the year ended 31 December 2009, the relevant part of consideration has been financed using available cash.

The adjustment included in this column reflects:

- the elimination from the Prysmian Group's consolidated income statement of the finance income earned on the available-for sale financial assets, time deposits and cash amounting to Euro 2 million and Euro 1 million for the year ended 31 December 2009 and for the six months ended 30 June 2010, respectively. The interest to be eliminated on cash has been calculated using the average effective interest rate for the period. The interest on available for sale financial assets and time deposits was fully eliminated for the relevant period;

- the increase in finance costs of Euro 20 million and Euro 10 million for the year ended 31 December 2009 and for the six months ended 30 June 2010, respectively;
- the increase in finance cost for the remaining debt, estimated to be Euro 7 million and Euro 3 million for the year ended 31 December 2009 and for the six months ended 30 June 2010, respectively, determined on the basis of the current credit agreement and taking into consideration the estimated debt that the Prysmian Group will have as a result of the Transaction.

As far as the interest rate is concerned, the applicable interest rate has been assumed to be 4 year Euribor plus the relevant spread according to the credit facility agreement. The spread has been calculated taking into consideration the existing contracts of the Prysmian Group and the additional leverage as a result of the Transaction.

The tax effect of these adjustments to the consolidated income statement for the year ended 31 December 2009 and for the six months ended 30 June 2010 has been determined using the tax rate applicable to the Offeror, amounting to 27.5%.

It should be noted that, in compliance with the provisions of Consob Communication No. DEM/1052803 of 5 July 2001, the *pro forma* consolidated income statement does not show the non-recurring effects on income statement that are closely related to the Transaction. Specifically, the following main non-recurring impacts strictly connected to the Transaction were not reflected in the pro-forma consolidated income statements:

- transaction costs, estimated to be Euro 25 million, gross of the tax impact, which is estimated to be Euro 8 million. In this respect, it should be noted that the part of these costs that it is strictly related to the capital increase, net of the relevant tax effect, will be recorded as a direct reduction of Prysmian Shareholders' equity;
- cost of the acceleration of the Share Plan, in the amount of Euro 2 million;
- costs reflecting the expected combination of the operation of the Prysmian Group and the Draka Group, mainly arising from plant restructuring and rightsising and from other integration costs. The cash out for the restructuring costs have been estimated to amount to approximately Euro 170 million, net of the cash to be generated from certain disposals, estimated in approximately Euro 35 million, and gross of the related tax effect; these costs are expected to spread over three years.

PART IV

FINANCIAL INFORMATION DRAKA

Preliminary Note – Timing of publication of preliminary financials for the year ended 2010

Draka intends to publish preliminary financials for the year ended 2010 prior to the Shareholders' Meeting. In line with Draka's typical trading updates, this publication will consist of a number of selected unaudited financials, including revenue, volume growth, operational result before exceptional items, net result before exceptional items and expected net debt position at year-end 2010.

Introduction

The following information sets forth the consolidated statement of financial position, consolidated income statement and consolidated cash flow statement of Draka as of and for the periods indicated.

In particular:

- Paragraphs 1.1.1 to 1.1.3 sets forth the consolidated balance sheet as of 31 December 2009, 2008 and 2007, the consolidated income statement and the consolidated statement of cash flows for the years then ended (the "**Summary Consolidated Financial Information**"). The information included in the Summary Consolidated Financial Information has been derived from Draka's audited consolidated financial statements as of and for the years ended 31 December 2009 and 2007;
- Paragraphs 1.3.1 to 2.1.7 sets forth the unaudited consolidated balance sheet as of 30 June 2010, 31 December 2009 and 30 June 2009, the unaudited consolidated income statement and the unaudited consolidated statement of cash flows for the six months ended 30 June 2010, 31 December 2009 and 30 June 2009 (the "**June Unaudited Summary Interim Consolidated Financial Information**"). The June Unaudited Summary Interim Consolidated Financial Information has been derived from the unaudited condensed consolidated financial statements of Draka for the six month period ended 30 June 2010; and
- Paragraphs 1.4 sets forth the unaudited trading update for 2010 (the "**Trading update 2010**"). The Trading update 2010 has been derived from the trading update 2010 published on 11 November 2010.

Draka management is responsible for the preparation of the Summary Consolidated Financial Information, the June Unaudited Interim Summary Consolidated Financial Information and the Trading update 2010. The information set forth below should be read together with Draka's audited financial statements for each of the years ended 31 December 2007 and 2009, unaudited condensed consolidated interim financial statements for the six month period ended 30 June 2010 and unaudited trading update 2010, including the relevant notes thereto.

1.1.1 Consolidated balance sheet relating to the financial years 2009, 2008 and 2007

	31.12.2009	31.12.2008[1]	31.12.2007[2]
	(In millions of euro)		
Assets			
Non-current assets			
Property, plant and equipment	541.7	562.2	538.0
Intangible assets	114.3	113.5	101.0
Investments in equity accounted investees	49.7	41.7	87.0
Deferred tax assets	51.9	58.0	46.3
Derivative financial instruments	0.6	—	—
Other non-current financial assets	15.0	24.7	24.9
Total non-current assets	**773.2**	**800.1**	**797.2**
Current assets			
Inventories	350.3	375.5	441.0
Trade and other receivables	381.4	432.1	470.1
Derivative financial instruments	9.5	—	—
Income tax receivable	0.9	2.7	4.8
Held for sale assets	—	18.2	—
Cash and cash equivalents	74.0	74.6	39.4
Total current assets	**816.1**	**903.1**	**955.3**
Total assets	**1,589.3**	**1,703.2**	**1,752.5**
Equity			
Shareholders' equity			
Share capital	27.2	22.8	20.4
Share premium	457.5	360.9	311.4
Retained earnings	84.5	108.8	98.8
Other reserves	(19.7)	(52.1)	(15.8)
Total equity attributable to equity holders of the company	**549.5**	**440.4**	**414.8**
Minority interests	21.0	25.4	12.8
Total equity	**570.5**	**465.8**	**427.6**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	286.8	544.8	527.3
Provision for employee benefits	82.7	81.9	92.2
Derivative financial instruments	5.6	5.9	—
Other provisions	20.0	18.7	13.2
Deferred tax liabilities	19.0	25.2	31.1
Total non-current liabilities	**414.1**	**676.5**	**663.8**
Current liabilities			
Bank overdrafts	6.9	33.4	34.9
Interest-bearing loans and borrowings	74.7	39.5	49.4
Derivative financial instruments	5.0	35.0	—
Trade and other payables	489.3	425.3	534.4
Income tax payable	6.3	7.5	29.9
Held for sale liabilities	—	9.6	—
Other provisions	22.5	10.6	12.5
Total current liabilities	**604.7**	**560.9**	**661.1**
Total liabilities	**1,018.8**	**1,237.4**	**1,324.9**
Total equity and liabilities	**1,589.3**	**1,703.2**	**1,752.5**

Note

1 The figures for the financial year ended 31/12/2008 have been restated. For further information regarding the restatement, refer to the Draka Annual Report 2009.

2 The figures for the financial year ended 31/12/2007 have not been restated.

1.1.2 Consolidated income statement relating to the financial years 2009, 2008 and 2007

	2009	2008[1]	2007[2]
	(In millions of euro)		
Revenue	2,048.3	2,828.9	2,816.2
Cost of sales	(1,855.2)	(2,565.1)	(2,526.3)
Gross profit	**193.1**	**263.8**	**289.9**
Selling and distribution expenses	(124.8)	(148.2)	(150.1)
Other income and expenses	(59.5)	(20.3)	5.9
Operating result	**8.8**	**95.3**	**145.7**
Finance income	3.7	15.7	12.9
Finance expense	(34.9)	(54.2)	(58.5)
Net finance expense	**(31.2)**	**(38.5)**	**(45.6)**
Share of profit of equity accounted investees (net of income tax)	5.0	5.8	15.5
Result before income tax	(17.4)	62.6	115.6
Income tax benefit	1.9	8.0	(21.6)
Result for the year	**(15.5)**	**70.6**	**94.0**
Attributable to:			
Equity holders of the company	(18.2)	69.3	93.0
Minority interests	2.7	1.3	1.0
Result for the year	**(15.5)**	**70.6**	**94.0**

Note

1 The figures for the financial year ended 31/12/2008 have been restated. For further information regarding the restatement, refer to the Draka Annual Report 2009.

2 The figures for the financial year ended 31/12/2007 have not been restated.

1.1.3 Consolidated cash flow statement relating to the financial years 2009, 2008 and 2007

	2009	2008[1]	2007[2]
		(In millions of euro)	
Result for the year	(15.5)	70.6	94.0
Adjustments for:			
Depreciation	56.6	55.2	48.2
Amortisation	6.3	5.2	4.3
Impairments	4.1	5.0	-
Finance income	(3.7)	(15.7)	(12.9)
Finance expense	34.9	54.2	58.5
Share of profit of equity accounted investees	(5.0)	(5.8)	(15.5)
Equity-settled share-based payments	2.4	2.2	1.5
Income tax benefit	(1.9)	(8.0)	21.6
	78.2	**162.9**	**199.7**
Changes in inventories	26.7	68.7	(7.3)
Changes in trade receivables	43.6	97.3	(11.9)
Changes in trade payables	73.1	(102.1)	(14.8)
Changes in other working capital	3.0	(42.1)	(14.9)
Changes in provisions	30.1	11.8	(2.0)
Other	(1.6)	0.6	—
	253.1	**197.1**	**148.8**
Interest received	2.4	3.1	—
Interest paid	(40.9)	(44.1)	(41.8)
Income tax paid	(6.8)	(20.5)	(10.4)
Application of provisions	(18.6)	(24.9)	(31.4)
Net cash from operating activities	**189.2**	**110.7**	**65.2**
Dividends received	2.2	3.1	21.7
Proceeds from sale of property, plant and equipment and intangible assets	4.6	4.0	2.3
Cash from consolidation of entities, previous years classified as equity accounted investees	—	2.9	—
Acquisition of minority interest	—	—	(209.0)
Disposal of subsidiaries and associates, net of cash disposed	6.9	—	—
Acquisition of subsidiaries and associates, net of cash acquired	(7.2)	(2.1)	(0.8)
Acquisition of intangible assets	(6.9)	(7.8)	(7.3)
Acquisition of property, plant and equipment	(35.4)	(52.4)	(64.2)
Net cash used in investing activities	**(35.8)**	**(52.3)**	**(257.3)**
Issue of shares	98.7	—	—
Dividends paid (ordinary and preference shares)	(5.4)	(29.6)	(14.6)
Conversion of convertible subordinated bond notes	—	(22.3)	—
Convertible subordinated bond redeemed	—	—	(95.2)
Subordinated loan redeemed	—	—	(77.5)
Movement in multicurrency facility	(241.0)	87.9	365.0
Shares acquired under long-term incentive plans	(1.7)	(1.2)	(4.3)
Shares delivered under long-term incentive plans	0.9	0.7	1.3
Movements in other bank loans	22.3	(25.6)	13.0
Net cash from financing activities	**(126.2)**	**9.9**	**187.7**
Net increase in cash and cash equivalents	**27.2**	**68.3**	**(4.4)**
Cash and cash equivalents at 1 January (net of bank overdrafts)	41.2	(14.5)	10.1
Exchange rate fluctuations on cash and cash equivalents	(1.3)	(12.6)	(1.2)
Cash and cash equivalents at 31 December (net of bank overdrafts)	**67.1**	**41.2**	**4.5**

Note

1 The figures for the financial year ended 31/12/2008 have been restated. For further information regarding the restatement, refer to the Draka Annual Report 2009.

2 The figures for the financial year ended 31/12/2007 have not been restated.

1.1.4 Assurance report on the selected consolidated financial information of Draka

Report of the independent auditor on the summary consolidated financial information

To the Board of Directors of

Draka Holding N.V.

The abbreviated overviews of the consolidated statement of income on page 394, the consolidated balance sheet on page 393 and consolidated statement of cash flows on page 395 for the year 2007 are derived from and are consistent with the financial statements of the Company for the year 2007. The overviews are presented in order to comply with the laws and regulations for public offers.

The Company's financial statements for the year 2007 have been audited by KPMG Accountants N.V. and include an unqualified auditor's report (goedkeurende accountantsverklaring) dated 6 March 2008.

For an understanding of the Company's financial position and results the abbreviated overviews should be read in conjunction with the unabbreviated financial statements of 2007 containing the basis of preparation and the accounting principles.

Independent auditor's report

To: the shareholders of Draka Holding N.V.

The accompanying selected financial information, which comprises the consolidated balance sheets as at December 31, 2009 and December 31, 2008, the consolidated income statements and the consolidated cash flow statements for the years then ended, are derived from the audited financial statements of Draka Holding N.V. for the years ended December 31, 2009 and December 31, 2008. We expressed an unqualified audit opinion on those financial statements in our reports dated February 19, 2010 and February 24, 2009. Those financial statements, and the selected financial information, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The selected financial information does not contain all the disclosures required by International Financial Reporting Standards. Reading the selected financial information, therefore, is not a substitute for reading the audited financial statements of Draka Holding N.V.

Management's responsibility

Management is responsible for the preparation of the selected financial information.

Auditor's responsibility

Our responsibility is to express an opinion on the selected financial information based on our procedures, which were conducted in accordance with Dutch Law, including the Dutch Standard on Auditing 810 "Engagements to report on summary financial statements".

Opinion

In our opinion, the selected financial information derived from the audited financial statements of Draka Holding N.V. for the years ended 31 December 2009 and 31 December 2008 are consistent, in all material respects, with those financial statements.

Emphasis of matter

For a better understanding of the Company's financial position and results and the scope of our audits, we emphasize that the selected financial information of Draka Holding N.V. should be read in conjunction with the unabridged financial statements 2009 and 2008, from which the selected financial information was derived and our unqualified auditor's reports thereon dated February 19, 2010 and February 24, 2009. Our opinion is not qualified in respect of this matter.

Amsterdam, January 5, 2011

Deloitte Accountants B.V.
P.J. Bommel

1.2.1 Annual Accounts 2009 and explanatory notes

Consolidated statement of income

	Note	2009	2008
		(In millions of euro)	
Revenue	6)	2,048.3	2,828.9
Cost of sales		(1,855.2)	(2,565.1)
Gross profit	6)	**193.1**	**263.8**
Selling and distribution expenses		(124.8)	(148.2)
Other income and expenses	7)	(59.5)	(20.3)
Operating result		**8.8**	**95.3**
Finance income		3.7	15.7
Finance expense		(34.9)	(54.2)
Net finance expense	12)	**(31.2)**	**(38.5)**
Share of profit of equity accounted investees (net of income tax)	16)	5.0	5.8
Result before income tax		**(17.4)**	**62.6**
Income tax benefit	13)	1.9	8.0
Result for the year		**(15.5)**	**70.6**
Attributable to:			
Equity holders of the company		(18.2)	69.3
Minority interests		2.7	1.3
Result for the year		**(15.5)**	**70.6**
Basic earnings per share (euro)	23)	(0.56)	1.78
Diluted earnings per share (euro)	23)	(0.56)	1.61

Consolidated statement of comprehensive income

For the year ended 31 December

	2009	2008
	(In millions of euro)	
Result for the year	**(15.5)**	**70.6**
Foreign exchange translation differences	6.2	(10.0)
Effective portion of fair value changes of cash flow hedges (net of income tax)	23.3	(25.3)
Share of other comprehensive income of equity accounted investees	2.6	0.5
Other comprehensive income for the year	**32.1**	**(34.8)**
Total comprehensive income for the year	**16.6**	**35.8**
Attributable to:		
Equity holders of the company	14.5	33.1
Minority interests	2.1	2.7
Total comprehensive income for the year	**16.6**	**35.8**

Consolidated balance sheet

As at 31 December

	Note	31/12/2009	31/12/2008	01/01/2008
		(In millions of euro)		
Assets				
Non-current assets				
Property, plant and equipment	14)	541.7	562.2	570.5
Intangible assets	15)	114.3	113.5	101.3
Investments in equity accounted investees	16)	49.7	41.7	46.5
Deferred tax assets	13)	51.9	58.0	46.4
Derivative financial instruments	29)	0.6	—	—
Other non-current financial assets	17)	15.0	24.7	26.1
Total non-current assets		**773.2**	**800.1**	**790.8**
Current assets				
Inventories	18)	350.3	375.5	450.1
Trade and other receivables	19)	381.4	432.1	508.2
Derivative financial instruments	29)	9.5	—	2.4
Income tax receivable		0.9	2.7	4.8
Held for sale assets	20)	—	18.2	—
Cash and cash equivalents	21)	74.0	74.6	43.1
Total current assets		**816.1**	**903.1**	**1,008.6**
Total assets		**1,589.3**	**1,703.2**	**1,799.4**
Equity				
Shareholders' equity				
Share capital		27.2	22.8	20.4
Share premium		457.5	360.9	311.4
Retained earnings		84.5	108.8	84.5
Other reserves		(19.7)	(52.1)	(15.8)
Total equity attributable to equity holders of the company		**549.5**	**440.4**	**400.5**
Minority interests		21.0	25.4	12.8
Total equity	22, 38)	**570.5**	**465.8**	**413.3**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	24)	286.8	544.8	533.1
Provision for employee benefits	25)	82.7	81.9	93.4
Derivative financial instruments	29)	5.6	5.9	—
Other provisions	26)	20.0	18.7	26.4
Deferred tax liabilities	13)	19.0	25.2	31.1
Total non-current liabilities		**414.1**	**676.5**	**684.0**
Current liabilities				
Bank overdrafts	21)	6.9	33.4	57.6
Interest-bearing loans and borrowings	24)	74.7	39.5	51.2
Derivative financial instruments	29)	5.0	35.0	5.6
Trade and other payables	27)	489.3	425.3	544.9
Income tax payable		6.3	7.5	30.3
Held for sale liabilities	20)	—	9.6	—
Other provisions	26)	22.5	10.6	12.5
Total current liabilities		**604.7**	**560.9**	**702.1**
Total liabilities		**1,018.8**	**1,237.4**	**1,386.1**
Total equity and liabilities		**1,589.3**	**1,703.2**	**1,799.4**

Consolidated statement of cash flows

For the year ended 31 December

	Note	2009	2008
		(In millions of euro)	
Result for the year		(15.5)	70.6
Adjustments for:			
Depreciation	14)	56.6	55.2
Amortisation	15)	6.3	5.2
Impairments	14)	4.1	5.0
Finance income	12)	(3.7)	(15.7)
Finance expense	12)	34.9	54.2
Share of profit of equity accounted investees	16)	(5.0)	(5.8)
Equity-settled share-based payments	11)	2.4	2.2
Income tax benefit	13)	(1.9)	(8.0)
		78.2	**162.9**
Changes in inventories	18)	26.7	68.7
Changes in trade receivables	19)	43.6	97.3
Changes in trade payables	27)	73.1	(102.1)
Changes in other working capital		3.0	(42.1)
Changes in provisions		30.1	11.8
Other		(1.6)	0.6
		253.1	**197.1**
Interest received		2.4	3.1
Interest paid		(40.9)	(44.1)
Income tax paid		(6.8)	(20.5)
Application of provisions	25, 26)	(18.6)	(24.9)
Net cash from operating activities		**189.2**	**110.7**
Dividends received	16)	2.2	3.1
Proceeds from sale of property, plant and equipment and intangible assets		4.6	4.0
Cash from consolidation of entities, previous years classified as equity accounted investees		—	2.9
Disposal of subsidiaries and associates, net of cash disposed		6.9	—
Acquisition of subsidiaries and associates, net of cash acquired		(7.2)	(2.1)
Acquisition of intangible assets	15)	(6.9)	(7.8)
Acquisition of property, plant and equipment	14)	(35.4)	(52.4)
Net cash used in investing activities		**(35.8)**	**(52.3)**
Issue of shares		98.7	—
Dividends paid (ordinary and preference shares)		(5.4)	(29.6)
Conversion of convertible subordinated bond notes		—	(22.3)
Movement in multicurrency facility		(241.0)	87.9
Shares acquired under long-term incentive plans		(1.7)	(1.2)
Shares delivered under long-term incentive plans		0.9	0.7
Movements in other bank loans		22.3	(25.6)
Net cash from financing activities		**(126.2)**	**9.9**
Net increase in cash and cash equivalents		**27.2**	**68.3**
Cash and cash equivalents at 1 January (net of bank overdrafts)		41.2	(14.5)
Exchange rate fluctuations on cash and cash equivalents		(1.3)	(12.6)
Cash and cash equivalents at 31 December (net of bank overdrafts)	21)	**67.1**	**41.2**

Consolidated statement of changes in total equity

	Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for treasury shares	Preference shares dividend reserve	Retained earnings	Shareholders' equity	Minority Interests	Total equity
					(In millions of euro)					
Balance as at 31 December 2007	**20.4**	**311.4**	**(18.2)**	**(3.0)**	**—**	**5.4**	**84.5**	**400.5**	**12.8**	**413.3**
Foreign exchange translation differences	—	—	(11.4)	—	—	—	—	(11.4)	1.4	(10.0)
Effective portion of fair value changes of cash flow hedges (net of income tax)	—	—	—	(24.8)	—	—	—	(24.8)	—	(24.8)
Total income and expenses recognised directly in equity	**—**	**—**	**(11.4)**	**(24.8)**	**—**	**—**	**—**	**(36.2)**	**1.4**	**(34.8)**
Result for the year	—	—	—	—	—	5.4	63.9	69.3	1.3	70.6
Total recognised income and expense	**—**	**—**	**(11.4)**	**(24.8)**	**—**	**5.4**	**63.9**	**33.1**	**2.7**	**35.8**
Conversion of convertible subordinated bond notes	2.4	49.5	—	—	—	—	(17.2)	34.7	—	34.7
Share-based payments	—	—	—	—	—	—	2.2	2.2	—	2.2
Shares acquired under long term incentive plans	—	—	—	—	(1.2)	—	—	(1.2)	—	(1.2)
Shares delivered under long term incentive plans	—	—	—	—	1.1	—	(0.4)	0.7	—	0.7
Dividends paid	—	—	—	—	—	(5.4)	(24.2)	(29.6)	—	(29.6)
Consolidation of entities, previous years classified as equity accounted investees	—	—	—	—	—	—	—	—	9.9	9.9
Total direct changes in equity	**2.4**	**49.5**	**—**	**—**	**(0.1)**	**(5.4)**	**(39.6)**	**6.8**	**9.9**	**16.7**
Balance as at 31 December 2008	**22.8**	**360.9**	**(29.6)**	**(27.8)**	**(0.1)**	**5.4**	**108.8**	**440.4**	**25.4**	**465.8**
Foreign exchange translation differences	—	—	6.8	—	—	—	—	6.8	(0.6)	6.2
Effective portion of fair value changes of cash flow hedges (net of income tax)	—	—	—	25.9	—	—	—	25.9	—	25.9
Total income and expenses recognised directly in equity	**—**	**—**	**6.8**	**25.9**	**—**	**—**	**—**	**32.7**	**(0.6)**	**32.1**
Result for the year	—	—	—	—	—	5.4	(23.6)	(18.2)	2.7	(15.5)
Total recognised income and expense	**—**	**—**	**6.8**	**25.9**	**—**	**5.4**	**(23.6)**	**14.5**	**2.1**	**16.6**
Issue of shares	4.4	96.6	—	—	—	—	(2.3)	98.7	—	98.7
Share-based payments	—	—	—	—	—	—	2.4	2.4	—	2.4
Shares acquired under long term incentive plans	—	—	—	—	(1.7)	—	—	(1.7)	—	(1.7)
Shares delivered under long term incentive plans	—	—	—	—	1.4	—	(0.5)	0.9	—	0.9
Dividends paid	—	—	—	—	—	(5.4)	—	(5.4)	—	(5.4)
Effect of acquisition minority interest	—	—	—	—	—	—	(0.3)	(0.3)	—	(0.3)
Effect of acquisitions and divestments	—	—	—	—	—	—	—	—	(6.5)	(6.5)
Total direct changes in equity	**4.4**	**96.6**	**—**	**—**	**(0.3)**	**(5.4)**	**(0.7)**	**94.6**	**(6.5)**	**88.1**
Balance as at 31 December 2009	**27.2**	**457.5**	**(22.8)**	**(1.9)**	**(0.4)**	**5.4**	**84.5**	**549.5**	**21.0**	**570.5**

Notes to the consolidated financial statements

1. General

Draka Holding N.V. ("the Company") is a company domiciled in Amsterdam, The Netherlands and is engaged worldwide in the development, production and sale of cable and cable systems. Our activities are subdivided into three groups: Draka Energy and Infrastructure, which develops, produces and sells the full range of cable products for the domestic, infrastructural and industrial applications, Draka Industry and Specialty, which is responsible for all special-purpose cable activities, and Draka Communications, which handles the communication cable activities. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

A summary of the main subsidiaries is included in the Annual Report 2009.

The financial statements were authorised for issue by the Board of Management on 19 February 2010. The financial statements are tabled for adoption by the Annual General Meeting of Shareholders on 20 April 2010.

The information concerning the subsidiaries that are included in the consolidated financial statements which is required under article 414 of Part 9, Book 2, of the Netherlands Civil Code, is filed at the trade register of the Chamber of Commerce in Amsterdam. The Company financial statements on pages 450 to 458 have been drawn up in accordance with article 402, Part 9, Book 2 of the Netherlands Civil Code.

These consolidated financial statements serve as exemption regarding the otherwise obligatory filing pursuant to § 264b HGB of the German Commercial Code ("Handelsgesetzbuch") for the statutory financial statements of Draka Comteq Berlin GmbH & Co. KG and Draka Comteq Germany GmbH & Co. KG.

2. Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC).

Change of accounting policy

As of 1 January 2009 the Company changed its accounting policy in connection with the accounting for joint ventures. The Company proportionately consolidates joint ventures in its consolidated financial statements instead of using the equity method. Both methods are allowed under IFRS. Management is of the opinion that proportionate consolidation provides reliable and more relevant information about the Company's financial position and performance. By aligning the accounting policy with common industry practice (being proportionate consolidation instead of the equity method) Draka's financial statements are more comparable. The comparative financial statements have been restated to reflect this change in accounting policy. The effect of the change in accounting policy on the key figures in 2009 and 2008 is as follows:

	2009	2008
	(In millions of euro)	
Revenue	177.0	122.1
Operating result	15.2	8.9
Result for the year	—	—
Total assets	69.7	46.0
Total equity	—	—

(I) *Standards, amendment and interpretations effective in 2009 relevant to the Group:*

- IAS 23 (Amendment), 'Borrowing costs'. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group has applied IAS 23 (Amended) from 1 January 2009 but it did not have a material impact given the insignificance of qualifying assets.

- IFRS 8, 'Operating segments '. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has applied IFRS 8 from 1 January 2009.The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) for all business combinations from 1 January 2010.

- IAS 1 (Revised), 'Presentation of financial statements'. The amendments to IAS 1 mainly concern the presentation of changes in equity, in which changes as a result of the transaction with shareholders should be presented separately and for which a different format of the overview of the changes in equity can be selected. Furthermore, where restatements have occurred, an opening balance sheet of a corresponding period is presented. The Company has chosen to present all non-owner changes in equity in two statements, a separate income statement and a statement of comprehensive income. The Group has applied IAS 1 (Revised) from 1 January 2009.

- IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

(II) *Standards, amendments to and interpretations of existing standards that are relevant to the Group that are not yet effective and have not been early adopted by the Group:*

The following standards, amendments to and interpretations of existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods. The Group has not early adopted them:

- As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 Leases regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. The amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010. The Group does not expect this amendment to have a significant impact.

- In June 2009, the IASB issued amendments to IFRS 2 Share-based Payment. These amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. The amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010. The Group does not expect this amendment to have a significant impact.

(b) Basis of preparation

The financial statements are presented in euro, rounded to the nearest decimal million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available for sale. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

(c) Basis of consolidation

(I) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(II) Equity accounted investees

Associates, included in equity accounted investees on the balance sheet, are those entities over which the Group has the ability to exercise significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(III) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

(IV) Other investments

Other investments are financial interests over whose activities the Group has no significant influence, and has no control. These investments are carried at fair value and changes are recognised in the income statement. Furthermore dividends are accounted for in the income statement when these become due. If an equity investment does not have a quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less impairment losses.

(V) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate at that date. Foreign exchange differences arising on translation of monetary items are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates at the dates the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation as from 1 January 2004, are translated to euro at foreign exchange rates at the balance sheet date. Goodwill and fair value adjustments arising on consolidation relating to acquisitions from before 1 January 2004 are denominated in euro. The revenues and expenses of foreign operations are translated to euro at rates approximating the foreign exchange rates at the dates of the transactions. As from 1 January 2004 foreign exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to translation reserve, a separate component of equity. When a foreign operation is disposed of, in part or in full, the relating accumulated translation differences are transferred to profit or loss as part of the gain or loss on disposal. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the translation reserve.

(e) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to copper, foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its risk management policy, the Group does not hold or issues material derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy f).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward contracts is their quoted market price at the balance sheet date.

The fair value of metal derivative contracts is determined by using the prices at the balance sheet date of the same strategic metals quoted on the London Metal Exchange ("LME").

(f) Hedging

The fair values of various derivative instruments used for hedging purposes are disclosed in note 29. Movements on the hedging reserve in shareholders' equity are presented net and shown in note 38.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(ii) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. In 2008 and 2009 the Group did not have any fair value hedges in place.

(iii) Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

(g) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy m). Self constructed assets are stated at cost. Depreciation on these assets starts upon usage.

Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy m). Lease payments are accounted for as described in accounting policy w.

(iii) Subsequent expenditure

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

(v) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- buildings 30 – 50 years
- plant and equipment 8 – 20 years
- fixtures and fittings 3 – 10 years

The depreciation methods, useful lives and residual values are reassessed annually.

(h) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and is determined as the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill in respect of acquisitions that occurred before January 1, 2001 has been written-off to equity.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment (see accounting policy m). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the equity accounted investee. Negative goodwill arising on an acquisition is recognised directly in the income statement.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy m).

(iii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy m).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense when incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- patents and licenses 3 – 15 years
- development costs 5 years

- software 3 years
- other 5 – 7 years

The amortisation methods, useful lives and residual values are reassessed annually.

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise loans presented as non-current financial assets, trade and other receivables and cash and cash equivalents in the balance sheet (see accounting policy k and l).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. In 2008 and 2009 the Group did not have any available-for-sale financial assets.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Loans and receivables are carried at amortised cost using the effective interest method.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

(j) Inventories

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, taking into account the allowance for risk of obsolete inventory.

The cost of inventories is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories as finished goods and semi finished goods, cost includes an appropriate share of overheads based on normal operating capacity.

(ii) Work in progress

Work in progress is stated at cost plus profit recognised to date (see accounting policy t) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly

to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

(k) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy m).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(m) Impairment

The carrying amounts of the Group's assets other than inventories (see accounting policy j) and deferred tax assets (see accounting policy w), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy m(I)).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually at 31 December of each year. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Share capital

(i) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense on an accrual basis.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the shares are removed from the reserve for treasury shares on a FIFO basis. The amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(iii) Dividends

Dividends are recognised as a reduction in equity in the period in which they are declared.

(o) Convertible subordinated bonds

Convertible subordinated bonds that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component is recognised initially at the difference between the fair value of the compound instruments as a whole and the fair value of the liability component. Subsequent measurement of the liability component is amortised cost by using the effective interest method. The equity element is not remeasured subsequent to initial recognition. The repurchase price of convertible subordinated bonds is allocated to the liability and equity component. This allocation is based on a non-convertible debt the Group could have issued at repurchase date.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

(q) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. A significant part of the Group's defined benefit plans are funded with plan assets that have been segregated and restricted in pension funds, trusts or have been insured to provide for the pension benefits to which the Group has committed itself.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality government or corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Pension costs in respect of defined benefit plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on the employee service during the year and

the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2004 in calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised. Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on high quality government or corporate bonds that have maturity dates approximating to the terms of the Group's obligations.

(iv) Share-based payment transactions

The fair value of options and shares granted that are equity settled, is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled (the vesting period). The fair value of the options granted is measured using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the shares granted to the Board of Management is measured using the Monte Carlo approach. At each balance sheet date, the company revises its estimates of the number of options and shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The fair value of the amount payable to employees in respect of stock appreciation rights (SARs), which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefit expense in the income statement.

(r) Provisions

A provision is recognised in the balance sheet if, as a result of a past event, the Group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and such outflow can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(s) Trade and other payables

Trade and other payables are stated at amortised cost.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Sale of goods

- Revenue from the sale of goods is recognised when all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total cost expected to install that has been occurred at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred for which it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(u) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as cost of sales on a systematic basis over the useful life of the asset.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Expenses

(i) Operating lease payment

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Finance income and expense

Finance income and expense comprise interest expense on borrowings calculated using the effective interest method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy f). Further, this caption includes fair value adjustments of the financial liability arising from the put option to acquire a minority interest.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

(x) Income tax

Income tax on the profit or loss for the year comprise current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date applicable in the several jurisdictions in which the Group operates, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date. A change in tax rates is reflected in the period in which the change has been enacted or substantively enacted.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, and the Company is able to control the timing of the reversal. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset, including assets arising from tax loss carry forwards, is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted.

(y) Earnings per share

Basic earnings per share ("EPS") are calculated by dividing the profit or loss attributable to holders of ordinary shares of the Group by the weighted average number of ordinary shares outstanding during the period. In order to calculate diluted EPS, profit or loss attributable to holders of ordinary shares, and the weighted number of shares outstanding, are adjusted for the effects of all dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares decrease the calculated earnings per share or increase the calculated loss per share.

(z) Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method, in which the movement of cash and cash equivalents, net of bank overdrafts, is based on net result as presented in the consolidated statement of income. Foreign currency cash flows are translated at the exchange rate at the date of the cash flow or using appropriate averages. Changes that have not resulted in cash flows such as translation differences, business combinations, financial leases, fair value changes, conversions of debt to equity, equity settled share based payments etc., have been eliminated for the purpose of preparing this statement. Dividends paid to ordinary shareholders are included in financing activities. Dividends received are classified as investing activities. Interest paid is included in operating activities. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(aa) Segment reporting

Management has determined the operating segments bases on the reports reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, such as loans and borrowings and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group comprise the following main operating segments:

- **Draka Energy and Infrastructure** develops, produces and sells the full range of cable products for the domestic, infrastructural and industrial applications.
- **Draka Industry and Specialty** is responsible for all special-purpose cable activities.
- **Draka Communications** develops, produces and sells optical fiber, optical fiber cables and copper cables to the telecommunications and data communications markets.

The entities' operating segments are organised on the basis of differences in related products and services.

The segments are managed on a worldwide basis, but operate in seven principal geographical areas; The Netherlands, United Kingdom, Scandinavia, Germany, Rest of Europe, North America and Asia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

(ab) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should

be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

3. Acquisitions and divestments of subsidiaries

Acquisitions of subsidiaries

Draka Cableteq Australia Pty Ltd.

In May 2009 the Group acquired the remaining 30% of the shares in Draka Australia Pty Ltd. from Breffney Engineering Pty Ltd. for an amount of €0.3 million satisfied in cash. The premium on the purchase of the minority shares of €0.3 million was recognised directly in equity.

Hickory Wire Inc.

On 5 January 2009 the Group acquired certain assets of Hickory Wire Inc., a company engaged in the business of manufacturing drawn wire and strand. The purchase consideration of €0.9 million was satisfied in cash. An amount of €0.1 million is added to goodwill in relation to this acquisition.

Divestments of subsidiaries

Optical power ground wire activities

On 5 June 2009 the Group completed the sale of its optical power ground wire ("OPGW") activities to AFL Telecommunications USA for an amount of approximately €14 million. The cash consideration was in line with the book value of the assets and liabilities transferred. The OPGW sales for the first half of 2009 amounted to €19 million.

Draka Comteq SDGI Co. Ltd.

On 8 December 2009 49% of Draka's 55% share in Draka Comteq SDGI Co. Ltd. ("SDGI") was sold to Yangtze Optical Fibre & Cable Co. Ltd. (a 37.5% joint venture of the Group). The remaining 6% was sold to the current other shareholder of SDGI. The total cash consideration of approximately €10 million will be received in the course of 2010. Draka's proportionate share of 18.4% of SDGI is included in investments in equity accounted investees at 31 December 2009. The SDGI sales for 2009 amounted to €14 million

Wagner Kablo Sanayi Ve Ticaret AS

In June 2009 71% of Draka's 80% share in Wagner Kablo Sanayi Ve Ticaret AS ("Wagner Kablo") was sold to the minority shareholder for a cash consideration of €1.3 million. The Wagner Kablo sales for 2009 amounted to €3 million.

4. Financial risk management

4.1 Financial risk factors

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - o Currency risk
  - o Interest rate risk
  - o Price risk
  - o Other market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Management has overall responsibility for the establishment and oversight of the Group's risk management and control system. Risk management forms an integral part of business management. The Board has implemented a group wide, risk based internal control system, which was approved by the Supervisory Board. The management of risks from use of financial instruments that are strongly related to the Group's operations is carried out by the operational Group entities within the authority and limits set by the Board of Management. Certain risks are consolidated and mitigated through hedge transactions with external parties by central functions, such as Group treasury and the Group procurement department.

The Group's risk management policies are established to identify and monitor the risks faced by the Group. Furthermore appropriate risk limits and controls are set, risks are monitored and adherence to limits is monitored in order to minimise potential adverse effects on the Group's financial performance. Risk management policies and systems are reviewed and updated regularly to reflect changes in market conditions, in the Group's activities and in order to improve the risk management system. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Governance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management control system in relation to the risks faced by the Group. The operational audit department that was established early 2007, assists the Committee in its oversight role. The operational audit department systematically reviews the effectiveness of the internal control system at the different layers within the Group, the results of which are reported to the Board of Management, the Audit and Governance Committee and, as the case may be, to the Supervisory Board.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade receivables

The Group's exposure to credit risk mainly arises from its trade receivables. Draka's trade receivable position accounted for approximately 19.6 % of the balance sheet total in 2009 (2008: 20.8%), with an average credit term of approximately 55 days (2008: 46 days). This relatively long credit term is explained by the Group's activities in Asia and Southern Europe, where long payment terms are common.

The credit risk in respect of trade receivables is managed and mitigated through alert and active policies. An important element is the insurance of trade receivables through an 'A-'-rated insurance company. Management of Draka decided to insure its exposure to credit risk (including political risk) on trade receivables. In general, for each customer with forecasted outstanding receivables in excess of €5,000 (or the equivalent thereof) a limit is requested from the insurance company. By agreement with the insurer, certain customers, governmental or such related public customers, representing a zero risk of default are exempted from the credit insurance policy. As part of its insurance coverage, the insurer provides Draka with access to a database concerning the credit risk associated with each

customer. This enables each business unit to manage its risk by monitoring customer receivables against the insurance credit limits. Trade receivables in excess of the amounts covered by the insurance policy are subject to periodic review by the business unit's management and financial control. If receivables are past due in excess of 90 days, the receivable is taken over by the insurance company; 180 days after original due dates or – immediately if default is established to be irrevocable – Draka receives payment under the insurance policy. The indemnity under the insurance policy is 90% for default risk and 95% for political risk. The maximum indemnification per annum under the insurance policy is €30 million.

Excluded from the insurance policy are those trade receivables that originated in periods before the insurance policy was implemented. Furthermore the insurance policy does not cover every country yet. The exposure to credit risk on these receivables is monitored on an ongoing basis, with credit evaluations and approval procedures performed on all customers requiring credit over a certain amount.

At 31 December 2009 an amount of €158.4 million (50.9% of the total trade receivables) is considered at risk (2008: €143.2 million; 40.4%), of which €65.0 million (2008: €54.6 million) is at debtors of which the credit limit application is still pending or was denied by the credit insurer and €93.4 million (2008: €88.6 million) are debtors in countries where the credit insurance program was not yet implemented or where the insurer is not licensed.

Non-current financial assets

The exposure to credit risk on the non-current financial assets is monitored on an on-going basis by reviewing financial statements, credit reports and other available external information.

Cash and cash equivalents

Given the acceptable credit ratings of the banks and counterparties in respect of derivative financial instruments, the management of the Company believes the credit risk to be limited.

Guarantees

At 31 December 2009, no guarantees were outstanding (2008: nil).

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having the availability and flexibility of funding through an adequate amount of (committed) credit facilities. The Group aims to have its debt mature in a controlled and gradual way, so as to minimize the refinancing risk. Further, management aims to stabilize operating working capital (definition: inventories plus trade receivables minus trade payables) at 16-18% of revenues in order to control the cash flow. Management uses forecasts of cash flows to manage its cash and liquidity position.

Furthermore, the Group focuses within its cash management system on the coverage of potential growth and the compliance with debt covenants, both financial and non-financial.

The Group maintains the following lines of credit:

- A committed multicurrency revolving credit facility of €675 million for general corporate purposes and the execution of the Group strategy. The original €625 million facility arranged in December 2007 was increased by €50 million in February 2008;
- For the purpose of financing working capital the Group has an additional €38.8 million in short term bank credit lines available. Furthermore, local subsidiaries of the Group have worldwide €38.6 million in bank overdraft provided by local banks.

For the committed multicurrency revolving credit facility, interest is payable at the relevant interbank interest rate plus 95 basis points (based on the situation at 31 December 2009). This margin varies with the ratio senior net debt divided by EBITDA. For undrawn portions of the facility a commitment fee of 35% of the applicable margin per annum is payable.

The credit facility agreement includes financial covenants and includes a change of ownership clause in respect of significant parts of the Group.

The following covenants are applicable:

- Leverage ratio < 3.5
- Interest coverage ratio > 3.5

- Solvency > 30.0%

The leverage ratio is calculated as the net debt divided by EBITDA (earnings before interest, tax, depreciation and amortisation, on a 12 months rolling forward basis), based on the net debt and EBITDA definitions mutually agreed upon with the group of banks. The interest coverage ratio is calculated as the EBITDA divided by the interest expenses. Solvency is calculated as the guarantee capital divided by the balance sheet total. The definitions used as agreed upon with the banks have undergone a number of adjustments.

In 2009 and 2008 the Group complied with all covenants.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodities and equity prices will affect the Group's income or the value of its financial instruments. The object of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(I) Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures. Currency risk arises from net investments in foreign operations and from monetary financial instruments and forecasted sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the euro (€), Pound Sterling (GBP) and U.S. dollar (USD). The currencies in which these balances and forecasted transactions are primarily denominated are euro, GBP and USD.

The Group's investments in subsidiaries having a functional currency other than the euro are in principle not hedged, unless cash in- and outflows related to these investments are assessed to have an unacceptable effect on the Group's liquidity position as a result of payments in respect of borrowings and equity being primarily denominated in euro's.

Management has set up a policy to require Group companies to manage their currency risk against their functional currency. Group companies are required to hedge their entire currency exposure in respect of cash, trade receivables and trade payables denominated in a foreign currency. Upon contracting sales orders, the Group also hedges its estimated foreign currency exposure in respect of forecasted sales and purchases. To manage their currency risk arising from future commercial transactions and recognised monetary financial instruments, entities in the Group use forward contracts, transacted with Group treasury.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Group treasury consolidates the Group's currency risk and enters into forward exchange contracts with external parties to ensure the Group's exposure is kept within the limits set by the Board of Management. Group treasury uses forward exchange contracts to hedge the Group's foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. When necessary, the forward exchange contracts are rolled over at maturity.

Certain external forward exchange contracts are entered into as an economic hedge of the Group's currency exposure on future firm transactions denominated in foreign currencies. Hedge accounting is not applied for these instruments. All fair value changes arising on these instruments are recognised in the income statement.

(II) Interest rate risk

It is the Group's policy to ensure that its long-term commitments are not exposed to changes in interest rates. Short-term liabilities are in principle on a floating interest basis. To reduce the interest exposure of its long-term commitments the Group enters into derivative contracts like interest rate swaps and options. The Group aims to keep the ratio between debt with fixed and debt with variable interest rates between 60:40 and 80:20.

(III) Price risk

In its manufacturing process the Group uses raw materials, like copper, preforms for optical fiber, aluminium, pvc and other polymers. These raw materials account for approximately 70% of total operating costs. In particular, the Group is exposed to fluctuations in the price of copper. Copper prices have recently been very volatile. A change in price of these materials may alter the operating

margin of the Group and impact working capital requirements. The risks related to copper price fluctuations might impact operating profit.

To reduce these risks to an acceptable level, taking into account the position at risk and the commercial structures in place for price setting applicable to the individual business units, the Group enters into derivative contracts through the London Metal Exchange ('LME'). At 31 December 2009 the fair value of these derivatives amounts to an asset of €9.5 million (2008: liability of €28.6 million).

The Group does not enter into material commodity contracts other than to meet the Group's expected usage and sale requirements.

(iv) Other market risk

Equity price risk arises from securities held for meeting the Group's defined benefit pension obligations. These funds are managed through external pension funds. Further reference is made to note 25.

4.2 Capital risk management

The Group's objective when managing capital is in the first place to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. In addition the Group wants to maintain an optimal capital structure to reduce the cost of capital, maintain investor, creditor and market confidence and sustain future development of the business.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Assets with a long-term life are financed via equity and long-term funding; working capital needs via a mix of medium term and short term funding. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

For capital risk management the Group focuses on guarantee capital, consisting of shareholders' equity, the provision for deferred tax liabilities and the long-term part of the subordinated convertible bonds. At 31 December 2009 the guarantee capital amounts to €568.5 million (2008: €489.9 million). Based on the nature of the underlying assets and similar financial covenants included in the Group's debt arrangements, the Group's target is to achieve a ratio for guarantee capital as a percentage of total invested capital in excess of 30.0%. In 2009, guarantee capital as a percentage of total invested capital was 35.8% (2008: 28.8%)

With regard to the Company's ordinary shares, management aims to distribute a dividend equal to 30% of the net income (excluding non-recurring items) after preference dividend. For 2009 it is proposed not to pay any dividend on ordinary shares in 2010. In 2009 no dividend was paid out on ordinary shares in relation to 2008 net income.

Another important financial objective in respect of capital risk management for the medium term is to establish healthy interest coverage, implying EBITDA (excluding non-recurring items) / interest (excluding non-cash marked to market adjustments) to exceed a ratio of 3.5. In 2009 interest coverage as defined was 4.9 (2008: 6.8).

In principle, the Group purchases its own shares on the market to satisfy its obligation under its employee share and share option plans. The shares are bought at dates approximating the actual exercise date of the share options or the delivery date of shares under the existing share plans. The Group does not have a defined share buy back plan.

In September 2009 Draka entered into a standby arrangement with ING Commercial Finance, part of ING Group. The arrangement offers Draka the opportunity to sell accounts receivable without recourse of several of its European entities to ING Commercial Finance with a maximum of €50 million. Draka activated the arrangement, which runs for at least 24 months, in September 2009.

Apart from the change as mentioned above, there were no changes in the Groups approach to capital management during the year.

5. Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note m. In determining the recoverable amount of cash generating units, the Group uses standard valuation techniques, such as the market comparison approach and the income approach. The market comparison approach is based upon a comparison of the cash-generating unit to similar entities engaged in an actual merger or acquisition or to public companies whose shares are actively traded. The income approach involves estimating the present value of the future cash flows of the cash generating unit by using projections of cash flows that the business is expected to generate, and discounting these cash flows at a given rate of return. Each of these methodologies requires the use of management estimates and assumptions, such as growth rates for revenues, expenses, effective tax rates, returns on working capital and capital expenditure, among others. The Group also estimates a discount rate and a terminal growth rate in the calculations. We refer for further explanation on the carrying amount of goodwill to note 15.

The Group performs the required impairment test at 31 December of each year or when events or circumstances indicate impairment may be necessary. No impairments for goodwill were recognised in 2009 and 2008.

(b) Property, plant and equipment

Property, plant and equipment is valued at historical cost, less depreciation or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are based on best estimates, and adjusted if appropriate, at each balance sheet date. We refer for further explanation on the carrying amount of property, plant and equipment to note 14.

(c) Deferred income tax assets

Several of the Group's subsidiaries have significant carried forward tax losses and deductible temporary differences between book and tax balances. The majority of the deferred income tax assets relating to carried forward tax losses were not recognised as at 31 December 2009. These deferred income tax assets were not recognised based on management's assessment of the probability criteria as stated in the applicable accounting standard in light of the multiple years of tax losses incurred in the relevant tax jurisdictions. Future utilization of the carried forward tax losses and deductible temporary differences will be dependent on the Group's ability to successfully generate taxable income in the carry forward period. The remaining term of usage of the carried forward tax losses are disclosed in note 13. Recognition of such deferred tax assets in the future may result in material tax benefits in the period in which such determination is made. We refer for further explanation on the carrying amount of deferred income tax assets to note 13.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. We refer for further explanation on income taxes to note 13.

(e) Provision for employee benefits

The consolidated balance sheet includes liabilities with respect to defined benefit pension plans and other long-term benefits. The pension and post-retirement benefit costs and credits are based on actuarial calculations carried out by an independent consultant. Inherent in these calculations are assumptions, including discount rates, rate of salary increase and expected return on plan assets. Changes in pension and post-retirement costs may occur in the future as a consequence of changes in interest rates, expected return on assets or other assumptions.

The discount rate is based on the return of high-quality fixed-income corporate bonds, using an index, based on stated bonds. This index is marked up taking into account that corporate bonds bear an additional risk and the fact that pension liabilities have a longer duration than the state bonds. Based on the available information the discount rate as per 31 December 2009 was set at 5.3% (2008:

5.6%). A change of 50 basis points to the discount rate applied would not increase or decrease the employee benefit expense significantly.

For a detailed discussion of the other underlying assumptions, expected future funding obligations and expected future payments, see note 25 to the consolidated financial statements. It is expected that the future payments will have no material impact on future cash flows and that there is no material uncertainty in the funding of the obligation itself.

(f) Other provisions

The Group recognised provisions regarding restructuring, warranties and onerous contracts. Significant judgement is required in the determination of these provisions such as outcome of legislation and the assumptions underlying the determination. We refer for further explanation on the carrying amount of other provisions to note 26.

(g) Financial instruments

The determination of the fair value of certain financial instruments requires significant judgement of management regarding underlying assumptions and estimates like discount rates, credit risks and yield curves. We refer for further explanation to note 24.

(h) Inventory write down to net realisable value

In the fourth quarter of 2008 the price of copper dropped substantially from €4,533 to €2,080. Management has assessed the impact of this steep drop in copper price on the net realisable value of the Group's inventory and has recognised a non-recurring write down of €21.1 million). Management partly based this assessment on estimated future sales margins.

6. Segment reporting

Operating segments

	Energy & Infrastructure		Industry & Specialty		Communications		Not allocated to segments /eliminations		Consolidated	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
					(In millions of euro)					
Revenue from external customers	664.3	1,024.0	647.8	960.0	736.2	844.9	—	—	2,048.3	2,828.9
Intersegment transactions	34.3	95.9	18.9	7.4	30.6	54.0	(83.8)	(157.3)	—	—
Revenue	**698.6**	**1,119.9**	**666.7**	**967.4**	**766.8**	**898.9**	**(83.8)**	**(157.3)**	**2,048.3**	**2,828.9**
Operating result (excluding non-recurring items)	31.8	69.5	33.4	59.2	26.7	29.4	(16.6)	(16.1)	75.3	142.0
Non-recurring items	(13.8)	(23.1)	(31.6)	(20.3)	(17.7)	(3.3)	(3.4)	—	(66.5)	(46.7)
Operating result	**18.0**	**46.4**	**1.8**	**38.9**	**9.0**	**26.1**	**(20.0)**	**(16.1)**	**8.8**	**95.3**
Net finance expense									(31.2)	(38.5)
Share of profit of equity accounted investees	1.6	2.1	2.0	2.6	1.4	1.1	—	—	5.0	5.8
Income tax benefit									1.9	8.0
Result for the year									**(15.5)**	**70.6**
Capital expenditure	10.4	14.9	20.2	25.4	10.8	18.8	0.9	1.1	42.3	60.2
Depreciation and amortisation	17.3	18.5	15.5	15.8	29.3	25.5	0.8	0.6	62.9	60.4
Impairments	2.5	2.1	1.1	2.9	0.5	—	—	—	4.1	5.0
Segment operating liabilities	187.2	167.2	228.7	200.3	228.4	253.9	374.5	616.0	1,018.8	1,237.4
Segment non-current assets	192.1	195.3	234.8	234.0	313.2	298.1	(16.6)	31.0	723.5	758.4
Investments in equity accounted investees	14.4	15.0	17.7	17.9	17.6	8.8	—	—	49.7	41.7
Segment current assets	347.8	340.0	425.0	407.2	356.4	330.4	(313.1)	(174.5)	816.1	903.1
Total assets	**554.3**	**550.3**	**677.5**	**659.1**	**687.2**	**637.3**	**(329.7)**	**(143.5)**	**1,589.3**	**1,703.2**

Geographical segments

	The Netherlands		United Kingdom		Scandinavia		Germany	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
				(In millions of euro)				
Revenue from external customers	176.6	251.5	118.5	180.3	258.0	416.0	149.4	190.0
Total non-current assets *	223.1	227.9	10.3	10.1	75.1	63.3	77.9	82.3
Total assets	345.3	300.8	38.0	55.1	188.4	243.2	157.7	270.2
Capital expenditure	6.3	15.4	1.1	1.7	10.9	7.3	4.3	6.2

	Rest of Europe		North America		Asia		Other regions	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
				(In millions of euro)				
Revenue from external customers	427.0	722.3	286.7	303.7	437.3	449.8	194.8	315.3
Total non-current assets*	161.7	176.9	53.1	53.7	96.7	101.2	22.8	26.7
Total assets	343.6	360.2	148.8	166.1	296.9	262.1	70.6	45.5
Capital expenditure	7.5	12.8	3.7	4.7	5.5	7.1	3.0	5.0

	Consolidated	
	2009	**2008**
	(In millions of euro)	
Revenue from external customers	2,048.3	2,828.9
Total non-current assets*	720.7	742.1
Total assets	1,589.3	1,703.2
Capital expenditure	42.3	60.2

* Non-current assets are excluding financial instruments and deferred tax assets.

7. Other income and expenses

	Note	2009	2008
		(In millions of euro)	
Increase in provision in relation to restructurings within the Group		(31.7)	(14.2)
Increase in other provisions		(3.3)	(2.0)
Increase in provisions	26)	**(35.0)**	**(16.2)**
Release of unused provisions and other	26)	6.2	2.2
Expenses as incurred in relation to restructuring within the Group and other non-recurring items		(30.7)	(6.4)
		(59.5)	**(20.4)**

8. Non-GAAP financial measures (non-recurring items)

	2009	2008
	(In millions of euro)	
Operating result	8.8	95.3
Non-recurring items:		
Restructurings within Energy & Infrastructure	13.8	9.4
Restructurings within Industry & Specialty	31.6	14.1
Restructurings within Communications	17.7	2.1
Restructurings and other non-recurring items Holding	3.4	—
Write down inventories to net realisable value	—	21.1
	66.5	**46.7**
Operating result excluding non-recurring items	**75.3**	**142.0**

Total non-recurring items in 2009 amount to €66.5 million. Next to the execution of the in 2008 announced restructuring plans in connection with the closure of plants in Vigo and Llanelli and restructurings within the Communications Group, several additional restructuring plans were announced in 2009. These relate to the implementation and intensification of Triple S projects and other cost-saving measures across the entire organisation, in response to the still-challenging market conditions.

In the Energy & Infrastructure Group the closure of the plant in Ystad and several other programs were launched in response to the volume decline. The total reduction in employees in 2009 was 287 and the savings realised in 2009 are approximately €9 million.

The measures in the Industry & Specialty Group focused in particular on the winding-down of automotive cable production in several countries and on the downsizing of the Wire & Cable Assemblies activities (mainly closure of the plant in Oudenbosch in the Netherlands and the sale of Wagner Kablo in Turkey). The total reduction in employees in 2009 was 743 and the savings realised in 2009 are approximately €10 million.

In the Communications Group a range of cost-saving measures were implemented at an accelerated pace. The main purpose of these measures is to reduce fixed costs (overhead) and direct costs. The total reduction in employees in 2009 was 221 and the savings realised in 2009 are approximately €12 million

The non-recurring items at Holding are advisory fees in relation to the discussions with Prysmian SPA about a possible merger between the two companies and restructuring expenses as a result of efficiency measures taken at the headoffice Amsterdam.

The non-recurring costs include severance costs, impairments charges, onerous contracts and the costs of moving certain activities. The impairment charge in 2009 of €4.1 million is included in the cost of sales (see note 14). The nature of the impairment charge is also explained in this note.

In 2008 the non-recurring items related to restructuring plans in connection with the closure of plants in Vigo and Llanelli and to restructurings within the Communications Group.

In the fourth quarter of 2008 the price of copper dropped dramatically from €4,533 to €2,080. Management assessed the impact of this steep drop in copper price on the net realisable value of the Group's inventory and recognised a non-recurring write down of €21.1 million.

The impairment charge in 2008 of €5.0 million in relation to the closure of the factories in Vigo and Llanelli and the write down of inventories to net realisable value of €21.1 million were included in the cost of sales (see notes 14 and 18)

9. Employee benefit expense

	Note	2009	2008
		(In millions of euro)	
Wages and salaries		295.0	329.6
Social security charges		58.0	62.1
Contributions to defined contribution plans	25)	12.4	7.4
Expenses related to defined benefit plans	25)	2.7	4.6
Share-based payments	11)	2.5	2.2
		370.6	**405.9**

During 2009, the average number of employees (permanent and temporary) was 10,059 (2008: 11,273). The number of employees (permanent and temporary) at 31 December 2009 was 9,599 (31 December 2008: 10,913), of which 985 were employed by Dutch Group companies (1,111 in 2008).

10. Remuneration of the Board of Management and Supervisory Board

The remuneration of the current and former members of the Board of Management in 2009 amounted to €3.1 million (2008: €3.2 million) and the remuneration of the Supervisory Board in 2009 amounted to €0.4 million (2008: €0.4 million). See note 42 for additional details on remuneration.

11. Share-based payments

In June 2002 Draka Holding N.V. introduced a long-term incentive plan. This plan is divided into an option plan and a share plan. In May 2007 the option plan was amended. Certain employees will no longer receive stock option grants, but stock appreciation rights (SARs) instead that entitles these employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price between grant date and vesting date. In May 2006 Draka Holding N.V. introduced a share plan for the Board of Management. This plan was refined in May 2007 by disentangling the short-term and long-term incentive plan. Prior to 2006, members of the Board of Management participated in the general incentive plan.

Share options

Under the option plan, the Company has granted share options on its ordinary shares to qualifying members of senior management. The options are granted for eight years (contractual life of the options), with a three-year vesting period during which they cannot be exercised. The Board of Management must approve any exceptions to this policy.

Share option arrangements granted before 7 November 2002 exist. The recognition and measurement principles in IFRS 2 have not been applied to these grants in accordance with the transitional conditions provided by IFRS 1 and IFRS 2.

The following table summarizes option activity for the year ended 31 December 2009:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Range of exercise prices	
Outstanding at 31 December 2008	239,374	€11.96	4.9	€7.42	€13.51
Outstanding at 31 December 2008	291,327	€25.38	6.8	€23.44	€28.02
Forfeited during the period	(20,860)	€13.51	5.0	€7.42	€13.51
Forfeited during the period	(57,972)	€25.00	6.6	€23.44	€28.02
Exercised during the period	(85,676)	€8.46	7.0	€7.42	€13.51
Granted during the period	238,793	€7.93	7.5	€7.93	€7.93
Outstanding at 31 December 2009	371,631	€10.09	5.6	€7.42	€13.51
Outstanding at 31 December 2009	233,355	€25.47	5.8	€23.44	€28.02
Total outstanding at 31 December 2009	**604,986**	**€16.02**	**5.6**	**€7.42**	**€28.02**
Exercisable options at 31 December 2009	230,381	€13.52	3.9	€7.42	€24.26

The following table summarizes option activity for the year ended 31 December 2008:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Range of exercise prices	
Outstanding at 31 December 2007	283,727	€11.80	5.8	€7.42	€13.51
Outstanding at 31 December 2007	139,034	€27.67	7.0	€24.26	€28.02
Forfeited during the period	(8,062)	€11.76	5.5	€7.42	€13.51
Forfeited during the period	(5,418)	€27.92	6.9	€24.26	€28.02
Exercised during the period	(36,291)	€10.80	5.0	€7.42	€13.51
Exercised during the period	(506)	€24.26	2.0	€24.26	€28.02
Granted during the period	158,217	€23.44	7.5	€23.44	€23.44
Outstanding at 31 December 2008	239,374	€11.96	4.9	€7.42	€13.51
Outstanding at 31 December 2008	291,327	€25.38	6.8	€23.44	€28.02
Total outstanding at 31 December 2008	**530,701**	**€19.32**	**5.9**	**€7.42**	**€28.02**
Exercisable options at 31 December 2008	122,555	€11.54	3.9	€7.42	€24.26

The weighted average share price at the date of exercise, for share options exercised in 2009 was €12.51 (2008: €20.04).

The fair value of the services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial option pricing model. Expectations of early exercise are incorporated into the binomial option pricing model. The assumptions used for determination of the fair value of options granted in 2009 and 2008 were as follows:

Fair value of share options and assumptions at measurement date	**2009**	**2008**
Fair value at measurement date	€3.39	€7.98
Share price	€7.93	€23.44
Exercise price	€7.93	€23.44
Assumptions used:		
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	42.3%	40.2%
Option term	8 years	8 years
Expected dividends	—	—
Risk-free interest rate (based on national government bonds)	2.78%	4.38%

The expected volatility is based on the historic volatility (calculation based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to public available information.

Share options are granted under a service condition with no market or other performance conditions associated with the share option grants.

Share plans

Matching shares

Under the share plan, Draka Holding N.V. has granted qualifying members of its senior management the right to use part of their regular bonus to acquire ordinary Draka Holding N.V. shares. The shares cannot be transferred for an initial period of three years. If the employee remains employed during this three year period (the vesting period), the Company will double the number of shares. The fair value of the 2009 grant of matching shares amounts to €7.93 (grant 2008: €21.43), which is equal to the share price at the date of the bonus conversion discounted for forfeited dividend. At the end of 2009 the number of matching shares outstanding to senior management was 27,549 (2008: 19,322).

Matching shares arrangements granted before 7 November 2002 exist. The recognition and measurement principles in IFRS 2 have not been applied to these grants in accordance with the transitional conditions provided by IFRS 1 and IFRS 2.

Share plans Board of Management

Under the share plan, as approved by the General Meeting of Shareholders in 2006, Draka Holding N.V. has granted members of the Board of Management the right to use part of their regular bonus to acquire ordinary Draka Holding N.V. shares. The shares cannot be transferred for an initial period of three years. After three years the Company will multiply the number of shares, based on Draka's Total Shareholder Return ("TSR") compared to a peer group. At the end of 2009 the number of shares outstanding under this plan was 5,203 (2008: 16,186).

The long term incentive plan was disentangled from the short term incentive plan after approval by the General Meeting of Shareholders in May 2007 and consists of an annual conditional grant of performance shares which equals 55% of base salary. After a three year period, these performance shares might vest based on Draka's TSR performance measured against a peer group. In 2009 157,692 performance shares were conditionally granted to (former) members of the Board of Management. The fair value of the shares at measurement date amounted to €3.97 (grant 2008: €12.19). At the end of 2009 the number of performance shares outstanding under this plan was 281,431 (2008: 123,739).

The estimate of the fair value of the shares received for all share plans of the Board of Management is measured based on the Monte Carlo approach. At the end of 2009 the total number of shares (conditionally issued or issuable) under all share plans with the Board of Management was 286,634 (2008: 139,925).

See note 42 for additional details on options and shares of the Board of Management.

The following table summarizes matching and performance shares activity for senior management and (former) members of the Board of Management:

	Number of shares senior management 2009	Number of shares (former) members Board of Management 2009	Number of shares senior management 2008	Number of shares (former) members Board of Management 2008
Outstanding at 1 January	19,322	139,925	22,594	72,180
Forfeited during the period	(1,548)	(10,983)	(2,001)	—
Exercised during the period	(7,267)	—	(7,653)	—
Granted during the period	17,042	157,692	6,382	67,745
Total outstanding at 31 December	**27,549**	**286,634**	**19,322**	**139,925**

Stock Appreciation Rights (SARs)

Under this plan, the Company has granted SARs on its ordinary shares to certain members of senior management. The SARs are granted for eight years (contractual life of the SARs), with a three-year vesting period during which they cannot be exercised. The Board of Management must approve any

exceptions to this policy. SARs are granted under a service condition with no market or performance conditions associated. In 2009 43,596 SARs were granted to senior management. The fair value of SARs at grant date is determined using the binomial option pricing model with the same assumptions used as for the determination of the fair value of the options granted (see page 424 for further details). The fair value of the liability is remeasured at each reporting date and at settlement date. At the end of 2009 the number of SARs outstanding was 92,463 (2008: 53,025).

Total amounts recognised in the income statement in respect of all share-based payments amounted to €2.5 million (2008: €2.2 million)

12. Net finance expense

Recognised in the income statement

	2009	2008
	(In millions of euro)	
Interest income	(2.4)	(3.1)
Gain on conversion of convertible subordinated bond notes	—	(12.6)
Net foreign exchange gain	(1.3)	—
Finance income	**(3.7)**	**(15.7)**
Interest expense	31.6	47.4
Fee expenses	2.5	1.1
Net foreign exchange loss	—	2.6
Net loss on remeasurement of derivatives through the income statement	0.8	3.1
Finance expense	**34.9**	**54.2**
Net finance expense	**31.2**	**38.5**

13. Taxes

Total income tax recognised in the income statement amounted to a benefit of €1.9 million in 2009 (2008: benefit of €8.0 million). The components of income taxes are as follows:

Recognised in the income statement

	2009	2008
	(In millions of euro)	
Current income tax (expense) / benefit		
Current year	(13.4)	(17.4)
Prior periods	6.4	18.1
Total current income tax (expense) / benefit	(7.0)	0.7
Deferred income tax benefit		
Origination and reversal of temporary differences	(6.5)	(6.4)
Origination and reversal of tax losses carry forward	31.1	15.7
Temporary differences not recognised	(1.0)	(1.9)
Tax losses carry forward not recognised	(19.3)	(8.7)
Prior periods for temporary differences	6.5	6.9
Prior periods for tax losses carry forward	(1.9)	1.3
Change in tax rates	—	0.4
Total deferred income tax benefit	**8.9**	**7.3**
Total income tax benefit	**1.9**	**8.0**

In 2008 the Group and the Dutch tax authorities reached agreement on several open issues relating to the 2004 fiscal year. Furthermore, the Group benefited from the legal restructuring following the

acquisition of the remaining 49.9% of Comteq in 2007. This resulted in an income tax benefit of €16.2 million.

Reconciliation of effective tax rate

	2009	2009 in %	2008	2008 in %
		(In millions of euro)		
Result for the year	(15.5)		70.6	
Total income tax benefit	(1.9)		(8.0)	
Result before tax	(17.4)	100%	62.6	100%
Income tax calculated at tax rates applicable in the respective tax jurisdictions	(6.4)	37%	17.8	28%
Non-tax deductible expenses	2.6	-15%	2.4	4%
Tax exempt income	(7.2)	42%	(12.3)	-19%
Temporary differences not recognised	1.0	-6%	1.9	3%
Tax losses carry forward not recognised	19.3	-111%	8.7	14%
Prior periods for current tax	(6.4)	37%	(18.1)	-29%
Prior periods for temporary differences	(6.5)	37%	(6.9)	-11%
Prior periods for tax losses carry forward	1.9	-11%	(1.3)	-2%
Effect of change in tax rates	—	—	(0.4)	-1%
Other	(0.2)	1%	0.2	0%
	(1.9)	**11%**	**(8.0)**	**-13%**

The weighted average applicable tax rate increased from 28% in 2008 to 37% in 2009 due to changes in the Group's geographical mix of results.

The effective income tax rate is lower than the weighted average applicable tax rate in 2009, mainly due to new losses carried forward not capitalised since it is not probable that these can be realised in a foreseeable future, given the uncertain economic situation in certain countries.

Recognised directly in equity

The deferred income tax expense recognised directly in shareholders' equity during the year amounted to €8.7 million (2008: benefit of €9.4 million).

Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets and liabilities relate to the following balance sheet captions, of which the movements in temporary differences during the year are as follows (without taking into consideration the offsetting of balances):

	Balance 31-Dec-07	Recognised in income statement	Recognised in share-holders' equity	Effects of movements in foreign exchange	Balance 31-Dec-08
			(In millions of euro)		
Property, plant and equipment	(39.4)	7.1	—	1.5	(30.8)
Intangible assets	11.9	(6.6)	—	0.2	5.5
Financial fixed assets	(0.5)	0.5	—	—	—
Receivables	(0.1)	(1.2)	—	(0.1)	(1.4)
Inventories	(3.7)	8.4	—	—	4.7
Interest-bearing loans and borrowings	18.7	(5.8)	—	(0.3)	12.6
Employee benefits	7.3	(2.8)	—	(0.4)	4.1
Provisions	(1.9)	3.1	—	(0.6)	0.6
Other current liabilities	1.3	1.0	9.4	—	11.7
Tax value of loss carry-forwards recognised	21.7	3.6	—	0.5	25.8
	15.3	**7.3**	**9.4**	**0.8**	**32.8**
Deferred tax assets	46.4				58.0
Deferred tax liabilities	31.1				25.2
Net deferred tax position	**15.3**				**32.8**

	Balance 31-Dec-08	Recognised in income statement	Recognised in share-holders' equity	Effects of movements in foreign exchange	Balance 31-Dec-09
			(In millions of euro)		
Property, plant and equipment	(30.8)	2.3	—	(0.4)	(28.9)
Intangible assets	5.5	(3.3)	—	—	2.2
Financial fixed assets	0.0	0.1	—	—	0.1
Receivables	(1.4)	(0.1)	—	0.1	(1.4)
Inventories	4.7	(2.5)	—	0.1	2.3
Interest-bearing loans and borrowings	12.6	3.0	—	—	15.6
Employee benefits	4.1	0.2	—	0.1	4.4
Provisions	0.6	0.9	—	—	1.5
Other current liabilities	11.7	(1.1)	(8.7)	—	1.9
Tax value of loss carry-forwards recognised	25.8	9.4	—	—	35.2
	32.8	**8.9**	**(8.7)**	**(0.1)**	**32.9**
Deferred tax assets	58.0				51.9
Deferred tax liabilities	25.2				19.0
Net deferred tax position	**32.8**				**32.9**

Deferred income tax assets are recognised for temporary tax deductible differences and tax loss carry-forwards to the extent that the Group has sufficient temporary taxable differences relating to

the same tax authority and the same taxable entity, which will result in taxable amounts against which the temporary tax deductible differences and unused tax losses can be utilized before they expire or that the realization of the related tax benefit through future taxable profits is probable. Management considers tax strategies in making this assessment.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2009	2008
	(In millions of euro)	
Deductible temporary differences	248.2	226.7
Tax losses	740.1	671.6
	988.3	898.3

Deferred tax assets have not been recognised in respect of these items because it is not probable that in the foreseeable future taxable profit will be available against which the Group can utilise the benefits thereof.

The expiration of total tax losses is presented in the table below:

	2009	2008
	(In millions of euro)	
Within 1 year	9.4	15.3
Within 2 – 5 years	91.1	67.2
After 5 years and thereafter	270.9	210.8
Indefinite	512.8	484.5
	884.2	777.8

The amounts included in the tables above are partly based on internal calculations in the absence of final tax assessments (see note 5(d)).

14. Property, plant and equipment

	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
	(In millions of euro)				
Balance as at 31 December 2007					
Cost	467.6	1,018.8	99.6	27.3	1,613.3
Accumulated depreciation and impairments	(238.2)	(736.4)	(66.9)	(1.3)	(1,042.8)
Carrying amount	**229.4**	**282.4**	**32.7**	**26.0**	**570.5**
Acquisitions	—	0.1	—	—	0.1
Consolidation of entities, previous year classified as equity accounted investees	0.8	14.0	0.8	—	15.6
Capital expenditure	0.9	24.2	9.1	18.2	52.4
Depreciation charge for the year	(9.5)	(41.0)	(4.7)	—	(55.2)
Impairment losses	(4.3)	(0.4)	(0.3)	—	(5.0)
Reclassification	1.2	18.2	0.9	(20.0)	0.3
Disposals	(1.7)	(2.3)	—	—	(4.0)
Effect of movements in foreign exchange	(4.5)	(4.3)	0.6	(0.6)	(8.8)
Transferred to disposal group classified as held for sale	—	(3.6)	—	(0.1)	(3.7)
Total changes	**(17.1)**	**4.9**	**6.4**	**(2.5)**	**(8.3)**
Balance as at 31 December 2008					
Cost	454.9	1,014.0	108.9	24.6	1,602.4
Accumulated depreciation and impairments	(242.6)	(726.7)	(69.8)	(1.1)	(1,040.2)
Carrying amount	**212.3**	**287.3**	**39.1**	**23.5**	**562.2**
Acquisition	—	0.5	—	—	0.5
Capital expenditure	1.6	10.6	6.5	16.7	35.4
Depreciation charge for the year	(8.8)	(43.4)	(4.4)	—	(56.6)
Impairment losses	(2.5)	(1.1)	(0.5)	—	(4.1)
Reclassification	2.2	18.0	0.6	(16.4)	4.4
Disposals	(1.9)	(1.7)	(0.8)	(0.1)	(4.5)
Derecognised on disposal of a subsidiary	(1.0)	(2.7)	(0.5)	—	(4.2)
Effect of movements in foreign exchange	2.1	5.4	(0.2)	1.3	8.6
Total changes	**(8.3)**	**(14.4)**	**0.7**	**1.5**	**(20.5)**
Balance as at 31 December 2009					
Cost	458.6	1,042.7	108.1	27.8	1,637.2
Accumulated depreciation and impairments	(254.6)	(769.8)	(68.3)	(2.8)	(1,095.5)
Carrying amount	**204.0**	**272.9**	**39.8**	**25.0**	**541.7**

In 2009 €4.4 million was reclassified from trade and other receivables to property, plant and equipment in relation to in 2008 prepaid capital expenditures for the submarine-cable capacity in Norway. In 2008 the Group has reclassified assets to/from property, plant and equipment to/from intangible assets. Furthermore, in 2008 an amount of €1.2 million is reclassified from inventories to property, plant and equipment.

Depreciation and impairment losses

The depreciation and impairment charge for an amount of €60.7 million (2008: €60.2 million) is recognised in the income statement as cost of sales.

In 2009 the Group incurred an impairment loss of in total €4.1 million in relation to the closure of the plant in Ystad (Sweden), jointly managed by the Europe division (Energy & Infrastructure Group) and the Industrial division (Industry & Specialty Group), the winding-down of automotive cable production in the Czech Republic (Industry & Specialty Group) and on leasehold improvements as a result of efficiency measures taken in the Communications Group.

Due to the closure of the factories in Vigo and Llanelli particular property, plant and equipment became idle in 2008. Assets for an amount of €5.0 million were impaired. The Group has not reversed any impairment loss in 2009 and 2008.

Leased property, plant and equipment

The Group leases land, buildings, plant and equipment under a number of finance lease-agreements. At 31 December 2009, the net carrying amount of leased property, plant and equipment was €18.7 million (2008: €26.2 million). The leased land, buildings, plant and equipment secures lease obligations (see note 24).

Security

At 31 December 2009, mortgages have been granted as security for debts to credit institutions of €5.3 million (2008: €5.0 million) (see note 24).

Property, plant and equipment under construction

The balance mainly represents equipment under construction for own use.

15. Intangible assets

	Goodwill	Patents and licences	Development costs	Software	Other	Total
	(In millions of euro)					
Balance as at 31 December 2007						
Cost	72.3	25.1	1.7	39.6	2.0	140.7
Accumulated amortisation and impairment	(0.4)	(6.1)	(1.2)	(31.1)	(0.6)	(39.4)
Carrying amount	**71.9**	**19.0**	**0.5**	**8.5**	**1.4**	**101.3**
Acquisitions	7.3	—	—	—	—	7.3
Consolidation of entities, previous year classified as equity accounted investees	—	0.3	—	0.1	—	0.4
Additions	0.8	1.6	—	5.6	0.6	8.6
Amortisation charge for the year	—	(1.9)	(0.1)	(3.0)	(0.2)	(5.2)
Reclassification	—	0.9	—	—	—	0.9
Effect of movements in foreign exchange	0.1	0.1	—	—	—	0.2
Total changes	**8.2**	**1.0**	**(0.1)**	**2.7**	**0.4**	**12.2**
Balance as at 31 December 2008						
Cost	80.5	28.4	1.9	38.7	2.6	152.1
Accumulated amortisation and impairment	(0.4)	(8.4)	(1.5)	(27.5)	(0.8)	(38.6)
Carrying amount	**80.1**	**20.0**	**0.4**	**11.2**	**1.8**	**113.5**
Acquisitions	0.1	—	—	—	0.3	0.4
Additions	—	1.9	0.2	4.6	0.2	6.9
Amortisation charge for the year	—	(2.1)	(0.3)	(3.6)	(0.3)	(6.3)
Reclassification	—	—	—	0.6	(0.6)	—
Disposals	—	—	—	(0.1)	—	(0.1)
Effect of movements in foreign exchange	—	(0.1)	0.1	(0.1)	—	(0.1)
Total changes	**0.1**	**(0.3)**	**—**	**1.4**	**(0.4)**	**0.8**
Balance as at 31 December 2009						
Cost	80.7	30.2	1.6	43.0	2.5	158.0
Accumulated amortisation and impairment	(0.5)	(10.5)	(1.2)	(30.4)	(1.1)	(43.7)
Carrying amount	**80.2**	**19.7**	**0.4**	**12.6**	**1.4**	**114.3**

In 2008 the Group has reclassified assets to/from property, plant and equipment to/from intangible assets.

Goodwill

Acquisitions include goodwill arising from acquisitions in subsidiaries (as stated in note 3). The acquisition of €0.1 million relates to Hickory Wire Inc..

In 2006 the Group acquired 100% of the shares of Draka Kabeltechnik GmbH (previously named Cornelia Thies Kabeltechnik). As part of the purchase price consideration, the Group agreed an earn-out arrangement with the prior shareholder. The value of the corresponding liability depends on the performance of the Draka Kabeltechnik in the five years after acquisition. In 2008 the Group

adjusted the estimate of the Company's future performance upwards. The corresponding increase in the liability of €0.8 million is recognised in goodwill.

Amortisation

The amortisation charge for an amount of €6.3 million (2008: €5.2 million) is recognised in the income statement as cost of sales.

Impairment loss and subsequent reversal

The Group has not incurred nor reversed any impairment losses in 2009 and 2008.

Impairment tests for cash-generating units containing goodwill

The carrying amount of goodwill relates to:

	2009	2008
	(In millions of euro)	
Communications	64.3	64.2
Industry and Specialy	15.7	15.7
Energy and Infrastructure	0.2	0.2
Total	**80.2**	**80.1**

It is the Group's policy to carry out an impairment test in the fourth quarter of each year on the goodwill of cash generating units. The valuation is carried out by an independent third party and is based on the actual results and the five year plan of the management. For the period after five years, a growth rate of 2% has been used.

The discount factor used is 11% (2008: 10.5%). The carrying amount of the units remains below its recoverable amount determined as value in use and therefore no impairment losses were recognised.

Patents and licences

Patents and licences include intellectual property rights relating to the business. At 31 December 2009 the carrying amount of these rights is €11.2 million (2008: €12.4 million) and the remaining useful live is approximately 10 years.

16. Investments in equity accounted investees and joint ventures

The Group has the following significant investments in equity accounted investees and joint ventures:

		Country	Ownership 2009	Ownership 2008
Oman Cables Industry (SAOG)	Associate	Oman	34.8%	34.8%
Elkat Ltd.	Associate	Russia	40.0%	40.0%
Telcon Fios e Cabos Para Telecomunicações	Joint venture	Brazil	50.0%	50.0%
Yangtze Optical Fibre & Cable Co. Ltd.	Joint venture	China	37.5%	37.5%
Precision Fiber Optics Ltd.	Joint venture	Japan	50.0%	50.0%
Jiangsu YOFC Zhongli Fiber and Cable Co.,Ltd.	Associate	China	19.1%	19.1%
Yangtze Optical Fiber and Cable Sichuan Co.,Ltd.	Associate	China	19.1%	3.6%
Draka Comteq SDGI Co. Ltd.	Associate	China	18.4%	55.0%
Tianjin YOFC XMKJ Optical Communications Co., Ltd.	Associate	China	18.4%	—
Shantou Hi-tech Zone Aoxing Optical Communication Equipment Co.,	Associate	China	15.7%	15.7%
Yangtze(Wuhan) Optical System Co.,Ltd.	Associate	China	11.3%	11.3%

As of 1 January 2009 the Company has decided to proportionately consolidate its joint ventures Telcon Fios e Cabos Para Telecommunicações, Yangtze Optical Fibre & Cable Co. Ltd. and Precision Fiber Optics Ltd. in its consolidated financial statements instead of using the equity method. Management is of the opinion that proportionate consolidation provides reliable and more relevant information about the Company's financial position and performance.

In 2009 Yangtze Optical Fibre & Cable Co. Ltd acquired 15.5% of the shares of Yangtze Optical Fiber and Cable Sichuan Co. Ltd and 18.4% of the shares of Tianjin YOFC XMKJ Optical Communications Co. Ltd. for a total consideration of €6.0 million in cash. Furthermore Yangtze Optical Fibre & Cable Co. Ltd acquired 18.4% of the shares of Draka Comteq SDGI Co. Ltd. from a Draka Group company, for which the consideration will be paid in the course of 2010. The percentages mentioned are the Group's proportionately consolidated share.

On 6 October 2009 the 29.9% share in Oakwell Engineering Ltd. was sold for an amount of €3.9 million, which approximated the book value as of that date.

The Group's share of result in equity accounted investees for the year ended 31 December 2009 was €5.0 million (2008: €5.8 million). During the year 2009 the Group received dividends from equity accounted investees for an amount of €2.2 million (2008: €3.1 million).

Oman Cables Industry (SAOG) is listed on public stock exchange markets. Based on the stock price at 31 December 2009, the fair value of the investment in Oman Cable Industry (SAOG) amounts to €80.8 million (31 December 2008: €51.3 million).

Summary financial information of equity accounted investees and joint ventures at 100 per cent based on 31 December 2009 and 2008 available information:

	Current assets	Non current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Expenses	Result for the year
					(In millions of euro)				
2009									
Oman Cables Industry (SAOG)	126.4	54.2	180.6	91.9	13.8	105.7	291.4	278.9	12.5
Elkat Ltd.	19.7	5.6	25.3	0.5	0.2	0.7	120.5	123.5	(3.0)
Telcon Fios e Cabos Para Telecomunicações	30.9	17.0	47.9	15.3	6.7	22.0	59.6	56.7	2.9
Yangtze Optical Fibre & Cable Co . Ltd.	163.4	112.0	275.4	125.8	30.6	156.4	387.3	357.4	29.9
Precision Fiber Optics Ltd.	2.2	0.1	2.3	1.2	—	1.2	3.9	3.8	0.1
Jiangsu YOFC Zhongli Fiber and Cable Co .,Ltd.	18.6	2.7	21.3	9.8	—	9.8	37.5	35.4	2.1
Yangtze Optical Fiber and Cable Sichuan Co.,Ltd.	11.7	1.9	13.6	7.3	—	7.3	20.9	19.9	1.0
Draka Comteq SDGI Co. Ltd.	14.0	3.2	17.2	3.0	—	3.0	14.6	13.0	1.6
Tianjin YOFC XMKJ Optical Communications Co., Ltd.	9.9	19.5	29.4	6.2	—	6.2	11.6	10.7	0.9
Shantou Hi-tech Zone Aoxing Optical Communication Equipment Co.,	19.3	7.9	27.2	6.1	—	6.1	37.4	34.6	2.8
Yangtze(Wuhan) Optical System Co.,Ltd.	7.7	0.4	8.1	2.2	—	2.2	7.6	5.8	1.8
2008									
Oman Cables Industry (SAOG)	213.4	43.1	256.5	189.6	6.8	196.4	588.7	576.9	11.8
Elkat Ltd.	24.9	6.4	31.3	0.5	0.2	0.7	301.4	300.9	0.5
Telcon Fios e Cabos Para Telecomunicações	24.1	10.6	34.7	13.3	3.3	16.6	75.2	69.1	6.1
Yangtze Optical Fibre & Cable Co . Ltd.	123.1	105.7	228.8	98.2	9.1	107.3	239.9	227.6	12.3
Precision Fiber Optics Ltd.	2.5	1.4	3.9	2.3	—	2.3	6.7	5.7	1.0
Oakwell Engineering Limited	50.9	8.6	59.5	35.6	1.2	36.8	98.6	98.1	0.5
Jiangsu YOFC Zhongli Fiber and Cable Co .,Ltd.	15.4	2.8	18.2	8.6	0.1	8.7	24.8	23.6	1.2
Yangtze Optical Fiber and Cable Sichuan Co.,Ltd.	8.6	1.4	10.0	4.1	—	4.1	12.1	12.0	0.1
Shantou Hi-tech Zone Aoxing Optical Communication Equipment Co.,	16.3	8.4	24.7	5.7	—	5.7	28.4	27.7	0.7
Yangtze(Wuhan) Optical System Co.,Ltd.	7.1	0.4	7.5	2.5	—	2.5	6.8	5.2	1.6

17. Other non-current financial assets

	31/12/2009	31/12/2008	01/01/2008
	(In millions of euro)		
Receivables	12.3	13.0	15.5
Promissory note	—	8.7	8.2
Other investments	2.7	3.0	2.4
	15.0	24.7	26.1

The fair value of the other non-current financial assets cannot be determined reliably because there are no observable market prices for these assets. Therefore, a valuation technique has been used. The fair value does not differ significantly from the carrying amounts.

18 Inventories

	31/12/2009	31/12/2008	01/01/2008
	(In millions of euro)		
Raw materials and consumables	85.7	98.1	121.3
Work in progress	35.9	28.1	27.9
Semi finished goods	29.0	29.6	55.0
Finished goods	199.7	219.7	245.9
	350.3	375.5	450.1

In the fourth quarter of 2008 the price of copper dropped substantially from €4,533 to €2,080. Management assessed the impact of this steep drop in copper price on the net realisable value of the Group's inventory and recognised a non-recurring write down of €21.1 million.

In 2009 raw materials and consumables and changes in work in progress, semi finished goods and finished goods recognised as cost of sales amounted to €1,247.1 million (2008: €1,879.2 million). In 2009 the additions to allowances for obsolete stock amounted to €11.9 million (2008: €9.3 million). The additions are included in cost of sales.

At 31 December 2009, no inventories have been pledged. (2008: nil).

19. Trade and other receivables

	Note	31/12/2009	31/12/2008	01/01/2008
		(In millions of euro)		
Trade receivables		309.2	352.2	446.8
Trade receivables due from associates		2.1	2.5	2.5
Other current receivables and prepayments		70.1	77.4	58.9
		381.4	432.1	508.2

At 31 December 2009, other current receivables include retentions of €0.3 million (2008: €0.2 million) relating to construction contracts in progress.

Trade receivables are shown net of impairment losses. The Group established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The impairment loss amounted to €11.9 million at 31 December 2009, representing 3.7% of trade receivables (2008: €9.6 million or 2.6%). In 2009, expenses relating to the impairment of trade receivables of €6.0 million were recognised in the consolidated statement of income, representing 0.29% of revenue (2008: €3.6 million, or 0.13% of revenue).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in notes 4 and 28.

In September 2009 Draka entered into a standby arrangement with ING Commercial Finance, part of ING Group. The arrangement offers Draka the opportunity to sell accounts receivable of several of its European entities to ING Commercial Finance with a maximum of €50 million. Draka activated the arrangement, which runs for at least 24 months, in September 2009.

As part of this arrangement the Group has factored trade receivables without recourse in 2009. These receivables are derecognised from the balance sheet because all their related risks and rewards are transferred under such transactions to the factor. The amount of receivables factored but not yet paid by customers was €31.2 million at 31 December 2009.

20. Assets and liabilities held for sale

In relation to the anticipated sale of its optical power ground wire ("OPGW") activities within the Communications group, at 31 December 2008, certain assets (€18.2 million) and liabilities (€9.6 million) were classified as held for sale. On 5 June 2009 the Group completed the sale of these activities to AFL Telecommunications USA.

	31/12/2009	31/12/2008	01/01/2008
	(In millions of euro)		
Property, plant and equipment	—	3.7	—
Inventories	—	5.3	—
Trade and other receivables	—	9.2	—
	—	**18.2**	**—**

Liabilities classified as held for sale

	31/12/2009	31/12/2008	01/01/2008
	(In millions of euro)		
Employee benefits	—	3.6	—
Trade creditors	—	3.8	—
Other current payables	—	2.2	—
	—	**9.6**	**—**

21. Cash and cash equivalents

	31/12/2009	31/12/2008	01/01/2008
	(In millions of euro)		
Cash and cash equivalents	74.0	74.6	43.1
Bank overdrafts	(6.9)	(33.4)	(57.6)
Cash and cash equivalents in the statement of cash flows	**67.1**	**41.2**	**(14.5)**

Cash and cash equivalents are freely available.

22. Total equity

Total equity consists of shareholders' equity attributable to the equity holders of the Company of €549.5 million (2008: €440.4 million) and minority interests of €21.0 million (2008: €25.4 million).

In October 2009 the company issued 8,119,370 ordinary and 708,400 preference shares. Net proceeds after deduction of directly attributable costs of €2.3 million, amounted to €98.7 million.

See note 38 for additional details on shareholders' equity.

23. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the company and held as treasury shares.

Result attributable to ordinary equity holders

	2009	2008
	(In millions of euro)	
Result for the year	(18.2)	69.3
Dividends on redeemable cumulative preference shares	(5.4)	(5.4)
Result attributable to ordinary equity holders	**(23.6)**	**63.9**

Weighted average number of ordinary shares

	2009	2008
	(In thousands of shares)	
Issued common shares as at 1 January	40,617	35,571
Effect of treasury shares held	(13)	(16)
Issue of shares	1,746	—
Effect of conversion of convertible subordinated bond notes	—	237
Weighted average number of ordinary shares at 31 December	**42,350**	**35,792**

Basic earnings per share (euro)

Basic earnings per share	(0.56)	1.78

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible subordinated bonds notes and share options and shares under the long-term incentive plan.

Result attributable to ordinary equity holders (diluted)

	2009	2008
	(In millions of euro)	
Result attributable to ordinary equity holders	(23.6)	63.9
After-tax effect of interest on convertible subordinated bond notes	1.3	4.5
Result attributable to ordinary equity holders (diluted)	**(22.3)**	**68.4**

Weighted average number of ordinary shares (diluted)

	2009	2008
	(In thousands of shares)	
Weighted average number of ordinary shares (basic)	42,350	35,792
Effect of long-term incentive plans	191	204
Effect of conversion of convertible subordinated bond notes	1,748	6,473
Weighted average number of ordinary shares (diluted) at 31 December	**44,289**	**42,469**

Diluted earnings per share (euro)

Diluted earnings per share	(0.56)	1.61

The average market value of the Company's ordinary shares for purposes of calculating the dilutive effect of share options and shares was based on quoted market prices for the period that the options and shares were outstanding.

The estimated number of shares that were issuable in respect of the convertible arrangements and the long-term incentive plans for the year 2009 are not included in the diluted earnings per share for that year, as these instruments had an antidilutive impact on the reported earnings attributable to ordinary equity holders.

24. Interest-bearing loans and borrowings

	31/12/2009 Carrying amount	31/12/2009 Fair value	31/12/2008 Carrying amount	31/12/2008 Fair value	01/01/2008 Carrying amount	01/01/2008 Fair value
			(In millions of euro)			
Non-current liabilities						
Convertible subordinated bonds	—	—	24.3	19.0	91.6	156.3
Bank facilities and loans	269.9	269.9	500.7	500.7	418.3	418.3
Finance leases	16.9	16.9	19.8	19.8	23.2	22.2
	286.8	**286.8**	**544.8**	**539.5**	**533.1**	**596.8**
Current liabilities						
Convertible subordinated bonds	25.1	25.2	—	—	—	—
Bank facilities and loans	46.4	46.4	35.5	35.5	46.4	46.4
Current portion of finance leases	3.2	3.2	4.0	4.0	4.8	4.8
	74.7	**74.8**	**39.5**	**39.5**	**51.2**	**51.2**
Total interest-bearing loans and borrowings	361.5	361.6	584.3	579.0	584.3	648.0

	Convertible subordinated bonds	Bank facilities and loans	Finance Leases	Total
		(In millions of euro)		
Effective interest rate	7.0%	2.6%	8.8%	
Due in 2010	25.1	46.4	3.2	74.7
Due between 2011 – 2014	—	269.9	7.5	277.4
Due after 2014	—	—	9.4	9.4
Total interest-bearing loans and borrowings	**25.1**	**316.3**	**20.1**	**361.5**
Of which included in non-current	—	269.9	16.9	286.8
Of which included in current	25.1	46.4	3.2	74.7
Total interest-bearing loans and borrowings	**25.1**	**316.3**	**20.1**	**361.5**

The effective interest rates as stated in the table above, includes the impact of interest rate swaps.

The fair value of interest-bearing loans and borrowings has been estimated by calculating the discounted value of the loan and borrowings portfolio using an estimated yield curve, appropriated for the contract terms in effect at the end of the year. The carrying amounts of current portion of interest-bearing loans and borrowings approximate their fair value. Quoted market prices and interest rates prevailing on the balances sheet date were used in determining fair values.

The Group has hedged the interest rate risk on part of the multicurrency revolving credit facility. More information about the Group's exposure to interest rate and foreign currency risk has been disclosed in note 28.

4 per cent Convertible Subordinated Bonds due 2010

	2009	2008
	(In millions of euro)	
Balance at 1 January	24.3	91.6
Conversion of convertible subordinated bond notes	—	(70.1)
Amortisation of interest expense	0.8	2.8
Carrying amount of liability at 31 December	**25.1**	**24.3**

On 8 December 2008 the Group offered all convertible bond holders to early convert their convertible bonds into shares. The Group would pay an additional €300 per €1,000 to compensate the bondholders for early conversion. Bondholders owning 74.2% of the convertible bond outstanding have tendered into the offer. The profit resulting from this transaction is determined as the difference between the book value and the fair value of the debt's portion of the convertible bond (compound financial instrument) at conversion date, net of transaction costs. The resulting profit of €12.6 million has been recognised under financial income.

In September 2010, bondholders have the option to convert the notes into ordinary Draka Holding N.V. shares at a conversion price of €14.71. Notes that are not converted into ordinary shares will be redeemed at face value in September 2010. The face value of the convertible notes amounted to €25.7 million at 31 December 2009 (2008: €25.7 million).

Bank facilities and loans

The bank facilities and loans comprise a combination of a committed multicurrency revolving credit facility of €675 million and various bilateral facilities on Group level as well as local facilities to various subsidiaries. The multicurrency facility expires in 2012 with an option to extend one year.

The interest-bearing liabilities, except the convertible subordinated bonds, relate to various credit facilities from (a syndicate of) financial institutions. The interest payable of the multicurrency

revolving credit facility is variable and based on the relevant interbank interest rate plus a mark-up of 95 basis points. If certain conditions are not met, the loans become payable on demand. See note 4b.

Certain bank loans are secured over land and buildings with a carrying amount of €5.3 million (2008: €5.0 million) (see note 14).

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2009	Interest 2009	Present value of minimum lease payments 2009	Future minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008
			(In millions of euro)			
Less than one year	4.9	1.7	3.2	6.0	2.0	4.0
Between one and five years	13.4	5.9	7.5	15.5	6.7	8.8
More than five years	12.3	2.9	9.4	15.0	4.0	11.0
	30.6	**10.5**	**20.1**	**36.5**	**12.7**	**23.8**

Under the terms of the lease agreements, no contingent rents are payable.

25. Provision for employee benefits

Defined benefit plans

Employee benefit plans have been established in many countries in accordance with the legal requirements, customs and the local situation in the country involved. In Europe a significant part of the employees are covered by defined benefit plans. The benefits provided by these plans are based on employees service years and compensation levels. The measurement date for all defined benefit plans is 31 December.

Contributions are made by the Group, as necessary, to provide assets to meet the benefits payable to defined benefit pension plan participants. These contributions are based on various factors including funded status, legal and tax considerations as well as local customs.

In the Netherlands the Group participates in a multi-employer pension plan. This pension plan is externally funded in PME, the Dutch industry wide pension fund for the Metalelektro. In accordance with IAS 19 the related pension scheme should be treated as a defined benefit plan. Since the assets and liabilities of this multi-employer plan can not be allocated in a systematic way to the employers, the Group applies the exemption mentioned in paragraph 19.30 of IAS and treats the scheme as a defined contribution plan. The pension fund has a deficit. The coverage ratio per 31 December 2009 on the basis of the actual market interest rate was not yet known at the date of authorisation of the financial statements (2008: 90%). The Group has no obligation to fund any deficits and is not entitled to any surpluses.

	31/12/2009	31/12/2008	01/01/2008
	(In millions of euro)		
Present value of unfunded obligations	59.8	62.5	61.4
Present value of funded obligations	170.5	160.9	244.7
Fair value of plan assets	(152.4)	(133.2)	(256.2)
Unrecognised net assets	—	—	8.1
Present value of net obligations	**77.9**	**90.2**	**58.0**
Unrecognised actuarial gains and (losses)	(6.0)	(15.0)	24.0
Recognised liability for defined benefit obligations	**71.9**	**75.2**	**82.0**
Liability for long-service leave	10.8	10.3	11.4
Transferred to disposal group, classified as held for sale		(3.6)	—
Total employee benefits	**82.7**	**81.9**	**93.4**
Actual return on plan assets	17.0	(29.9)	12.9

The unrecognised net assets primarily relate to a pension plan in the Netherlands, whereby the Group is unable to control the surplus assets. In 2008, the pension fund has been liquidated. The surplus assets have been divided between the employer and the employees, which resulted in a gain of €4.5 million for the Group. The 2009 contribution to the Group's multi employer plan (PME) amounted to €6.5 million (2008: €6.0 million).

Movement in the liability for defined benefit obligations

	31/12/2009	31/12/2008
	(In millions of euro)	
Liability for defined benefit obligations at 1 January	223.4	306.0
Benefits paid by the plan	(9.4)	(8.1)
Current service costs	2.9	4.2
Interest on obligation	12.4	12.8
Actuarial losses or (gains)	(1.6)	(7.5)
Benefits paid by the employer	(3.2)	(3.6)
Employee contributions	0.8	1.0
Curtailments and settlements	—	(1.5)
Liabilities extinguished on settlements	(2.6)	(56.9)
Effect of movements in foreign exchange	7.6	(23.0)
Liability for defined benefit obligations at 31 December	**230.3**	**223.4**

Movement in plan assets

	31/12/2009	31/12/2008
	(In millions of euro)	
Fair value of plan assets at 1 January	133.2	256.2
Benefits paid by the plan	(9.1)	(8.1)
Employer contribution	5.0	4.1
Employee contribution	0.8	1.0
Expected return on plan assets	8.3	10.9
Actuarial (losses) or gains	8.7	(40.8)
Effect of movements in foreign exchange	5.5	(18.4)
Assets distributed on settlement	—	(71.7)
Fair value of plan assets at 31 December	**152.4**	**133.2**

Expense recognised in the income statement

	2009	2008
	(In millions of euro)	
Interest on obligation	(12.4)	(12.8)
Current service costs	(2.9)	(4.2)
Expected return on plan assets	8.3	10.9
Curtailment	—	(0.3)
Amortization unrecognised net gain or loss	0.2	1.8
	(6.8)	**(4.6)**

The 2010 expense is not expected to differ significantly from the 2009 expense recognised in the income statement.

The expected return on plan assets is based on actual historical weighted returns.

The Group also sponsors defined contributions and similar types of plans for a significant number of salaried employees. The total costs amounted to €12.4 million (2008: €7.4 million).

Actuarial assumptions

Principal weighted average actuarial assumptions at the balance sheet date:

	2009	2008	2007
Discount rate at 31 December	5.3%	5.6%	5.6%
Expected return on plan assets at 31 December	5.8%	5.6%	6.2%
Future salary increases	2.5%	2.5%	2.9%
Future pension increases	1.8%	1.9%	1.9%

The plan assets consist primarily of bonds, listed shares and related instruments. The majority of these plan assets relate to pension plans in the Netherlands. The allocation of the investments per asset category for the pension plans in the Netherlands at 31 December 2009 and 2008 is approximately as follows:

	2009	2008
Shares and related instruments	34%	29%
Bonds	61%	64%
Other	5%	7%

Historical information

	2009	2008	2007	2006	2005
			(In millions of euro)		
Present value of the defined benefit obligation	230.3	223.4	306.0	330.1	320.2
Fair value of plan assets	152.4	133.2	256.2	259.4	243.4
Deficit in plan	**(77.9)**	**(90.2)**	**(49.8)**	**(70.7)**	**(76.8)**
Experience adjustments arising on plan liabilities	1.9	(2.2)	(2.5)	0.1	(25.1)
Experience adjustments arising on plan assets	8.7	(36.4)	(1.5)	5.5	10.9

Other employee benefit provisions

In several countries the Group established jubilee and long service plans in accordance with local customs. The provision resulting from these plans is recognised under other employee benefits. The Group has applied the same actuarial assumptions as those used in the actuarial calculation of the defined benefit post retirement plans. All actuarial gains or losses have been recognised in the income statement.

26. Other provisions

	Warranties	Restructuring	Onerous contracts	Other	Total
		(In millions of euro)			
Balance at 1 January 2008	3.4	10.6	1.9	23.0	38.9
Provisions made during the year	1.5	14.2	0.1	0.4	16.2
Provisions used during the year	(0.7)	(17.2)	(0.4)	(3.9)	(22.2)
Provisions reversed during the year	(0.6)	(0.6)	—	(1.0)	(2.2)
Reclassifications	0.2	—	(0.3)	0.1	—
Effect of movements in foreign exchange	—	(0.5)	—	(0.9)	(1.4)
Balance at 31 December 2008	**3.8**	**6.5**	**1.3**	**17.7**	**29.3**
Provisions made during the year	0.9	31.7	0.1	2.3	35.0
Provisions used during the year	(0.3)	(14.8)	(0.2)	(1.3)	(16.6)
Provisions reversed during the year	(1.6)	(0.3)	(0.1)	(4.2)	(6.2)
Reclassifications	—	(0.1)	—	0.1	—
Derecognised on disposal of a subsidiary	—	(0.4)	—	—	(0.4)
Effect of movements in foreign exchange	—	0.3	—	1.1	1.4
Balance at 31 December 2009	**2.8**	**22.9**	**1.1**	**15.7**	**42.5**
Non-current	2.2	3.6	—	14.2	20.0
Current	0.6	19.3	1.1	1.5	22.5

Warranties

The provision for product warranty reflects the estimated costs of replacement and free-of-charge services that will be incurred by the Group with respect to products sold. The Group expects to incur most of the liability within the time frame of 4 years.

Restructuring

In 2009 Draka implemented and intensified the Triple S projects and other cost-saving measures. In response to the still-challenging market conditions, Draka announced that new projects were to be added to the Triple S cost-saving programme. The measures are being implemented across the entire organisation: the closure of the plant in Ystad (Sweden), the winding-down of automotive cable production in several countries (Industry & Specialty Group) and the implementation of a range of efficiency measures in the Communications Group. As a result hereof a total restructuring provision of €31.7 million was made of which €11.8 million was used in 2009. The majority of the restructuring in relation to these plans is expected to be completed in 2010.

In 2008 the Group announced to close its factories in Vigo (Spain), Llanelli (UK) and implement restructurings within the Communications Group. In relation to this a provision of €14.2 million was made, of which €11.2 million has been used in 2008. In 2009 the remaining amount of €3.0 million was used.

Onerous contracts

The Group has non-cancellable leases for facilities which are no longer used due to changes in activities. The facilities are (partly) sublet where possible, but rental income is lower than the rental expense. The net obligation under the contracts was provided for.

Other provisions

Other provisions include among other things, expected losses on projects and provisions for plant dismantling and removal costs. The Group expects to incur most of the liability within the time frame of 4 years.

27. Trade and other payables

	Note	31/12/2009	31/12/2008	1/1/2008
		(In millions of euro)		
Trade payables		380.5	304.6	409.1
Non-trade payables and accrued expenses		108.8	120.7	135.8
		489.3	**425.3**	**544.9**

28. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount		
	Note	31/12/2009	31/12/2008	01/01/2008
		(In millions of euro)		
Receivables	17)	12.3	13.0	15.5
Promissory note	17)	9.0	8.7	8.2
Other investments	17)	2.7	3.0	2.4
Trade receivables	19)	309.2	352.2	446.8
Trade receivables due from associates	19)	2.1	2.5	2.5
Other receivables	19)	43.4	60.7	52.3
Fair value derivatives	29)	10.1	—	2.4
Cash and cash equivalents	21)	74.0	74.6	43.1
		462.8	**514.7**	**573.2**

The Group has insured part of its exposure to credit risk (including political risk) on trade receivables; further reference is made to note 4.

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 31/12/2009	Impairment 31/12/2009	Gross 31/12/2008	Impairment 31/12/2008
	(In millions of euro)			
Not past due	268.2	0.2	277.5	0.1
Past due 0-30	24.0	—	46.0	0.1
Past due 31-90	12.8	0.3	17.8	0.5
Past due 91-365	7.5	2.4	13.8	1.5
More than one year	10.7	9.0	9.2	7.4
	323.2	**11.9**	**364.3**	**9.6**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Carrying amount	
	31/12/2009	**31/12/2008**
	(In millions of euro)	
Balance at 1 January	9.6	10.9
Consolidation of entities, previous year classified as equity accounted	—	0.2
Impairment loss recognised	6.0	3.6
Write off against financial asset	(1.4)	(1.9)
Reversal of impairment loss	(2.1)	(2.4)
Translation differences	0.1	(0.5)
Dereognised on disposal of a subsidiary	(0.3)	—
Transferred to disposal group, classified as held for sale	—	(0.3)
Balance at 31 December	11.9	9.6

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrevocable are written off against the financial asset directly.

Liquidity risk

The following are the contractual maturities of financial liabilities at 31 December 2009:

	Carrying amount	Contractual cash flows (principal values)	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
			(In millions of euro)				
Non-derivative financial liabilities							
Convertible subordinated debt	25.1	(25.7)	—	(25.7)	—	—	—
Bank facilities and loans	316.3	(316.3)	(25.7)	(20.7)	(12.2)	(257.7)	—
Finance lease liabilities	20.1	(30.6)	(2.5)	(2.5)	(3.3)	(10.1)	(12.2)
Trade and other payables	489.3	(489.3)	(489.3)	—	—	—	—
Bank overdrafts	6.9	(6.9)	(6.9)	—	—	—	—
Derivative financial liabilities							
Interest rate derivatives	10.3	(10.7)	(3.2)	(1.6)	(2.8)	(3.1)	—
Foreign exchange derivatives	0.3	(0.3)	—	(0.2)	(0.1)	—	—

The Multicurrency facility expires in 2012 with an option to extend one year. Drawings under this facility typically have a tenor of one or three months.

The following are the contractual maturities of financial liabilities at 31 December 2008:

	Carrying amount	Contractual cash flows (principal values)	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
			(In millions of euro)				
Non-derivative financial liabilities							
Convertible subordinated debt	24.3	(25.7)	—	—	(25.7)	—	—
Bank facilities and loans	536.2	(536.2)	(27.0)	(8.5)	(5.2)	(495.5)	—
Finance lease liabilities	23.8	(23.8)	(2.4)	(1.6)	(4.0)	(4.9)	(10.9)
Trade and other payables	425.3	(425.3)	(425.3)	—	—	—	—
Bank overdrafts	33.4	(33.4)	(33.4)	—	—	—	—
Derivative financial liabilities							
Interest rate derivatives	5.6	(5.6)	(0.6)	(1.5)	(2.2)	(1.3)	—
Foreign exchange derivatives	6.7	(6.7)	(5.9)	—	(0.8)	—	—
Commodities	28.6	(28.6)	(18.9)	(8.1)	(1.6)	—	—

Currency risk

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rate	
	2009	2008	2009	31/12/2008
Euro	1.00	1.00	1.00	1.00
USD	0.72	0.68	0.69	0.71
GBP	1.12	1.26	1.13	1.05

Sensitivity analysis

A 10 per cent strengthening or weakening of the euro against the aforementioned currencies at 31 December 2009 would have changed equity and profit or loss in the range of €1.0 to €1.5 million. This analysis assumes all other variables remain constant and excludes the effect of translating financial data denominated in a functional currency other than the euro – the reporting currency of the Group. The forward exchange contracts have been included in this estimation.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2009	2008
	(In millions of euro)	
Fixed rate instruments		
Financial assets	9.0	8.7
Financial liabilities	45.2	48.1
Floating rate instruments		
Financial assets	74.0	74.6
Financial liabilities	323.2	569.6

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp in crease	100 bp decrease	100 bp increase	100 bp decrease
	(In millions of euro)			
31 December 2009				
Variable rate instruments	(2.5)	2.5	—	—
Interest rate derivatives	2.0	(2.0)	8.3	(6.1)
Cash flow sensitivity net	(0.5)	0.5	8.3	(6.1)
31 December 2008				
Variable rate instruments	(5.0)	5.0	—	—
Interest rate derivatives	2.7	(2.6)	5.3	(5.6)
Cash flow sensitivity net	(2.3)	2.4	5.3	(5.6)

Price risk

In the ordinary course of its business the Company has an exposure of a portion of its inventory (core inventory). Based on the economic position as per 31 December 2009, a change of €0.10 in copper price will have a theoretical impact on the Company's operating result of around €0.8 million. The actual impact depends on factors such as the period over which the fluctuation takes place, turnover speed of the inventory, and others.

For further information on financial instruments reference is made to note 4 financial risk management.

Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	TOTAL
	(In millions of euro)			
31 December 2009				
Financial assets:				
Derivative financial instruments – cash flow hedges	—	9.5	—	9.5
Derivative financial instruments – fair value through profit or loss	—	0.6	—	0.6
Total	**—**	**10.1**	**—**	**10.1**
Financial liabilities:				
Derivative financial instruments – cash flow hedges	—	10.3	—	10.3
Derivative financial instruments – fair value through profit or loss	—	0.3	—	0.3
Total	**—**	**10.6**	**—**	**10.6**

29. Derivative financial instruments

Derivative financial instruments comprise:

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
	(In millions of euro)			
Interest rate derivatives – cash flow hedges	—	10.3	—	5.5
Interest rate derivatives – fair value through profit or loss	—	—	—	0.1
Forward foreign exchange contracts – fair value through profit or loss	0.6	0.3	—	6.7
Forward copper contracts – cash flow hedges	9.5	—	—	28.6
Total	**10.1**	**10.6**	**—**	**40.9**

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and are expected to impact profit or loss:

	Carrying amount	Expected cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
	(In millions of euro)						
31 December 2009							
Interest rate derivatives							
Liabilities:							
cash flow hedges	10.3	(10.7)	(3.2)	(1.6)	(2.8)	(3.1)	—
Forward copper contracts (commodities)							
Assets:							
cash flow hedges	9.5	9.5	6.4	2.5	0.5	0.1	—

	Carrying amount	Expected cash flows	Less than 6 months	6-12months	1-2 years	2-5 years	More than 5 years
	(In millions of euro)						
31 December 2008							
Interest rate derivatives							
Liabilities:							
cash flow hedges	5.5	(5.5)	(0.8)	(1.3)	(2.1)	(1.3)	—
Forward copper contracts (commodities)							
Liabilities:							
cash flow hedges	28.6	(28.6)	(18.9)	(8.1)	(1.6)	—	—

30. Commitments and contingent liabilities

Investment and supplier commitments

As at 31 December 2009, the Group entered into contracts to purchase property, plant and equipment for an amount of €0.3 million (2008: €4.6 million). These commitments are expected to be settled in 2010.

Commitments under rental and lease agreements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2009	2008
	(In millions of euro)	
Less than one year	10.2	12.1
Between one and five years	29.6	28.9
More than five years	19.4	22.9
	59.2	**63.9**

The Group leases factories, warehouse facilities, machinery and equipment under operating leases. These leases expire at various dates during the next 20 years, with an option to renew the lease after expiry date. The leases do not include any significant contingent rentals.

Some of the leased properties have been sublet by the Group. Sublease payments of €1.0 million (2008: €1.5 million) are expected to be received until expiry date. The Group has recognised a provision of €1.0 million (2008: €1.3 million) in respect of one of these leases (see note 26).

During the year ended 31 December 2009, €12.3 million (2008: €14.6 million) was recognised as an expense in the income statement in respect of operating leases. An amount of €0.3 million was recognised as income in the income statement in respect of subleases (2008: €0.6 million).

Guarantees

No guarantees have been issued at 31 December 2009 (2008: nil).

31. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates and joint ventures. In addition, for an overview of important shareholders in the Group reference is made to Share Information, Disclosure of Major Holdings in Listed Companies Act in this Annual report. For an overview of the remuneration of the Board of Management and Supervisory Board, reference is made to note 42.

Transactions with associates and joint ventures (equity accounted investees)

	2009	2008
	(In millions of euro)	
Sale of goods to related parties	80.2	20.2
Purchase of goods from related parties	7.3	0.9
Amounts owed by related parties	13.2	4.5
Amounts owed to related parties	4.9	2.8
Dividend received from related parties	11.5	6.7

32. Events after the balance sheet date

We refer for further explanation on the events after the balance sheet date to the section Other information included in the Company financial statements.

Company balance sheet as at 31 December

(before appropriation of the result)

	Note	2009	2008
		(In millions of euro)	
Assets			
Non-current assets			
Intangible fixed assets	35)	1.5	1.6
Tangible fixed assets		1.4	1.1
Derivative financial instruments		0.6	—
Financial fixed assets	36)	1,050.9	1,055.3
Total non-current assets		**1,054.4**	**1,058.0**
Current assets			
Derivative financial instruments		8.9	—
Trade and other receivables	37)	87.9	84.7
Cash in bank and in hand		44.5	7.4
Total current assets		**141.3**	**92.1**
Total assets		**1,195.7**	**1,150.1**
Equity			
Shareholders' equity			
Share capital		27.2	22.8
Share premium		457.5	360.9
Translation reserve		(22.8)	(29.6)
Hedging reserve		(1.9)	(27.8)
Reserve for equity accounted investees		36.9	36.3
Reserve for treasury shares		(0.4)	(0.1)
Retained earnings		71.2	8.6
Unappropriated result for the year		(23.6)	63.9
Preference shares dividend reserve		5.4	5.4
Total shareholders' equity	38)	**549.5**	**440.4**
Provision for employee benefits		1.2	1.0
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	39)	293.1	557.4
Derivative financial instruments		5.6	5.1
Deferred tax liability		3.5	0.5
Total non-current liabilities		**302.2**	**563.0**
Current liabilities			
Interest-bearing loans and borrowings	39)	25.1	27.6
Other provisions		2.3	—
Derivative financial instruments		5.0	34.9
Trade and other payables	40)	310.4	83.2
Total current liabilities		**342.8**	**145.7**
Total liabilities		**646.2**	**709.7**
Total equity and liabilities		**1,195.7**	**1,150.1**

Statement of income for the years ended 31 December	Note	2009	2008
Income after taxes from investments in group companies	36)	5.5	42.8
Other income after taxes		(23.7)	26.5
Result attributable to the shareholders		**(18.2)**	**69.3**

Notes to the company financial statements

33. General

The company financial statements (hereinafter also referred to as the 'statutory financial statements of the Company') are part of the 2009 financial statements of Draka Holding N.V. and are prepared in compliance with the legal requirements of Part 9, Book 2, of the Netherlands Civil Code.

With respect to the company statement of income, the Company made use of the exemption provided under section 2:402 of the Netherlands Civil Code, which allows the Company to present only the profit from Group companies after income tax and other income and expenses after income tax.

34. Principles for the measurement of assets and liabilities and the determination of the result

Draka Holding N.V. has applied the option in section 2:362 (8) of the Netherlands Civil Code to use the same principles of valuation and determination of result for the statutory financial statements as those applied for the consolidated financial statements. Unless otherwise described in the notes to the statutory financial statements, reference should be made to the notes to the consolidated financial statements for details of the accounting principles adopted in these statutory financial statements.

35. Intangible fixed assets

	Goodwill	**Software**	**Total**
	(In millions of euro)		
Balance as at 31 December 2008			
Cost	0.7	1.5	2.2
Accumulated amortisation	—	(0.6)	(0.6)
Carrying amount	**0.7**	**0.9**	**1.6**
Additions	—	0.3	0.3
Amortisation charge for the year	—	(0.4)	(0.4)
Total changes	**—**	**(0.1)**	**(0.1)**
Balance as at 31 December 2009			
Cost	0.7	1.8	2.5
Accumulated amortisation	—	(1.0)	(1.0)
Book value	**0.7**	**0.8**	**1.5**

Goodwill

Goodwill is determined based on the accounting principles applied in the consolidated financial statements (note 2 (h-I)). Goodwill acquired through a direct investment in Group companies is presented in the statutory balance sheet of the Company. The goodwill arising on direct investments prior to 1 January 1 2001 was written of the reserves. Goodwill acquired through indirect investments in Group companies is capitalised within the carrying value of the entities that have directly acquired these investments.

36. Financial fixed assets

Group companies or 'subsidiaries' are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in Group companies are measured using the net asset value method. The net asset value and results of Group companies are determined on the basis of the accounting policies that are applied in the consolidated financial statements. The accounting policies of Group companies are changed where necessary to ensure consistency with the policies adopted by the Company.

If losses of Group companies that are allocable to the Company exceed the carrying value of the interest in the Group company (including separately presented goodwill, if any, and including other non-secured receivables), further losses are not recognised unless the Company has incurred

obligations or made payments on behalf of the Group company to satisfy obligations of the Group company. In such a situation, the Company recognises a provision up to the extent of this obligation.

Unrealised gains and losses on transactions between Group companies, if any, are eliminated.

	Investments in group companies	Investments in equity accounted investees	Amounts from group companies and other	Total
		(In millions of euro)		
Balance as at 31 December 2008	717.9	24.7	312.7	1,055.3
Share in result	1.3	4.2	—	5.5
Additions	11.9	—	—	11.9
Dividend received	(8.5)	(1.3)	—	(9.8)
Disposals	(0.3)	(3.9)	—	(4.2)
Financing and other movements	(2.3)	2.5	(14.8)	(14.6)
Effect of movements in foreign exchange	7.7	(0.9)	—	6.8
Balance as at 31 December 2009	**727.7**	**25.3**	**297.9**	**1,050.9**

Draka Holding N.V. is at the head of the Group and has capital interests in subsidiaries, associates and joint ventures presented in the Annual Report 2009.

37. Trade and other receivables

	2009	2008
	(In millions of euro)	
Receivables from group companies	70.2	73.3
Other receivables and prepayments	17.7	11.4
	87.9	**84.7**

Receivables from Group companies and other receivables are mainly due within 1 year.

38. Shareholders' equity

For both the years ended 31 December 2009 and 31 December 2008, the total of capital and reserves that are attributable to the Company's equity holders included in the statutory financial statements is equal to the capital and reserves attributable to the Company's equity holders as presented in the consolidated financial statements. Certain reserves have been presented separately in the Company balance sheet, whereas for consolidated purposes these have been summarised as retained earnings and other reserves.

Authorised and issued share capital

On 2 October 2009 the Company has placed 4,057,654 new ordinary shares at a price of €12.40 per share through an accelerated bookbuild offering. On 22 October 2009, the general meeting of shareholders of Draka Holding N.V. ("Draka") approved the private placement of 4,061,716 ordinary shares to Flint Beheer B.V. at a price of €12.40 per ordinary share and the issue of 708,400 preference shares to the two holders of Draka's preference shares that held more than 5% of Draka's issued share capital allowing such holders to maintain their holdings above 5%. On 20 October 2009 one bond with a nominal value of €1,000 was converted into 67 additional ordinary Shares.

At 31 December 2009, the authorised and issued share capital consisted of:

58,000,000 ordinary registered or bearer shares with a nominal value of €0.50 each, of which 48,736,597 were issued and fully paid (2008: 40,617,160). Excluding the number of shares that have been repurchased, the number of ordinary shares issued and outstanding is 48,705,966 (31 December 2008: 40,611,393);

82,000,000 preference shares with a par value each of €0.50 per share, of which 2,925,000 preference shares held by ASR were issued and fully paid (2008: 2,675,000) and of which 2,829,657 preference shares held by Kempen were issued and fully paid (2008: 2,371,257).

The holders of ordinary and preference shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears. In respect of the Company's shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

All current preference shares are held by two banks, ASR and Kempen. The preference shares have a remaining maturity of 3 years with annual dividends of 7.12% for the preference shares held by ASR and 7.06% for the preference shares held by Kempen.

Treasury shares

The Company acquires ordinary shares to cover obligations under its long-term incentive plans. Shares are generally acquired just prior to employees exercising their options or when shares are to be delivered. The acquired shares are subsequently delivered to the eligible employees. At 31 December 2009 the Company owns 30,631 shares (2008: 5,767) and the amount paid to acquire the shares was €384,344 (2008: €123,493) (see note 2 (n)).

Movements in the number of shares in 2008 and 2009 that are issued and fully paid are as follows:

	Ordinary shares	**Treasury shares**	**Preference shares**
	(In numbers of shares)		
Balance at 31 December 2007	**35,570,075**	**934**	**5,046,257**
Conversion of convertible subordinated bond notes	5,046,151	—	
Movement in own shares	(4,833)	4,833	—
Balance at 31 December 2008	**40,611,393**	**5,767**	**5,046,257**
Issue of shares	8,119,370	—	708,400
Conversion of convertible subordinated bond notes	67	—	—
Movement in own shares	(24,864)	24,864	—
Balance at 31 December 2009	**48,705,966**	**30,631**	**5,754,657**

The maximum increase in the number of ordinary shares due to the conversion of the convertible bonds is 1,748,130 (2008: 1,748,198), corresponding to 3.6% (2008: 4.3%) of the ordinary shares as at 31 December 2009.

The movement schedule of capital and reserves attributable to the shareholders of the Company in 2008 and 2009 is presented below:

	Ordinary shares		Preference shares									
	Share capital	Share premium	Share capital	Share premium	Translation reserve	Reserve for treasury shares	Hedging reserve	Preference shares dividend	Reserve for equity investees accounted for the year	Retained earnings	Unappropriated result	Total
	(In millions of euro)											
Balance as at 31 December 2007	17.9	237.3	2.5	74.1	(18.2)	—	(3.0)	5.4	30.5	(33.6)	87.6	400.5
Appropriation of the result 2007	—	—	—	—	—	—	—	—	—	87.6	(87.6)	—
Foreign exchange translation differences	—	—	—	—	(11.4)	—	—	—	—	—	—	(11.4)
Effective portion of fair value changes of cash flow hedges (net of income tax)	—	—	—	—	—	—	(24.8)	—	—	—	—	(24.8)
Conversion of convertible subordinated bond notes	2.4	49.5	—	—	—	—	—	—	—	(17.2)	—	34.7
Dividends paid	—	—	—	—	—	—	—	(5.4)	—	(24.2)	—	(29.6)
Result for the year	—	—	—	—	—	—	—	5.4	5.8	(5.8)	63.9	69.3
Share based payments	—	—	—	—	—	—	—	—	—	2.2	—	2.2
Shares acquired under long term incentive plans	—	—	—	—	—	(1.2)	—	—	—	—	—	(1.2)
Shares delivered under long term incentive plans	—	—	—	—	—	1.1	—	—	—	(0.4)	—	0.7
Balance as at 31 December 2008	**20.3**	**286.8**	**2.5**	**74.1**	**(29.6)**	**(0.1)**	**(27.8)**	**5.4**	**36.3**	**8.6**	**63.9**	**440.4**
Appropriation of the result 2008	—	—	—	—	—	—	—	—	—	63.9	(63.9)	—
Foreign exchange translation differences	—	—	—	—	6.8	—	—	—	—	—	—	6.8
Effective portion of fair value changes of cash flow hedges (net of income tax)	—	—	—	—	—	—	25.9	—	—	—	—	25.9
Issue of shares	4.0	96.6	0.4	—	—	—	—	—	—	(2.3)	—	98.7
Dividends paid	—	—	—	—	—	—	—	(5.4)	—	—	—	(5.4)
Result for the year	—	—	—	—	—	—	—	5.4	2.8	(2.8)	(23.6)	(18.2)
Reclassification	—	—	—	—	—	—	—	—	(2.2)	2.2	—	—
Effect of acquisition minority interest	—	—	—	—	—	—	—	—	—	(0.3)	—	(0.3)
Share based payments	—	—	—	—	—	—	—	—	—	2.4	—	2.4
Shares acquired under long term incentive plans	—	—	—	—	—	(1.7)	—	—	—	—	—	(1.7)
Shares delivered under long term incentive plans	—	—	—	—	—	1.4	—	—	—	(0.5)	—	0.9
Balance as at 31 December 2009	**24.3**	**383.4**	**2.9**	**74.1**	**(22.8)**	**(0.4)**	**(1.9)**	**5.4**	**36.9**	**71.2**	**(23.6)**	**549.5**

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 January 2004 from the translation of the financial statements of foreign operations as well as from the translation of intercompany loans with a permanent nature. The reserve is not available for distribution to shareholders. To the extent the translation reserve is negative, it reduces the amount that can be freely distributed out of reserves.

Hedging reserve

The hedging reserve is not available for distribution to shareholders. To the extent the hedging reserve is negative, it reduces the amount that can be freely distributed out of reserves.

Reserves for equity accounted investees

The reserve for equity accounted investees amounting to €36.9 million (2008: €36.3 million), relates to the Company's share in their result that has not been distributed as dividend. In 2009 an amount of €2.2 million is reclassified to retained earnings, mainly caused by the sale of Oakwell Engineering Ltd. and the proportionate consolidation as of 1 January 2009 of its joint ventures Telcon Fios e Cabos Para Telecommunicações, Yangtze Optical Fibre & Cable Co. Ltd. and Precision Fiber Optics Ltd. instead of using the equity method.

Legal reserves

The legal reserves of the Company comprise the translation reserve, the hedging reserve and the reserves for equity accounted investees and are not available for distribution to shareholders. Furthermore the retained earnings include a legal reserve of €63.6 million in relation the Company's cumulative share in result less distributed dividend of the joint ventures Telcon Fios e Cabos Para Telecommunicações, Yangtze Optical Fibre & Cable Co. Ltd., Yangtze Optical Fibre & Cable

(Shanghai) Co. Ltd and Precision Fiber Optics Ltd., since these amounts cannot be repatriated to the Netherlands without restriction.

Dividends

A proposal will be made to the Annual General Meeting of Shareholders to pay a dividend on redeemable preference shares for an amount of €5.4 million. The remainder will be added to retained earnings.

39. Interest-bearing loans and borrowings

	Note	2009	2008
		(In millions of euro)	
Non-current liabilities			
Convertible subordinated bonds	24)	—	24.3
Bank facilities and loans		254.0	495.0
Group companies		39.1	38.1
		293.1	**557.4**
Current liabilities			
Convertible subordinated bonds	24)	25.1	—
Bank facilities and loans		—	27.6
		25.1	**27.6**

40. Trade and other payables

	2009	2008
	(In millions of euro)	
Trade creditors	97.7	46.9
Payables to group companies	204.8	32.0
Other current liabilities, accruals and deferred income	7.9	4.3
	310.4	**83.2**

Trade and other payables are mainly due within 1 year.

41. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2009	2008
	(In millions of euro)	
Investments in group companies and equity accounted investees	753.0	742.6
Amounts from group companies	291.8	291.7
Promissory note	9.0	8.7
Other investments	0.3	0.3
Receivables from group companies	70.2	73.3
Other receivables	4.1	0.8
Fair value derivatives	9.5	—
Cash and cash equivalents	44.5	7.4
	1,182.4	**1,124.8**

Liquidity risk

The following are the contractual maturities of financial liabilities at 31 December 2009:

	Carrying amount	Contractual cash flows (principal values)	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
			(In millions of euro)				
Non-derivative financial liabilities							
Convertible subordinated debt	25.1	(25.7)	—	(25.7)	—		
Bank facilities and loans	254.0	(254.0)	—	(254.0)	—		
Loans from group companies	39.1	(39.1)	—	—	—	—	(39.1)
Trade and other payables	310.4	(310.4)	(310.4)	—	—	—	—
Derivative financial liabilities							
Interest rate swaps	10.3	(10.7)	(3.2)	(1.6)	(2.8)	(3.1)	—
Foreign exchange derivatives	0.3	(0.3)	(0.3)	—	—	—	—

The following are the contractual maturities of financial liabilities at 31 December 2008:

	Carrying amount	Contractual cash flows (principal values)	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
			(In millions of euro)				
Non-derivative financial liabilities							
Convertible subordinated debt	24.3	(25.7)	—	—	(25.7)	—	—
Bank facilities and loans	502.2	(502.2)	(6.9)	(0.3)	—	(495.0)	—
Loans to group companies	38.1	(38.1)	—	—	—	—	(38.1)
Trade and other payables	83.2	(83.2)	(83.2)	—	—	—	—
Bank overdrafts	20.5	(20.5)	(20.5)	—	—	—	—
Derivative financial liabilities							
Interest rate swaps	5.6	(5.6)	(0.6)	(1.5)	(2.2)	(1.3)	—
Foreign exchange derivatives	5.8	(5.8)	(5.6)	(0.2)	—	—	—
Commodities	28.6	(28.6)	(18.9)	(8.1)	(1.6)	—	—

42. Remuneration of the Board of Management and Supervisory Board

Board of Management

The remuneration of members of the Board of Management is determined by the Supervisory Board. The Company's policy concerning remuneration is designed to ensure that the Company is able to attract and retain suitable qualified members of the Board of Management. The remuneration package consists of a base salary, a short-term incentive (bonus) payment and a long-term incentive in the form of shares. In addition, individual pension schemes are in place for the members of the Board of Management.

The remuneration is determined annually in light of the tasks and responsibilities of the individual members of the Board of Management. Based on pre set targets, the levels of the bonus payments made to members of the Board of Management are determined annually by the Supervisory Board after the end of the financial year. In addition to the financial targets, the Supervisory Board has set discretionary targets for the individual members of the Board of Management on the basis of which the bonus is calculated.

The remuneration paid to the current and former members of Draka's Board of Management in 2009 and 2008 was as follows:

	Salary	Paid out holiday	Short-term incentive	Allowances	Total cash remuneration	Pension charges	Long-term incentive	Total remuneration	Employer's expense	Total remuneration expense
	(In thousands of euro)									
2009										
Sandy Lyons	532	—	319	254	1,105	457	181	1,743	215	1,958
Frank Dorjee	452	19	294	3	768	90	478	1,336	7	1,343
	984	**19**	**613**	**257**	**1,873**	**547**	**659**	**3,079**	**222**	**3,301**
2008										
Sandy Lyons	516	—	356	275	1,147	446	95	1,688	152	1,840
Frank Dorjee	439	—	522	3	964	98	417	1,479	7	1,486
	955	**—**	**878**	**278**	**2,111**	**544**	**512**	**3,167**	**159**	**3,326**

Frank Dorjee has requested to defer the actual pay out of the short-term incentive until January 2011 in recognition of the business circumstances.

The long-term incentive reflects the fair value of shares (conditionally) granted to members of the Board of Management. The actual grant of shares depends on the Company's future performance in relation to the peer group.

The number of ordinary shares owned by and conditionally granted to members of the Board of Management on 31 December 2009 and 2008 was as follows:

Number of shares owned	**2009**	**2008**
Sandy Lyons	5,000	5,000
Frank Dorjee	9,940	9,940

Number of conditionally granted performance shares	**2009**	**2008**
Sandy Lyons	88,290	23,287
Frank Dorjee	99,834	44,582

The shares of all Board of Management members have been granted as part of the long-term incentive plan as detailed in note 11.

Supervisory Board

The remuneration of the members of the Supervisory Board is fixed and independent of the Company's financial results. Members of the Supervisory Board are also entitled to reimbursement of incurred costs.

The remuneration of the members of the Supervisory Board was as follows:

	2009	**2008**
	(In thousands of euro)	
Fritz Fröhlich	83.5	83.5
Annemiek Fentener van Vlissingen	66.0	66.0
Harold Fentener van Vlissingen	56.0	55.0
Ludo van Halderen	60.0	59.2
Rob van Oordt	65.0	65.0
Annemieke Roobeek	55.0	55.0
Graham Sharman	63.5	63.5
	449.0	**447.2**

43. Audit fees

Fees paid to the Group's auditor for 2009 and 2008 (Deloitte Accountants B.V.) can be broken down into the following components:

- Audit fees, which include fees for auditing the statutory and consolidated financial statements;
- Audit-related fees, which include fees for work performed on prospectuses, non-standard auditing and advisory services not related to statutory auditing;
- Fees for tax advice;
- Other non-audit fees, which include fees for support and advice on acquisitions.

The breakdown of the audit fees for the year ended 31 December is as follows:

	2009			2008		
	Deloitte Accountants BV	Deloitte Touche Tohmatsu	Total	Deloitte Accountants BV	Deloitte Touche Tohmatsu	Total
	(In millions of euro)					
Audit fees	0.5	1.2	**1.7**	0.4	1.2	1.6
Audit-related fees	0.2	0.4	**0.6**	—	—	—
Fees for tax advice	—	—	**—**	—	—	—
Other non-audit fees	—	0.4	**0.4**	—	—	—
	0.7	2.0	**2.7**	0.4	1.2	**1.6**

44. Commitments and contingent liabilities

The Company has assumed joint and several liabilities for debts arising from legal actions of its Dutch subsidiaries, in accordance with Article 403, section 1, Part 9, Book 2 of the Netherlands Civil Code. The debts of these subsidiaries amounted to €30.2 million (2008: €49.3 million).

Draka Holding N.V. forms a fiscal unity with several Dutch Group companies for the Dutch income tax. Consequently Draka Holding is jointly and severally liable for any debts arising from the fiscal unity.

The Company has issued guarantees in respect of credit facilities granted to subsidiaries of €36.0 million (2008: €33.6 million).

Amsterdam, 19 February 2010

Board of Management

Frank Dorjee, Chairman and CEO

Supervisory Board

Fritz Fröhlich, Chairman
Annemiek Fentener van Vlissingen, Deputy Chairman
Harold Fentener van Vlissingen
Ludo van Halderen
Rob van Oordt
Annemieke Roobeek
Graham Sharman

Other information

Appropriation of result as provided for by the Articles of Association

Article 31 (1-12) of the Articles of Association states:

1. The profit evidenced by the annual accounts, as adopted and approved, shall be used first of all to pay the holders of Class B preference shares a dividend the percentage of which shall be equal to the average interest on deposits applied by the European Central Bank plus two and a half, increased by the debit interest surcharge commonly applied by the large banks in the Netherlands, weighted by the number of days to which the dividend payment relates. The amount of dividend is calculated on the basis of the paid-up portion of the nominal value. If any profit distribution referred to in the previous sentences cannot be made, whether in full or in part, on the grounds that the profit does not permit any such distribution, the deficit shall be charged against the distributable part of the Company's equity.
2. Subsequently, a dividend is paid on each preference share of a specific class. The amount and method of adopting the dividend shall be determined with the issue of the relevant class by the body authorised to issue the shares in question, all of this subject to the Supervisory Board's approval. The dividend shall be expressed as a percentage of the yield basis for the preference shares of the relevant class, as referred to in Article 8 paragraph 2 sub b. The resolution to issue preference shares of a specific class may provide:

   that the dividend will be amended and readopted in accordance with the previous two sentences on the dates set out in the resolution (the "Dividend Review Dates");

   that any deficit arising from the fact that the profit realised in a given year is insufficient to allow for payment of the full dividend on preference shares of the relevant class shall becharged against the profit of the next financial year(s) in which the profit is sufficient to allow for any such payment;

   that any deficit arising from the fact that the profit realised in a given year is insufficient to allow for payment of the full dividend on preference shares of the relevant class shall be charged, where possible, against the Company's freely distributable reserves;

   that the dividend to be paid on the relevant preference shares shall be subordinated to the dividend to be paid on preference shares of any other class or classes.
3. The Board of Management shall annually decide, subject to approval by the Supervisory Board, which portion of the distributable profit after application of paragraphs 1 and 2 of this Article is to be reserved.
4. The portion of the profit which remains after payment of dividends on the preference shares and retention in any reserve shall be distributed as dividend to the ordinary shareholders.
5. The Board of Management may resolve to pay interim distributions, if the Supervisory Board so approves.
6. The Company may only distribute profit to its shareholders up to the distributable portion of the Company's equity.
7. Deficits may only be charged against the statutory reserves in so far as permitted by statute.
8. The profit shall be distributed after adoption of the annual accounts which confirm the lawfulness of the distribution.
9. Interim dividends may be paid only if it is evident from the interim financial accounts that the requirement of paragraph 6 of this Article is satisfied. The interim financial accounts must depict the Company's financial position no earlier than as at the first day of the third month prior to that in which the resolution to pay an interim dividend is made public. The interim accounts shall be prepared with due observance of generally accepted principles of valuation.

   The amounts to be reserved by statute shall be included in the financial accounts, which are to be signed by the members of the Board of Management. If the signature of any of these members is missing, this fact and the underlying reason shall be duly reported. The interim financial accounts shall be deposited at the office of the Commercial Register within eight days of the date on which the resolution to distribute an interim dividend is announced.
10. The shares held by the Company in its own capital shall be counted in the calculation of the profit distribution.
11. Resolutions to pay interim dividends and other distributions shall be made public without delay.

12. Any claims by shareholders for payment of dividends shall lapse after five years.

Proposed appropriation of result

The following proposal will be presented to the shareholders for adoption at the Annual General Meeting of Shareholders.

The result for the year 2009 will be appropriated as follows (including comparative amounts):

	2009	2008
	(In millions of euro)	
Reserve for equity accounted investees	2.8	5.8
Dividend preference shares	5.4	5.4
Dividend ordinary shares	—	—
Other reserves	(26.4)	58.1
	(18.2)	**69.3**

Employees

During 2009, the average number of employees employed by the Company (permanent and temporary) was 80 (2008: 71). The number of employees (permanent and temporary) employed by the Company at 31 December 2009 was 77 (31 December 2008: 78).

Events after the balance sheet date

On 5 January 2010 the Board of Management of Draka Holding N.V. announced that it intends to close its factory in Årnes (Norway). The factory is dedicated to the manufacturing of copper data communication cables for Local Area Network applications and employs around 125 people. The intention is to move the existing production capacity to its other facilities in Europe. The total termination of the activities has been communicated to the employees and will be finalized before the end of 2010. The intended closure of our factory in Årnes forms part of Draka's extended Triple S cost savings programme which was announced in October 2009.

AUDITOR'S REPORT

To: The general meeting of shareholders of Draka Holding N.V.

Report on the financial statements

We have audited the accompanying financial statements 2009 of Draka Holding N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2009, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in total equity and consolidated statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2009, the company statement of income for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the board of management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Draka Holding N.V. as at December 31, 2009, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Draka Holding N.V. as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, February 19, 2010

Deloitte Accountants B.V.

P.J. Bommel

TRUSTEE REPORT

4 per cent. Convertible Subordinated Bonds 2005 due 2010
with principal amount of €100,000,000
of Draka Holding N.V.

In compliance with the provisions of article 17, paragraph b 2 of the trust deed executed before Mr. R.J.J. Lijdsman on September 22, 2005, we report as follows.

Unless previously purchased, redeemed or converted as provided in the trust deed, the bonds will be redeemed at par on September 22, 2010. Up to and including September 15, 2010 the bonds are convertible into ordinary shares Draka Holding N.V. of €0.50 nominal value on payment of the applicable conversion price. The current conversion price is €14.71.

During the year in total 1 bond of €1,000.– has been offered for conversion. The outstanding amount of the bonds per 31 December 2009 was €25,715,000. The trustee is authorised irrevocably by Draka Holding N.V. to issue as many ordinary shares as required to allow full conversion of all outstanding bonds.

Draka Holding N.V. is authorised to redeem early all of the outstanding bonds:

provided that within a period of 30 subsequent trading days, ending 5 trading days prior to the announcement of early redemption, the closing price of the ordinary shares in Draka Holding N.V. on Euronext Amsterdam N.V. for not less than 20 trading days shall have been at least 130% of the then applicable conversion price;

if at least 90% of the bonds originally issued has been converted or purchased.

In case of a "Change of Control" as referred to in the trust deed, Draka Holding N.V. will offer bond holders the opportunity to redeem their bonds early.

Amsterdam, January 27, 2010

ANT Trust & Corporate Services N.V.

L.J.J.M. Lutz

Ten years of Draka Holding N.V.

	2009[4]	2008[4]	2007[4]	2006[4]	2005[4]	2004[4]	2003	2002	2001	2000[2]
RESULTS (x €million)										
Revenue	**2,048**	2,829	2,816	2,529	1,879	1,684	1,420	1,499	1,917	1,810
EBITDA	**72**	156	198	112	89	56	103	53	250	227
Operating result	**9**	95	146	58	31	(4)	42	(10)	189	171
Result before income tax	**(17)**	63	116	32	(8)	(36)	8	(49)	153	132
Result for the year (equity holders)	**(18)**	69	93	22	4	(9)	11	(25)	118	97
BALANCE SHEET (x €million)										
Shareholders' equity	**550**	440	401	427	360	445	362	383	430	340
Guarantee capital [1]	**569**	490	523	620	702	624	563	618	556	503
Total assets	**1,589**	1,703	1,799	1,745	1,638	1,604	1,279	1,386	1,549	1,435
Current assets -/- non-interest bearing current liabilities	**293**	415	415	280	302	380	355	402	455	467
PER ORDINARY SHARE (x €1)										
Shareholders' equity (excluding preference shares)	**9.69**	8.96	9.11	9.85	10.13	8.84	11.16	12.13	14.98	10.65
Result for the year after dividend on preference shares	**(0.56)**	1.78	2.46	0.57	0.12	(0.67)	0.12	(1.62)	5.43	4.58
Proposed dividend	**—**	—	0.68	0.37	—	—	0.10	—	1.63	1.37
Pay-out	**—**	—	30%	30%	—	—	83%	—	30%	30%
Highest share price	**14.26**	25.20	42.20	26.60	14.30	20.90	16.85	45.71	67.35	89.40
Lowest share price	**4.17**	5.97	19.75	11.70	9.95	8.75	4.10	7.15	36.35	46.80
Market price at year end	**13.46**	6.54	23.00	25.80	13.23	10.70	15.60	9.45	39.50	57.40
Price / Earnings ratio on basis of price at year end	**(24.2)**	3.7	9.3	45.0	110.3	(16.0)	130.0	(5.8)	7.3	12.5
Price of convertible subordinated bond 2010 at year end	**101%**	74%	156%	168%	103%	—	—	—	—	—
RATIOS (in %)										
Operating result / Revenue	**0.4**	3.4	5.2	2.3	1.6	(0.3)	3.0	(0.7)	9.9	9.4
ROTA[3]	**(1.1)**	3.6	6.5	1.9	(0.5)	(2.5)	0.7	(3.4)	10.6	9.5
Result for the year / Revenue	**(0.9)**	2.4	3.3	0.9	0.2	(0.5)	0.8	(1.7)	6.1	5.3
Result for the year / Average shareholders' equity (excluding preference shares)	**(4.6)**	21.4	27.6	6.1	1.3	(2.4)	3.0	(6.2)	30.5	32.2
Shareholders' equity / Total assets	**34.6**	25.9	22.3	24.5	22.0	27.7	28.3	27.6	27.8	23.7
Guarantee capital / Total assets	**35.8**	28.8	29.1	35.5	42.8	38.9	44.0	44.6	35.9	35.1
OTHER RATIOS										
Current ratio	**1.3**	1.6	1.4	1.2	1.4	1.4	1.5	1.3	1.1	1.3
Quick ratio	**0.8**	0.9	0.8	0.7	0.8	0.8	0.8	0.7	0.6	0.8
Revenue of total assets	**1.3**	1.7	1.6	1.5	1.1	1.0	1.1	1.1	1.2	1.2

1 Shareholders' equity, provision for deferred taxation and long-term part of convertible subordinated bond and other subordinated loans
2 Changed for comparison purposes
3 Result before income tax / Average total assets (prior years are changed accordingly)
4 IFRS

Draka

Condensed consolidated statement of income
(unaudited)

	Six months ended 30 June	
	2010	**2009**
	(In millions of euro)	
Revenue	1,143.9	1,021.8
Cost of sales	(1,046.2)	(920.2)
Gross profit	**97.7**	**101.6**
Selling, distribution and other expenses	(85.5)	(78.5)
Operating result	**12.2**	**23.1**
Net finance expense	(14.6)	(16.7)
Share of profit of equity accounted investees (net of income tax)	4.1	0.2
Result before income tax	**1.7**	**6.6**
Income tax benefit / (expense)	0.6	(0.1)
Result for the period	**2.3**	**6.5**
Attributable to:		
Equity holders of the company	1.5	6.0
Minority interests	0.8	0.5
Result for the period	**2.3**	**6.5**
Basic earnings per share (euro)	(0.03)	0.08
Diluted earnings per share (euro)	(0.03)	0.08

Condensed consolidated statement of comprehensive income
(unaudited)

	Six months ended 30 June	
	2010	**2009**
	(In millions of euro)	
Result for the period	**2.3**	**6.5**
Foreign exchange translation differences	60.0	6.3
Effective portion of fair value changes of cash flow hedges (net of income tax)	(8.4)	18.7
Share of other comprehensive income of equity accounted investees	(0.3)	4.2
Other comprehensive income for the period	**51.3**	**29.2**
Total comprehensive income for the period	**53.6**	**35.7**
Attributable to:		
Equity holders of the company	49.4	35.0
Minority interests	4.2	0.7
Total comprehensive income for the period	**53.6**	**35.7**

The selected explanatory notes on pages 469-471 are an integral part of the condensed interim financial statements for the first half year 2010

Condensed consolidated balance sheet

(unaudited)

	30-06-2010	31-12-2009	30-06-2009
	(In millions of euro)		
Assets			
Non-current assets			
Property, plant and equipment	561.2	541.7	553.9
Intangible assets	115.7	114.3	114.6
Investments in equity accounted investees	60.4	49.7	43.4
Deferred tax assets	57.9	51.9	53.4
Derivative financial instruments	0.1	0.6	—
Other non-current financial assets	15.1	15.0	21.6
Total non-current assets	**810.4**	**773.2**	**786.9**
Current assets			
Inventories	405.7	350.3	339.2
Trade and other receivables	519.8	381.4	457.9
Derivative financial instruments	—	9.5	2.2
Income tax receivable	1.6	0.9	1.6
Cash and cash equivalents	84.6	74.0	64.2
Total current assets	**1,011.7**	**816.1**	**865.1**
Total assets	**1,822.1**	**1,589.3**	**1,652.0**
Equity			
Shareholders' equity			
Share capital	27.2	27.2	22.8
Share premium	457.5	457.5	360.9
Retained earnings	84.0	84.1	112.9
Other reserves	25.9	(19.3)	(25.7)
Total equity attributable to equity holders of the company	**594.6**	**549.5**	**470.9**
Minority interests	**25.2**	**21.0**	**25.9**
Total equity	**619.8**	**570.5**	**496.8**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	325.6	286.8	469.5
Provision for employee benefits	84.1	82.7	82.2
Derivative financial instruments	7.0	5.6	4.5
Other provisions	20.9	20.0	19.1
Deferred tax liabilities	16.1	19.0	24.0
Total non-current liabilities	**453.7**	**414.1**	**599.3**
Current liabilities			
Bank overdrafts	10.3	6.9	46.3
Interest-bearing loans and borrowings	85.9	74.7	25.1
Derivative financial instruments	8.5	5.0	4.4
Trade and other payables	617.5	489.3	463.7
Income tax payable	4.4	6.3	8.1
Other provisions	22.0	22.5	8.3
Total current liabilities	**748.6**	**604.7**	**555.9**
Total liabilities	**1,202.3**	**1,018.8**	**1,155.2**
Total equity and liabilities	**1,822.1**	**1,589.3**	**1,652.0**

The selected explanatory notes on pages 469-471 are an integral part of the condensed interim financial statements for the first half year 2010

Condensed consolidated statement of cash flows
(unaudited)

	Six months ended 30June	
	2010	**2009**
	(In millions of euro)	
Result for the period	2.3	6.5
Depreciation	27.8	28.0
Amortisation	3.3	2.8
Net finance expense	14.6	16.7
Share of profit of equity accounted investees	(4.1)	(0.2)
Equity-settled share based payments	0.9	1.2
Income tax (benefit) / expense	(0.6)	0.1
	44.2	**55.1**
Changes in inventories	(30.6)	40.1
Changes in trade receivables	(92.3)	(15.0)
Changes in trade payables	76.4	24.5
Changes in other working capital and other	18.7	1.5
	16.4	**106.2**
Interest paid	(12.3)	(21.9)
Income tax paid	(6.7)	(1.4)
Application of provisions	(14.7)	(8.2)
Net cash from operating activities	**(17.3)**	**74.7**
Dividends received	2.3	1.8
Proceeds from sale of property, plant and equipment	1.5	3.9
Disposal of subsidiaries and associates, net of cash disposed of	—	13.5
Acquisition of subsidiaries and associates, net of cash acquired	(3.0)	(6.7)
Acquisition of intangible assets	(1.3)	(3.5)
Acquisition of property, plant and equipment	(11.8)	(17.2)
Net cash used in investing activities	**(12.3)**	**(8.2)**
Dividends paid (preference shares)	(5.4)	(5.4)
Shares acquired and delivered under long-term incentive plans	0.2	—
Movements in bank loans	35.6	(86.4)
Net cash from financing activities	**30.4**	**(91.8)**
Net increase / (decrease) in cash and cash equivalents	**0.8**	**(25.3)**
Cash and cash equivalents at 1 January (net of bank overdrafts)	67.1	41.2
Exchange rate fluctuations on cash and cash equivalents	6.4	2.0
Cash and cash equivalents at 30 June (net of bank overdrafts)	74.3	17.9

The selected explanatory notes on pages 469-471 are an integral part of the condensed interim financial statements for the first half year 2010

Condensed consolidated statement of changes in total equity (unaudited)

	Share capital	Share premium	Translation reserve	Hedging reserve	Preference shares dividend reserve	Retained earnings and other reserves	Share-holders' equity	Minority Interests	Total equity
	(In millions of euro)								
Balance as at 31 December 2008	**22.8**	**360.9**	**(29.6)**	**(27.8)**	**5.4**	**108.7**	**440.4**	**25.4**	**465.8**
Foreign exchange translation differences	—	—	6.1	—	—	—	6.1	0.2	6.3
Effective portion of fair value changes of cash flow hedges (net of income tax)	—	—	—	22.9	—	—	22.9	—	22.9
Total income and expenses recognised directly in equity	**—**	**—**	**6.1**	**22.9**	**—**	**—**	**29.0**	**0.2**	**29.2**
Result for the period	—	—	—	—	2.7	3.3	6.0	0.5	6.5
Total recognised income and expense	**—**	**—**	**6.1**	**22.9**	**2.7**	**3.3**	**35.0**	**0.7**	**35.7**
Share-based payments	—	—	—	—	—	1.2	1.2	—	1.2
Effect of acquisitions and divestments	—	—	—	—	—	(0.3)	(0.3)	(0.2)	(0.5)
Dividends paid	—	—	—	—	(5.4)	—	(5.4)	—	(5.4)
Total direct changes in equity	**—**	**—**	**—**	**—**	**(5.4)**	**0.9**	**(4.5)**	**(0.2)**	**(4.7)**
Balance as at 30 June 2009	**22.8**	**360.9**	**(23.5)**	**(4.9)**	**2.7**	**112.9**	**470.9**	**25.9**	**496.8**
Balance as at 31 December 2009	**27.2**	**457.5**	**(22.8)**	**(1.9)**	**5.4**	**84.1**	**549.5**	**21.0**	**570.5**
Foreign exchange translation differences	—	—	56.6	—	—	—	56.6	3.4	60.0
Effective portion of fair value changes of cash flow hedges (net of income tax)	—	—	—	(8.7)	—	—	(8.7)	—	(8.7)
Total income and expenses recognised directly in equity	**—**	**—**	**56.6**	**(8.7)**	**—**	**—**	**47.9**	**3.4**	**51.3**
Result for the period	—	—	—	—	2.7	(1.2)	1.5	0.8	2.3
Total recognised income and expense	**—**	**—**	**56.6**	**(8.7)**	**2.7**	**(1.2)**	**49.4**	**4.2**	**53.6**
Share-based payments	—	—	—	—	—	1.1	1.1	—	1.1
Dividends paid	—	—	—	—	(5.4)	—	(5.4)	—	(5.4)
Total direct changes in equity	**—**	**—**	**—**	**—**	**(5.4)**	**1.1**	**(4.3)**	**—**	**(4.3)**
Balance as at 30 June 2010	**27.2**	**457.5**	**33.8**	**(10.6)**	**2.7**	**84.0**	**594.6**	**25.2**	**619.8**

The selected explanatory notes on pages 469-471 are an integral part of the condensed interim financial statements for the first half year 2010

Selected explanatory notes

1. General

Draka Holding N.V. ("the Company") is a company domiciled in Amsterdam, the Netherlands. The condensed consolidated interim financial statements for the first half year 2010 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in equity accounted investees.

The condensed consolidated interim financial statements have been prepared by the Board of Management and were authorized for issuance. The condensed consolidated interim financial statements have not been audited.

2. Significant accounting policies

Introduction

These condensed consolidated interim financial statements have been prepared in accordance with IFRS and its interpretations issued by the IASB, as adopted by the EU.

The accounting policies applied in these condensed consolidated interim financial statements are the same accounting policies as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009 as included in the Annual Report 2009 issued on 19 February 2010, except for the adoption of the following new standards, amendments to standards and interpretations which have been adopted as relevant to the Company for the first time:

Accounting for business combinations

On January 1, 2010, the Company applied IFRS 3 'Business Combinations' (revised standard 2008) in accounting for business combinations. The revised standard has been applied prospectively and since there were no significant acquisitions during the first half of 2010, the change did not have a material impact on the Company's consolidated financial statements.

For acquisitions on or after January 1, 2010, the contingent consideration transferred is valued at fair value; changes after initial recognition are recorded in the profit and loss account. Transaction costs, other than those associated with the issue of debt or equity securities, which the Company incurs in connection with a business combination, are expensed as incurred.

Other IFRS standards and interpretations effective from January 1, 2010 did not have a material impact on the Company.

3. Basis for presentation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009. The consolidated financial statements of the Group as at and for the year ended 31 December 2009 are available upon request at the Company's office or at www.draka.com.

4. Estimates

The condensed consolidated interim financial statements 2010 are prepared in accordance with IAS 34, which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

5. Segment reporting

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

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

Six months ended 30 June (unaudited)	Energy & Infrastructure		Industry & Specialty		Communications		Not allocated to segments / eliminations		Consolidated	
	2010	**2009[1]**	**2010**	**2009[1]**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
					(In millions of euro)					
Revenue from external customers	409.4	349.9	349.8	312.3	384.7	359.6	—	—	1,143.9	1,021.8
Intersegment transactions	29.0	22.7	9.8	6.3	21.8	15.7	(60.6)	(44.7)	—	—
Revenue	**438.4**	**372.6**	**359.6**	**318.6**	**406.5**	**375.3**	**(60.6)**	**(44.7)**	**1,143.9**	**1,021.8**
Operating result (excluding non-recurring items)	13.7	18.3	11.6	20.6	17.2	9.8	(8.5)	(7.7)	34.0	41.0
Non-recurring items	(9.0)	(3.8)	(3.0)	(12.7)	(9.8)	(1.4)	—	—	(21.8)	(17.9)
Operating result	**4.7**	**14.5**	**8.6**	**7.9**	**7.4**	**8.4**	**(8.5)**	**(7.7)**	**12.2**	**23.1**
Net finance expense									(14.6)	(16.7)
Share of profit of equity accounted investees									4.1	0.2
Income tax benefit / (expense)									0.6	(0.1)
Result for the period									**2.3**	**6.5**

1) Due to reclassification of (OEM) revenues between Energy & Infrastructure and Industry & Specialty, the revenues in 2009 have been restated to facilitate comparison

6. Non-recurring items

In the first half of 2010 the Group recognised non-recurring items amounting to €21.8 million. These costs relate for an amount of approximately €7 million to the in January 2010 announced closing of the factory in Årnes (Norway) and approximately €3 million to the in the last quarter of 2009 announced closure of the plant in Ystad. The remaining expenses primarily relate to the overflow of various in 2009 announced restructurings.

7. Acquisitions and disposals of subsidiaries

On April 27, 2010, the Company announced that it has reached an agreement to acquire certain assets of Pressure Tube Manufacturing (PTM), a specialty tubing manufacturer located in New Jersey, USA. The total acquisition price amounts to approximately $ 8.5 million, of which $ 4 million is paid in the first half of 2010. The remaining part will be paid in 2 tranches in 2011 and 2012.

8. Dividend

During the first half year of 2010 €5.4 million dividend on redeemable preference shares was paid out for the 2009 financial year.

9. Interest-bearing loans and borrowings

Total interest-bearing loans and borrowings (non-current and current) increased with €50 million compared to 31 December 2009, mainly due to an increase of the Multicurrency revolving credit facility primarily due to the seasonal increase in operating working capital.

10. Related parties transactions

There are no material changes in the nature, scope and (relative) scale in this reporting period compared to the disclosures in note 31 of the consolidated financial statements as at and for the year ended 31 December 2009.

11. Risk profile

In our Annual Report 2009 we have extensively described certain risk categories and risk factors which could have an (adverse) impact on our financial position and results. Those risk categories and risk factors are deemed incorporated and repeated in this report by reference.

Additional risks not known to us, or currently believed not to be material, could later turn out to have a material impact on our businesses, objectives, revenues, income, assets, liquidity, or capital resources.

12. Responsibility statement Board of Management

This report contains the semi-annual financial report of Draka Holding N.V. ('the Company'), with limited liability, headquartered in Amsterdam, the Netherlands.

The semi-annual financial report for the six months ended 30 June 2010 consists of the condensed consolidated semi-annual financial statements, the semi-annual management report and responsibility statement by the Company's Board of Management. The information in this semi-annual financial report is unaudited.

The condensed consolidated semi-annual financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's consolidated IFRS financial statements for the year ended 31 December 2009.

The Board of Management of the Company hereby declares that to the best of their knowledge, the semi-annual financial statements, which have been prepared in accordance with the applicable financial reporting standards for interim financial reporting, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the semi-annual management report gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Amsterdam, 19 August 2010

Board of Management

Frank Dorjee

Okke Koo

1.3.2 Review Report half year figures

Review Report

To the shareholders of Draka Holding N.V.
Amsterdam

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Draka Holding N.V., Amsterdam, which comprise the condensed consolidated balance sheet as at June 30, 2010, the condensed consolidated statement of income, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, condensed consolidated statement of changes in total equity for the six months' period ended June 30, 2010, and the notes thereto. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at June 30, 2010 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting", as adopted by the European Union.

Amsterdam, December 17, 2010

Deloitte Accountants B.V.

P.J. Bommel

1.4 Trading update

Recovery in demand gaining momentum, forecasted operating result[2] of €80–85 million of which €46-51 million is expected for H2 2010 (up 34–49% vs. H2 2009)

Net result[2] of €50–55 million expected in 2010

- **Market conditions** improving compared with H2 2009 and H1 2010. Recovery in both industry-related cable activities and communication cable activities. European construction markets stable overall, with slowing decline in the Benelux compensated by modest growth in the Scandinavian countries. Pressure on prices has not increased, pressure on margins from higher raw-material prices (polymers) has eased.
- **Volume growth** 3.5% in period from 1 July to 31 October 2010; growth gathering pace after +0.9% in Q2 2010 and –2.5% in Q1 2010, driven mainly by stronger demand for high-end special-purpose cables and optical fiber telecommunication cables.
- **EBITDA**[1] expected to rise to €142–147 million in 2010 (€138.2 million in 2009).
- **Operating result**[2] of €80–85 million expected in 2010 compared with €75.3 million in 2009. This implies a forecasted result of €46-51 million in H2 2010, up 34-49% vs. H2 2009.
- **Result for the year**[2] expected to be around €50–55 million compared with €48.3 million in 2009.
- **Maintaining momentum in cost-reduction programmes**: projects already in progress are on track and new programmes have been started. Reduction in cost base of around €30 million in 2010 and additional circa €10 million in 2011.
- **Operating working capital** as a percentage of revenue expected to rise slightly to 14–15% from 13.7% in 2009. Higher working capital due to volume growth, considerably higher copper prices and exchange effects offset by free cash flow. Net debt expected to remain stable relative to year-end 2009 (€295 million).
- **Unsolicited indicative non-binding proposal** by Nexans: after careful consideration the Boards of Draka are of the view that the current proposal is inadequate and have initiated a review of its strategic alternatives, including continuing the stated stand-alone strategy.

This trading update for 2010 is issued by Draka Holding N.V., one of the world's leading producers of low-voltage cable, cable for OEMs and communication cable, ahead of the publication of the full-year figures on Tuesday, 15 February 2011 (before start of trading).

Commenting on the expected results in 2010, Frank Dorjee, Chairman and CEO of Draka Holding N.V, said: '*The cautious recovery in demand that started in the second quarter has continued and gathered pace in the second half of 2010. This is expected to translate into a considerably higher operating result – excluding non-recurring items – in H2 2010 compared with both H2 2009 and H1 2010. With demand picking up, we are deriving extra benefit from the strong reduction in our cost base we have achieved in the past two years and we have embarked on new initiatives that will yield a further reduction in our cost base in 2011. It is also encouraging that price pressure has not intensified and the pressure on margins from higher raw-material prices is easing.*

We look forward to 2011 with confidence built on consistent pursuit of our strategy, including new growth initiatives and cost-reduction measures, and the market recovery which is now in evidence.

We remain of the view that the current proposal from Nexans is not in the interests of our stakeholders and are reviewing our alternatives. We are making good progress with this review and will keep all of our stakeholders informed of any significant developments.'

DRAKA GROUP

Developments in H2 2010

The slight improvement in the market conditions which started in the second quarter of 2010 gained momentum in the third quarter and the beginning of the fourth quarter of 2010. This recovery has manifested itself primarily in the special-purpose cable and communication cable segments. The end markets for construction-related cable in Europe remain more or less stable.

The picture in the construction-related activities in Europe is mixed, with a small increase in several Scandinavian countries wiped out by the continuing fall in demand in the Benelux. One positive sign, however, is that the rate of decline in demand in the Benelux has not increased compared with the

1 Excluding non-recurring items. Gross non-recurring items in 2010 are expected to be around €45 million negative (2009: €66.5 million negative).

first half of 2010. The picture in the Asia-Pacific region is also mixed, with demand again falling back a little after a strong initial recovery.

In the special-purpose cable segment, the Industrial division has posted the strongest performance, in line with expectations, driven mainly by the wind-energy segment. The Elevator Products and Offshore divisions are also reporting higher demand in the second half of the year. Automotive & Aviation and Cableteq USA have remained stable relative to the first half of 2010.

The communication cable activities are benefiting from the sustained high demand for optical fiber. Demand for optical fiber telecommunication cable has also risen in Europe and the United States in the second half of the year, reflecting greater propensity on the part of telecom operators to invest in Fiber-to-the-Home projects. The data communication cable activities have recovered significantly from the steep decline in 2009.

Forecast result for 2010

Draka expects to report marginally higher volume (0–2%) in 2010 compared with 2009. All of this increase will occur in the second half of the year, with 3–4% growth after the 0.6% decline in volume reported in the first six months of 2010. The forecast volume growth will translate into slightly higher capacity utilisation at Draka's factories, especially in the second half of the year, which will benefit profitability. On the downside, the competitive market conditions, though no worse than in H1 2010, will adversely affect the result, but this is expected to be more than compensated by the positive effects of the improved product mix and the cost-reduction programmes that have been implemented. The cost savings are expected to total around €30 million in 2010.

Draka is forecasting an operating result, excluding non-recurring items, of €80–85 million in 2010, compared with €75.3 million in 2009. This implies an expected operating result in the second half of 2010 of €46–51 million, considerably higher (34–49%) than the €34.3 million realised in the same period in 2009. The net result excluding non-recurring items is expected to come in at €50–55 million, compared with €48.3 million in 2009. Including non-recurring items, the operating result is expected to be €35–40 million (2009: €8.8 million), with a net result of €9–14 million (2009: €18.2 million loss).

Non-recurring items

The non-recurring items in 2010 are expected to total around €45 million negative. These relate to the cost of Triple S projects that have already been announced and new projects designed primarily to reduce overhead expenses and implement operational excellence. Of the total cost of €45 million around €10 million can be regarded as non-cash.

Cost-saving measures

Draka expects to complete the closure of the factories in Ystad (Sweden) and Årnes (Norway) this year. The other measures, including the further downsizing of the automotive cable production activities in several countries (Automotive & Aviation) and the implementation of various efficiency measures in the Communications group, will also be completed this year. The new projects started in the second half of 2010 with the aim of reducing overhead expenses and implementing operational excellence in Draka's three groups are expected to reach completion in 2011.

As a result of these measures, the workforce will be reduced by 300 in 2010, a decrease of 3% compared with year-end 2009. Cost savings in 2010 will total around €30 million, in line with earlier estimates. The savings in 2011 yielded by the cost-reduction programmes that are currently in progress are estimated at about €10 million.

Working capital and cash flow

Draka's operating working capital is expected to increase significantly in 2010 compared with year-end 2009 (€281 million), due to 1) the considerable rise in the copper price, 2) exchange effects and 3) the expected volume growth in the second half of the year.

The operating working capital as a percentage of revenue is expected to be 14–15%, slightly better than the target range of 15–17% and slightly higher than the 13.7% figure in 2009.

Draka expects the positive cash flow from operating activities to be sharply lower compared with the €189 million realised in 2009. This is due entirely to the projected significant increase in operating working capital, compared with the €143.4 million decrease in working capital in 2009.

Net debt is expected to remain fairly stable relative to the €295 million figure as at year-end 2009.

ENERGY & INFRASTRUCTURE

The European construction markets are stable overall, with slowing decline in the Benelux compensated by limited growth in the Scandinavian countries. Because volume is keeping pace with the market trend in the individual geographical markets, Draka's market share is remaining stable.

The picture in the Asia-Pacific region is mixed, with demand again falling back a little after a strong initial recovery. Draka's position in the region has been significantly strengthened by the opening of a second factory in Malaysia. When market demand picks up again, driven by the strong economic recovery, Draka will be ideally placed to benefit.

The group's strategy of focusing constantly on offering added value by reliably supplying a complete range of products that achieve ever higher levels of performance is continuing to prove its worth in the current market conditions. At the same time, the group is constantly targeting new segments (industry, infrastructure and renewable energy) and high-margin products such as halogen-free and fire-resistant cable. There has been a further structural reduction in the fixed cost base with the closure of the factory in Ystad (Sweden).

INDUSTRY & SPECIALTY

The Automotive & Aviation division's position has remained stable compared with the first half of 2010. Demand for cable for the automotive industry is still running at a high level and the prospects for demand in the upmarket segment of the car market, where Draka holds a large market share, are encouraging. Demand in the aviation segment (cables for Airbus) has risen compared with the first half of the year.

Elevator Products volume is rising again after the strong decline in the first six months of 2010, driven by the sustained growth of the Chinese market.

The Industrial division is experiencing substantial recovery in demand in the second half of 2010. The marked improvement in order intake for cable for the renewable energy market that was previously reported is expected to generate important volume growth in the last half of 2010. Orders for submarine cable are also rising, and this is already translating into higher revenue in the Offshore division in 2010.

Organic growth in demand at Cableteq USA is remaining stable at the good level of the first half-year. Pressure Tube Manufacturing (VS), a producer of high-pressure tubing for the US oil and gas industry which was acquired in the first half of 2010, is already contributing strongly to profit and is expected to make a significant contribution to organic growth in 2011.

COMMUNICATIONS

The communication cable activities are benefiting from the sustained high demand for optical fiber. The slightly lower demand in Asia is being offset completely by higher demand in North America and Europe, from which Draka is deriving maximum benefit thanks to its strong position in these two regions.

Demand for optical fiber cable is rising, driven by the greater propensity on the part of telecom operators in Europe and the United States to invest in Fiber-to-the-Home (FTTH) projects. Growth is particularly strong in Europe, where Draka has fulfilled several major FTTH contracts, but competition remains intense and selling prices are still under pressure. Draka is responding by further reducing its cost base.

The leading position in optical fiber cable enjoyed by Draka's joint ventures in China and Brazil is also contributing to the rising trend in results in the second half of the year.

Demand for data communication cable is recovering strongly after the steep decline in 2009, due to substantial investments in new data centres which are being driven by developments such as cloud computing. This is benefiting high-end applications such as cable for 10GB networks in particular. Furthermore, recovery in demand is also driven by Draka's improved market position in several European countries.

The various cost-saving measures implemented in 2009 are on track and have been further expanded. These are aimed mainly at reducing the fixed costs.

NOTE FOR EDITORS: for more information, please contact:

Draka Holding N.V.:

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Cautionary note regarding forward-looking statements

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

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

2011 Financial calendar (provisional)

Publication of 2010 full-year figures	**Tuesday 15 February 2011 (before start of trading)**
General Meeting of Shareholders, Holiday Inn	**Monday 9 May 2011**
Amsterdam	**Start at 14.30h**
Publication of trading update for the first half of 2011	**Wednesday 18 May 2011 (before start of trading)**
Publication of 2011 half-year figures	**Thursday 4 August 2011 (before start of trading)**
Publication of trading update for the second half of 2011	**Tuesday 15 November 2011 (before start of trading)**

Company profile

Draka Holding N.V. ('Draka') is the holding company of a number of operating companies that are active worldwide in the development, production and sale of cable and cable systems. Draka's activities are divided into three groups: Energy & Infrastructure, Industry & Specialty and Communications.

Within these three groups, the activities are organised into divisions. Energy & Infrastructure consists of the Europe and Asia-Pacific divisions; Industry & Specialty consists of the Automotive & Aviation, Elevator Products, Cableteq USA, Industrial and Offshore divisions and the Communications Group comprises the Telecom Solutions, Multimedia and Specials, Americas and Optical Fiber divisions.

Draka has 68 operating companies in 31 countries throughout Europe, North and South America, Asia and Australia. Worldwide, the Draka companies employ some 9,600 people. Draka Holding N.V.'s head office is in Amsterdam. In 2009, Draka reported revenue of €2.0 billion and net income of €48.3 million (excluding non-recurring items).

Draka Holding N.V. ordinary shares and subordinated convertible bonds are listed on NYSE Euronext

Amsterdam. The company is included in the Next150 index and the AMX index (Amsterdam Midkap index). Options on Draka shares are also traded on the NYSE Euronext Amsterdam Derivative Markets.

More information on Draka Holding N.V. can be found at www.draka.com.

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Position Statement

of

Draka Holding N.V.

Dated 5 January 2011

For the Extraordinary General Meeting of Shareholders of Draka Holding N.V.
to be held on 26 January 2011 at 14.00 CET
in the Holiday Inn Amsterdam Hotel, De Boelelaan 2, 1083 HJ Amsterdam, the Netherlands

Relating to the recommended offer by Prysmian S.p.A.
dated 5 January 2011
for all the issued and outstanding ordinary shares in Draka Holding N.V.

In accordance with article 18 paragraph 2 and Annex G
of the Dutch Public Offers Decree Wft (*Besluit openbare biedingen Wft*)

Important information

This Position Statement has been published by the Supervisory Board and Board of Management of Draka for the sole purpose of providing information to the Shareholders on the recommended offer by Prysmian for all the issued and outstanding ordinary shares in Draka, as required pursuant to Article 18, paragraph 2 and Annex G of the Dutch Public Offers Decree (*Besluit openbare biedingen Wft*).

Any capitalised terms in this Position Statement other than in Appendix I (Fairness Opinion J.P. Morgan plc) shall have the meaning attributed to them in Section 4 of the Offer Memorandum (Definitions). Any reference in this Position Statement to defined terms in plural form shall constitute a reference to such defined terms in singular form, and vice versa. All grammatical and other changes required by the use of a definition in singular form shall be deemed to have been made herein and the provisions hereof shall be applied as if such changes have been made.

This document does not constitute or form part of an offer to sell, or a solicitation of an offer to purchase, any securities to any person in any jurisdiction. This document is not for release, distribution or publication, in whole or in part, in Australia, Canada, Japan, or the United States of America.

Draka is exclusively responsible for the accuracy and completeness of the information contained in this Position Statement.

Copies of this Position Statement are available at www.draka.com and can be obtained free-of-charge by contacting Draka via its website or by telephone on +31 20 56 89 805.

This Position Statement includes ''forward looking statements'' including statements about the expected timing and completion of the Offer. Forward looking statements involve known or unknown risk and uncertainty because these statements relate to events and depend on circumstances that all occur in the future. Generally, words such as may, should, aim, will, expect, intend, estimate, anticipate, believe, plan, seek, continue or similar expressions identify forward looking statements. Although Draka believes the expectations reflected in such forward looking statements are based on reasonable assumptions and to the best of its knowledge and beliefs, as of the date hereof, are true and accurate in all material respects, no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of such statements. Any such forward looking statements must be considered, together with the fact that actual events or results may vary materially from such forward looking statements due to, among other things, political, economic or legal changes in the markets and environments in which Draka does business, competitive developments or risks inherent to Draka's business plans and uncertainties, risk and volatility in financial markets and other factors affecting Draka.

The information included in this Position Statement reflects the situation as of the date of this Position Statement. Except as otherwise required by applicable law, Draka undertakes no obligation to update publicly or revise publicly any such information, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Position Statement.

This Position Statement is governed by the laws of the Netherlands. The District Court of Amsterdam (*Rechtbank Amsterdam*) and its appellate courts shall have exclusive jurisdiction to settle any disputes which might arise out of or in connection with this Position Statement. Accordingly, any legal action or proceedings arising out of or in connection with this Position Statement may be brought exclusively in such courts.

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Appendix 1 – Fairness Opinion J.P. Morgan plc

1. INTRODUCTION

Dear Shareholder,

The Shareholders' Meeting to be held on 26 January 2011 is an important event for Draka and all its stakeholders, including the Shareholders. In this document, the Supervisory Board and Board of Management would like to provide you with their Position Statement (*gemotiveerde standpuntbepaling*) in respect of the Offer.

On 18 October 2010, Nexans S.A. (***Nexans***) announced its intention to enter into discussions with Draka in relation to a possible offer for the shares in Draka. Nexans had obtained the commitment of Flint, the main shareholder of Draka, to tender its shares in Draka, subject to certain conditions, in case Nexans would make an offer to acquire Draka. Nexans had agreed with Flint to make a proposal to Draka to negotiate an agreement for a recommended cash offer to purchase all of the outstanding ordinary shares of Draka at a price of € 15.00 per share, subject to certain conditions. On 27 October 2010, Draka announced that this unsolicited indicative non-binding proposal from Nexans was inadequate as it substantially undervalued Draka and did not address the position and legitimate interests of all stakeholders, nor the execution risk of the transaction as proposed by Nexans. Draka also announced it would actively review its strategic alternatives, including continuing Draka's stated stand-alone strategy, and that it would evaluate these alternatives taking into account the interests of all of its stakeholders, including the shareholders. In this context, Draka acknowledged Flint's intention to exit as a shareholder.

On 22 November 2010, after a number of conversations between Draka and Nexans, and after a careful review of Draka's strategic alternatives, Draka formally rejected Nexans' proposed offer. On that same date, Draka and Prysmian jointly announced that they had entered into the Merger Agreement to create a global leading player in the energy and telecom cable industry. The combination will be achieved by means of a public offer for all of the issued and outstanding ordinary share capital of Draka in a mixed cash and exchange offer, comprising of € 8.60 in cash and 0.6595 Prysmian share for each Draka share; valuing Draka at € 17.20 per share.[1] Separately, Flint has irrevocably undertaken to tender all shares held by it under the terms and conditions of the Offer Memorandum, subject to certain conditions.

Later that day, Tianjin Xinmao Science & Technology Investment Group Co. Ltd. (later: Tianjin Xinmao S&T Investment Corp. Ltd.) (***Xinmao***) announced its intention to make an alternative public cash offer at a price of € 20.50 per ordinary share (***Potential Offer***) subsequent to its earlier and highly indicative and conditional proposal valuing Draka at € 17.50 per ordinary share.

To date, after having given it careful and extensive consideration, the Supervisory Board and the Board of Management fully support and unanimously recommend the Offer and the transaction contemplated thereby to its Shareholders. In determining its position (including the recommendation of the Offer to the Shareholders) the Supervisory Board and the Board of Management have also taken into consideration the current status of the discussions with Xinmao and the conditionality and execution risks attached to the existing Offer by Prysmian and the current Potential Offer by Xinmao, respectively.

In the remainder of this document, the Supervisory Board and the Board of Management will address some important notes in respect of the Offer and the Potential Offer by Xinmao, as well as further background, including transaction rationale and decision making process on the recommended Offer.

1 Valued at Prysmian's closing price of € 13.04 on 19 November 2010.

2. IMPORTANT NOTES IN RESPECT OF THE OFFER BY PRYSMIAN AND THE POTENTIAL OFFER BY XINMAO

- **At the time of the announcement of the Offer, the Supervisory Board and the Board of Management had carefully reviewed all its strategic alternatives, including Draka's stated stand-alone strategy and a highly indicative and conditional proposal from Xinmao valuing Draka at € 17.50 per share, and concluded that the possible transaction with Prysmian provided premium value including the potential upside from synergies, provided maximum transaction certainty and was in the best interest of all stakeholders, including the Shareholders.**

- **The Supervisory Board and Board of Management have issued this Position Statement as per the date immediately prior to the release by Prysmian of its Offer Memorandum and it does therefore not cover any developments, including developments with respect to the Offer by Prysmian and/or the Potential Offer by Xinmao, after 5 January 2011.**

- **The Supervisory Board's and the Board of Management's recommendation is subject to their so-called "fiduciary out", all as agreed in the Merger Agreement dated 22 November 2010.**

- **Subject to certain conditions (see section 4.2 under "Certain arrangements" of this Position Statement) in the existing Merger Agreement, which conditions are currently not satisfied, the Supervisory Board and the Board of Management are entitled to withdraw their recommendation by terminating the Merger Agreement.**

- **The Supervisory Board and Board of Management have taken notice and are aware of the continuous interest of Xinmao to acquire Draka through a public offer, as reflected in Xinmao's press releases dated 22 November 2010, 29 November 2010 and 20 December 2010 respectively.**

- **The Supervisory Board and Board of Management have issued the following press releases in respect of the current Potential Offer by Xinmao:**

  - **On 23 November 2010, Draka announced it would accept the invitation of Xinmao to enter into discussions, in which the Supervisory Board and the Board of Management would explore the rationale, merits and risks for all Draka's stakeholders, including its Shareholders, of a possible business combination of Draka and Xinmao. The Supervisory Board and the Board of Management also allowed Xinmao to conduct certain due diligence investigations.**

  - **On 26 November 2010, Draka announced it had requested Xinmao to provide elaborate and detailed written information substantiating documentation in respect of questions and matters raised in connection with Xinmao's intention to launch a public offer.**

  - **On 17 December 2010, Draka announced it had facilitated Xinmao in its due diligence investigation by providing access to a data room as well as access to Draka's management and advisors. In addition, there were further discussions with Xinmao's Chairman and CEO and a site visit took place to one of Draka's production facilities. Draka also expressed its remaining concerns about the progress made by Xinmao in respect of securing financing and obtaining the relevant approvals.**

- **This Position Statement does not – within the boundaries of the Merger Agreement – preclude any offer by Xinmao nor the Supervisory Board's and Board of Management's ability to recommend any agreed public offer by Xinmao if (i) such offer would be agreed upon and launched within six weeks after such agreement with Xinmao, (ii) such offer exceeds the Implied Value by at least 15% and (iii) such offer is not "matched" by Prysmian – all as defined and in accordance with the Merger Agreement (see section 4.2 under "Certain arrangements" of this Position Statement).**

- **Under Dutch law, any party (thus including Xinmao) can launch a public offer on a Dutch listed company (thus including Draka) without the cooperation of such listed target company. Although Draka's cooperation is not required to have Xinmao launch a public offer, Draka has cooperated fully with Xinmao and will continue to do so, subject to Draka's contractual obligations as well as the Supervisory Board's and Board of Management's fiduciary obligations.**

- **Developments regarding the current Potential Offer by Xinmao will, to the extent known to the Supervisory Board and the Board of Management, be elaborated on during the Shareholders' Meeting. In the event that Xinmao launches a public offer on Draka, the Supervisory Board and Board of Management will issue a position statement in respect of such public offer by Xinmao as well.**

3. DECISION MAKING PROCESS BY THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT OF DRAKA

After having received extensive legal and financial advice and having given due and careful consideration to (i) the strategic, operational, financial and social aspects and consequences of the proposed transaction; (ii) the conditionality and execution risks attached to the Offer; (iii) the position of Draka's main Shareholder Flint; (iv) the current conditional proposal by and discussion with Xinmao and (v) having obtained the Fairness Opinion dated 22 November 2010 from J.P. Morgan plc, as included in Appendix I (Fairness Opinion J.P. Morgan plc) of this Position Statement, the Supervisory Board and the Board of Management of Draka have reached the conclusion that the Offer is in the best interest of Draka, its Shareholders and all other stakeholders of Draka.

Prior to the announcement on 22 November 2010 as well as throughout the process up to publication of the Offer Memorandum, the Supervisory Board and the Board of Management of Draka have met on a very frequent basis to discuss the preparations, developments, and progress in relation to the proposed transaction, as well as the considerations underlying key decisions in connection therewith. A steering committee, consisting of, amongst others, the CEO and the chairman of the Supervisory Board of Draka has been charged with the day-to-day events relating to the Offer and the Potential Offer. The terms and conditions of the Offer, as documented in the Merger Agreement, have been agreed between Draka and Prysmian and have been unanimously approved by the Supervisory Board, the Board of Management and the board of directors of Prysmian. For the purpose of this Position Statement: Supervisory Board means Draka's existing supervisory board with the exclusion of the two (potentially) conflicted members Mrs. A.M. Fentener van Vlissingen and Mr. F.H. Fentener van Vlissingen.

In articulating their opinion the Supervisory Board and Board of Management have each, amongst others, given due and careful consideration to:

1. identity and character of Prysmian;
2. price and type of consideration;
3. social aspects of the proposed transaction, including Prysmian's commitments;
4. (future) governance of Draka;
5. conditionality of the Offer;
6. execution risks, including transaction certainty;
7. position of Shareholders, including in particular Draka's main Shareholder Flint; and
8. anticipated settlement date (i.e. date on which the Shareholders of Draka can expect to receive the consideration).

In connection therewith, the Supervisory Board and the Board of Management have each, in separate meetings which took place on 4 January 2011, formally resolved to reaffirm their decisions taken prior to the announcement on 22 November 2010, and to unanimously support the Offer and unanimously recommend the Offer to Draka's Shareholders for acceptance.

4. TRANSACTION RATIONALE ACCORDING TO THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT

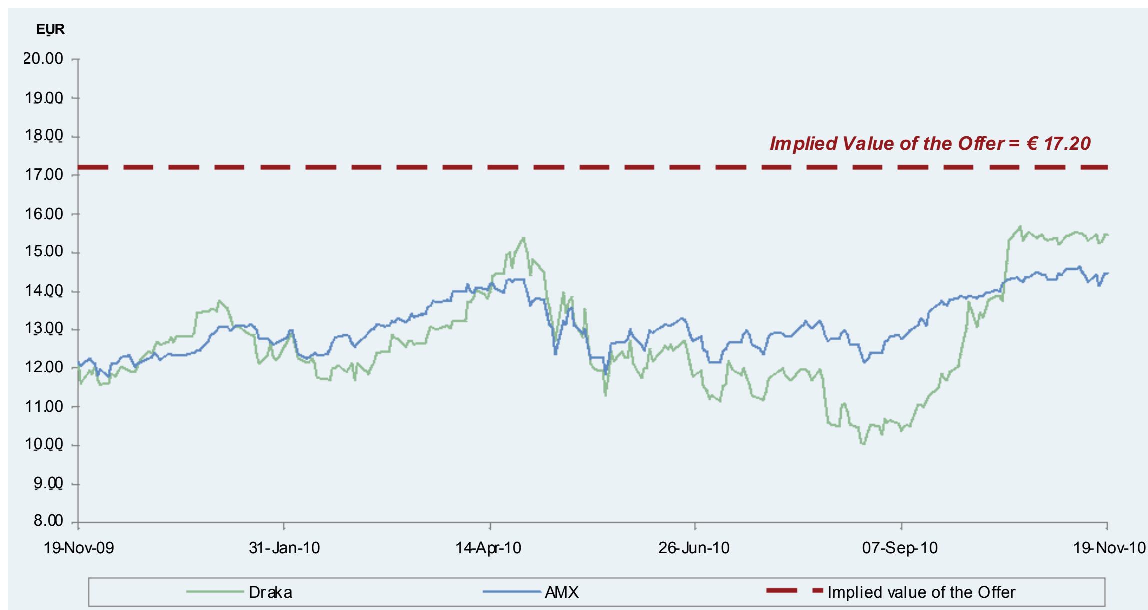
The Supervisory Board and the Board of Management have given due and careful consideration to both the financial and non-financial consequences of the Offer as described in short in sections 4.1 and 4.2 of this Position Statement, respectively, also in relation to assessing all other strategic options, such as stand-alone scenarios and potential alternative third party transactions (including the current Potential Offer by Xinmao and the conditionality and execution risks attached thereto). In reaching their decision to approve the Offer and to recommend that the Shareholders tender their Shares under the Offer, the Supervisory Board and the Board of Management have taken advice from legal, financial and strategic advisers.

4.1 The Supervisory Board and the Board of Management's financial assessment of the Offer

The Offeror offers a consideration of € 8.60 in cash plus 0.6595 New Prysmian Shares per Draka ordinary share with the Implied Value being € 17.20 per Share. The Offer implies a 25% premium to the closing share price of 13 October 2010[2] of € 13.72 and a premium of 37% to the volume weighted average share price over the 6 months ended 13 October 2010 of € 12.58.

2 Last date before the rumours of a possible offer from Nexans became widely spread.

The chart below shows the development of the price of Draka on Euronext Amsterdam[3] in the period from 19 November 2009 to 19 November 2010.



Based on the Supervisory Board's and the Board of Management's knowledge of the market and industry in which Draka operates, the Supervisory Board's and the Board of Management's experience and advice obtained from a financial advisor, the Supervisory Board and the Board of Management are of the opinion that the price being offered per Share exceeds the intrinsic value of Draka on a standalone basis.

The Offer constitutes a cash and share component which on the one hand offers the Shareholders the opportunity to roll part of their existing investment into the share capital of the Combined Group and as such benefit from the potential upside from synergies. On the other hand, the cash part of the Offer provides the Shareholders with an opportunity to realise a premium valuation for part of their investment.

In addition to the foregoing, the Supervisory Board and the Board of Management have also considered the following in their financial assessment of the Offer:

1. The Fairness Opinion of J.P. Morgan plc dated 22 November 2010 provided to the Supervisory Board and the Board of Management before trading hours on that date, that – subject to the assumptions made, matters considered and limitations on the review undertaken in connection with such opinion – the Offer Price to be received by the Shareholders was, as at that date, fair from a financial point of view to the Shareholders (see Appendix I (Fairness Opinion J.P. Morgan plc) of this Position Statement).

2. Prysmian is able to fulfil its cash obligations under the Offer from cash resources which are currently available within Prysmian's group of companies.

3. At the time of this Position Statement, there are no better (actual) competing public offers from a financial point of view that offer the same degree of transaction certainty to Draka's stakeholders.

The above elements, combined with the fact that Prysmian has secured an irrevocable commitment from Draka's main Shareholder Flint representing approximately 48.5% of the Shares, makes the Offer the best option for Draka, its Shareholders and its other stakeholders.

3 AMX refers to the Amsterdam Midcap Index, the index of Euronext Amsterdam that lists the shares of medium sized companies. Draka is listed on AMX.

4.2 The Supervisory Board and the Board of Management's non-financial considerations of the Offer

Strategic rationale

The Offer is backed by a strong strategic rationale and long-term value creation opportunities.

Main highlights of the transaction

The strategic, operational and financial merits of the combination are compelling and will provide significant benefits to both Prysmian's and Draka's shareholders, employees, customers and other stakeholders, as the combination will create a new player with:

- a leading position in high voltage, subsea, high-end industrial cables, fibers and optical cables;
- a global presence in more than 50 countries with over 90 plants and more than 20,000 employees;
- based on 2009 aggregate figures, net sales of € 5.8 billion and adjusted EBITDA of € 541 million (excluding non recurring items) and based on 2010 aggregate estimated figures, net sales of € 6.7 billion and adjusted EBITDA of € 530 million (excluding non recurring items);[4]
- a highly complementary know-how and product portfolio with aggregate 2009 net sales split by business channels as follows: Utilities 28%, Trade & Installers 29%, Industrial 23% and Telecom 20%;
- a diverse and increased customer base with limited areas of commercial overlap;
- a balanced and diversified geographic mix with net sales in 2009 in EMEA representing 65% of the total aggregate, America 17%, Asia & Oceania 14% and Rest of the World 3%;[5]
- a combination with a highly complementary geographic footprint leveraging Draka's strength in Northern Europe and Prysmian's strong position in Southern Europe and an increased coverage of fast growing emerging markets;
- significant synergy scope to generate approximately € 100 million of annual run-rate synergies within three (3) years; and
- an enhanced and strong platform well positioned to capture the significant growth opportunities available in the market through its leading positions in key areas and segments and to deliver substantial benefits from sharing best practices and processes.

The proposed transaction is expected to be a value enhancing combination and earnings accretive for Prysmian's shareholders from 2011 onwards even on a pre-synergies basis.[6]

A leading player

The Combined Group will be a new leading player in the worldwide energy and telecom cable and systems industry, in particular in several of its high-technology segments.

Based on 2009 aggregate figures, the Combined Group had net sales of € 5.8 billion and adjusted EBITDA of € 541 million (excluding non recurring items). In 2010, and based on IBES median estimate as of 23 December 2010, the Combined Group is expected to reach net sales of € 6.7 billion and adjusted EBITDA of € 530 million (excluding non recurring items).

In subsea and high voltage, the Combined Group will continue to serve the main national grid operators and will be involved in the most important transmission projects worldwide.

In the industrial channel, the Combined Group will leverage an extended product offering and will be in the position to exploit cross selling opportunities in its industrial cables portfolio; for some high value-added industrial applications, as for example wind energy, the Combined Group will be in the unique position to offer to its enlarged customer base an even more complete offering, thanks to the product and technological complementarity of Prysmian and Draka. The Combined Group's manufacturing footprint will also allow to enhance the service level and product offering to the Trade & Installers channel, thanks to improved logistics flows (due to increased geographic presence and coverage) and, once again, thanks to the complementarity of Draka's and Prysmian's product portfolios.

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4 Source: median of IBES estimates as of 23 December 2010.

5 Preliminary segmentation based on existing reporting by Prysmian and Draka. Actual segmentation post-transaction may differ from the one presented above as the two companies' reported geographic segmentation is not fully consistent.

6 Excluding net one-off costs.

Thanks to the access to Draka's fiber production technology, the Combined Group will have fiber production facilities spread across the globe and will be a leading player in the optical cable segment, leveraging an even wider product range.

The Combined Group will also benefit from its strengthened geographic presence which will count on:

- possibility to exploit Draka's strength in Northern Europe and Prysmian's strong position in Southern Europe;
- leading presence in Industrial cables with local manufacturing facilities in the key markets of North America, Europe (Germany, France and Italy) and China; in particular, Draka will contribute into the combination its strong position in the North American market, where Draka operates in complementary segments such as the one for applications for the Elevator industry; in China, both companies have significant presence and will leverage on the strengths of their respective product portfolios;
- increased presence in attractive emerging markets (e.g. China, Middle East, Brazil, Mexico, ASEAN, India and Russia); in China, Prysmian is mainly present in the Energy sector, whereas Draka's main focus is in Telecommunications; in the Middle East, Prysmian is mainly active in Power Transmission projects, whereas Draka has a well rooted presence in the fast growing Oman market, through a partnership in a leading local player; in South America, the presence of the two companies is highly complementary, being Prysmian mainly active in Brazil and Draka in Mexico; also, in ASEAN, the geographical footprints have limited overlaps, where the historical presence of Prysmian in Indonesia and Malaysia is well integrated by Draka's leading positioning in Singapore and Hong Kong; and
- increased presence in the Telecom business (mainly optical cables and fiber) through complementary geographical presence in EMEA, North and South America and China; Draka's manufacturing presence in North America will provide an excellent balance in terms of currency exposure in a market which is mainly denominated in US dollars.

Industry trends

The reference industries in which both Prysmian's and Draka's customers operate are expanding on a global scale, with companies buying products and services globally and on a centralised basis. Also, a consolidation trend can be observed in the cable industry, both at suppliers' and at customers' level.

The globalisation and consolidation of the industry is increasing the need for scale, wide product offering, efficiency and constant innovation.

The transaction will allow the Combined Group to better tackle the evolving industry trends, as the new player will leverage:

- complementary business and product portfolios;
- an increased customer base with limited areas of commercial overlap and potential cross-selling opportunities;
- an increased coverage of fast growing emerging markets;
- industry leading R&D capabilities, crucial to effectively respond to the need for innovation;
- financial strength to invest in organic and external growth opportunities across the world; and
- a strong positioning for further industry consolidation at global level.

Thanks to the extended industrial and geographical footprint, the Combined Group is expected to optimize logistics flows, reach a wider customer base and definitely increase its proximity to the market, with an overall improvement in the service level to its customers. The Combined Group is also expected to increase its cost competitiveness thanks to significant economies of scale generated by the transaction.

Expected synergies

Due to the significant experience matured by both Prysmian and Draka in implementing efficiency and cost saving measures, the Combined Group is expected to generate approximately € 100 million of annual run-rate pre-tax cost synergies to be achieved within three (3) years.

Synergies will derive mainly from the following areas:

- optimization of the manufacturing footprint, aiming at improving the efficiency of the plants and reorganizing the various production lines; other than efficiencies and cost competitiveness, the industrial reorganisation will maintain a special focus on enhancing the service level to the customers and exploit cross-selling opportunities;
- raw materials procurement and purchase of other supplies and services, leveraging the increased scale of the Combined Group and aligning the terms and conditions of the two companies with the different suppliers;
- effective reshaping and integration of the two organizations at corporate, country and business level, with the specific aim to enhance the best human resources of the two companies;
- optical fiber sourcing, complementing the production of Prysmian plant in Southern Italy with Draka's North American facility and rebalancing fiber in-house production and out-sourcing; and
- exploitation of the complementarities in product portfolios and cross-selling opportunities.

In addition, the combination is expected to generate additional benefits (not included in the aforementioned estimate of approximately € 100 million) through sharing of best practices, cross-fertilization in lean manufacturing and R&D know-how, introduction of proven concepts and procedures into the respective client bases and across each other footprints, improved logistic flows and a natural hedge against currency fluctuations in the Telecom business. Furthermore, increased scale and scope will allow the combination to be more competitive in international tenders, also leveraging the wider geographical presence.

Prysmian and Draka are among the most efficient players in the industry, with an impressive track record in implementing efficiency and cost saving measures, and have identified significant scope for further improvements for the Combined Group.

The two companies have proved their ability to integrate and further develop acquired assets thanks to continuous investments. Prysmian's precedent acquisitions and business integrations (as a stand-alone entity and as part of the Pirelli Group) such as the integration of energy cables operations of Siemens AG in 1998, energy cable operations from BICC General in 2000 and others, represent relevant examples whereby acquired assets have been developed and their value significantly enhanced (i.e. excellence centre of Neustadt in Germany, Delft in the Netherlands and Pikkala in Finland for the production of extra-high voltage power cables).

No break-up

With reference to Draka, Prysmian does not envisage any break-up of its business or material divestitures of any of its business units, and believes that the integration can be successfully executed with minimal disruptions, taking into account both companies' strengths and culture.

Governance

The current member of the Board of Management, Mr F.F. Dorjee, will continue to serve as member of the Board of Management after Settlement.

Subject to (i) Prysmian declaring the Offer unconditional and only from Settlement and (ii) to the extent still required, the applicable consultation (including as to the amendments of the profile of the Supervisory Board) and advice procedures, the Supervisory Board of Draka shall, subject to the appointment at the Shareholders' Meeting of Draka, consist of five members, of whom three shall be nominated by Prysmian and of whom two shall be remaining, current members of the Supervisory Board of Draka (Mr L.M.J. van Halderen and Mr A.W. Veenman). These remaining members of the Supervisory Board of Draka shall be considered independent members (i.e. within the definition of the Dutch Corporate Governance Code) and shall have certain veto powers to protect the interests of minority Shareholders.

The proposed amendments to the profile of the Supervisory Board and the deviations from the Dutch Corporate Governance Code in addition to the current deviations will be discussed and explained during the Shareholders' Meeting of Draka prior to any decision making.

In addition, and at the request of Draka's central works council, which request Prysmian and Draka are pleased to honour, within six (6) months after the Settlement Date an additional member will be added to the Supervisory Board upon nomination of Draka's central works council. Taking into account that the Supervisory Board will then consist of six (6) members, the articles of association will be amended to reflect that the chairman of the Supervisory Board, to be appointed by the

general meeting of shareholders, will have a casting vote. In this respect, an additional extraordinary general meeting of shareholders of Draka will be convened to resolve on (i) the amendment of the articles of association of Draka and (ii) the appointment of the additional member to the Supervisory Board.

One current member of the Supervisory Board is expected to be appointed as non-executive director at the board of directors of Prysmian after Settlement.

Integration

In the first 100 days after the completion of the Offer, a business plan of the Combined Group for the subsequent three (3) years will be defined with the purpose of ensuring the competitiveness of the Combined Group and to ensure continuity in the long term.

The year 2011 will mainly be dedicated to define the final detailed new group business & industrial plan, to design and implement the appropriate group and local organization as well as to plan the integration process through different milestones and activities taking into account the rights of the relevant employee representatives of Draka and Prysmian. Any decision on the business organization will be taken consistently, after completion of a careful process of analysis and benchmarking and – to the extent required – after applicable employee consultation and advice procedures.

Prysmian shall preserve the integrity of the business of the Draka Group and has no intention to break up the Draka Group or to divest material activities of the Company. The Combined Group will leverage the intercompany opportunity in order to improve the commercial penetration in the different markets, as well as to improve the saturation and utilization of the different factories. The industrial allocation strategy will be based on market needs, on the different factory performance and the ability to serve the different customers. No policy will be aimed to prejudicially move volumes out of the Netherlands industrial platforms. Furthermore, in the next three (3) years of integration, investments in Dutch factories of Draka will be maintained at an adequate level and in line with the last years trend.

The head office of the new combined operations of the Combined Group in the Benelux and in the Nordics will be maintained in Amsterdam, the Netherlands. The existing overall Draka R&D structure, will be maintained over the next three (3) years; therefore the scope of activities and services, locations and number of employees in R&D will be maintained in the Netherlands and the R&D technology centre in France, focussed on telecommunication, will operate as a satellite of R&D in Eindhoven, the Netherlands. In the above period, in case of circumstances which require significant changes, these will, where appropriate, be submitted to the central works council of Draka for advice.

Prysmian is committed that, after the Offer has been declared unconditional (*gestand wordt gedaan*), the allocation of employees will follow the ''best person for the job'' principle. Prysmian and Draka will leverage the value of their respective management and professionals aiming at a proper balance of the two companies, using the Draka competencies where the company has more experience and a larger footprint (i.e. Nordic and the Netherlands).

Existing obligations pursuant to employment agreements of the Draka employees and pursuant to employee consultation policies will be continued and no forced lay-offs will be made as a direct result of the transaction.

Further information regarding the social consequences relating to the Offer and employee consultation (reference is made to schedule G, paragraph 4 of the DPOD) is included in Section 6.14 of the Offer Memorandum (Management and Employees of the Company), which information is incorporated by reference in this section of this Position Statement.

The integration of the business of Prysmian and Draka will be the responsibility of the respective boards of each of Prysmian and Draka. In order to facilitate the integration of the businesses of Prysmian and Draka, an Integration Committee will be established as of the Settlement Date, consisting of three members: Mr F.F. Dorjee will be chairman of the Integration Committee and the other two members will be appointed by Prysmian.

Certainty of funds

Before announcement of the Offer on 5 January 2011, Prysmian has provided the Supervisory Board and the Board of Management sufficient comfort with regard to certainty of funds. Prysmian will finance the maximum total amount of the Cash Consideration of approximately € 420 million with cash on its balance sheet and on the basis of existing committed credit facilities.

On 15 December 2010, Prysmian convened an extraordinary general meeting of Prysmian shareholders scheduled for 21 January 2011 on first call, on 22 January 2011 on second call, and on 24 January 2011 on third call. In such shareholders' meetings, the shareholders of Prysmian will be asked to approve the increase of Prysmian's authorised share capital and the issue of the New Prysmian shares in order for Prysmian to be in a position to deliver the Share Consideration. The board of directors of Prysmian will recommend to Prysmian shareholders such capital increase and the related issuance of shares.

Certain arrangements

In the Merger Agreement, the Offeror and Draka have agreed that the Company is permitted to engage in discussions or negotiations with, and provide information to, any person that makes an unsolicited approach to the Company with the intention of making a Competing Offer.

Draka may accept a Competing Offer if:

(a) it is launched, or is binding on the offering party concerned in the sense that such offering party has (i) conditionally committed itself to the Company to launch a Competing Offer within 6 weeks and (ii) publicly announced its intention to launch a Competing Offer which announcement includes the proposed price per Share and the relevant conditions precedent in relation to such Competing Offer and the commencement thereof;

(b) it is determined by the Supervisory Board and the Board of Management, having consulted financial and legal advisors and acting in good faith and observing obligations under Dutch law, to be substantially more beneficial to the Company and its stakeholders than the Offer, specifically taken into account the consideration to be received by Shareholders and the likelihood of completion; and

(c) to the extent (i) it is a public offer on the Shares, the consideration per Share under the Competing Offer (to be valued as at the date of the initial public announcement of the Binding Competing Offer) exceeds the Implied Value by at least 15% or (ii) it is an offer for all or substantially all of the assets of the Draka Group, the net proceeds to the Shareholders of the Company resulting from such a transaction (to be valued as at the date of the initial public announcement of the Binding Competing Offer), calculated on a per Share basis, exceed the Implied Value by at least 15%;

such Competing Offer to be deemed a Binding Competing Offer.

Draka may however not accept a Binding Competing Offer if the Offeror has made a revised offer within five Business Days following the date on which it has received notice in respect of such Binding Competing Offer, which is determined by the Supervisory Board and the Board of Management, having consulted financial and legal advisors and acting in good faith and observing obligations under Dutch law, to be at least equally beneficial to the Company and its stakeholders as the Binding Competing Offer, specifically taken into account the consideration to be received by Shareholders and the likelihood of completion.

Post-Offer Measures

It is the intention of Prysmian to acquire all Shares and that:

(a) for that purpose, Prysmian may use any legally permitted method of post Offer restructuring, as described in Section 6.13 of the Offer Memorandum (Consequences of the Offer);

(b) the interest of minority Shareholders will be taken into account in effectuating such restructuring; and

(c) the Supervisory Board of Draka after Settlement is likely to have at least two independent members (i.e. within the meaning of the Dutch Corporate Governance Code) with certain veto powers to protect the interests of minority Shareholders, subject to – to the extent still required – the applicable (employee) consultation and advice procedures.

5. INFORMATION ON SHARES, OPTIONS HELD, RELATED TRANSACTIONS AND CONCLUDED AGREEMENTS, SEVERANCE AND OTHER PAYMENTS

The information referred to in schedule G, paragraph 3 of the DPOD is included in Section 6.9 (Shareholdings of the members of the Boards) and Section 6.14.3 (Severance Packages of Members of the Boards) of the Offer Memorandum, which information is incorporated by reference in this section of this Position Statement.

In view of the applicable rules and regulations to avoid improper conflicts of interests, the two members of the Supervisory Board Mrs. A.M. Fentener van Vlissingen and Mr. F.H. Fentener van Vlissingen, nor any other representative of Flint have participated in the deliberations and decision making regarding the transactions contemplated with the Offer.

As of the date of this Position Statement, the member of the Board of Management holds a number of Shares and options, as shown in Section 6.9 (Shareholdings of the members of the Boards). No member of the Supervisory Board or the Board of Management received Shares or options in connection with the Offer. The member of the Board of Management holding Shares and options has irrevocably undertaken to tender all Shares held by him (including any Shares acquired pursuant to the exercise of options prior to the (initial or extended) Closing Date) into the Offer.

Any options held by the member of the Board of Management shall accelerate and be settled on identical terms as for the other participants under such long term incentive plans as set out in section 7.12.1 of the Offer Memorandum (Settlement of the options under the option plans and of shares under the share plans).

6. FINANCIALS

The information referred to in paragraph 2 of Annex G of the Dutch Public Offers Decree Wft (*Besluit openbare biedingen Wft*) is included in Part IV of the Offer Memorandum (Financial Information Draka), which information is incorporated by reference in this Position Statement.

Draka expects to publish the financial results over the financial year 2010 on 15 February 2011. In addition, prior to the Shareholders' Meeting of Draka on 26 January 2011, Draka will provide an update on the anticipated results over the financial year 2010.

7. EMPLOYEE CONSULTATION PROCESS

The relevant and applicable employee consultation procedures with the central works council and the European works council have been completed. The central works council of Draka has rendered a positive advice regarding the Boards' recommendation of the Offer. The Social Economic Council and the relevant trade unions have been notified of the Offer in accordance with the Merger Code (*SER-besluit Fusbegedragsregels 2000*). The Supervisory Board and Board of Management are pleased with the specific commitments in writing made by Prysmian in favour of Draka, its central works council and thus the Draka employees.

8. OVERVIEW OF TRADING IN DRAKA

In the year preceding the date of this Position Statement, no transactions or agreements in respect of securities in Draka were effected or concluded by any of the current members of the Supervisory Board.

Pursuant to and in accordance with the terms of Draka's applicable long term incentive plans, Mr F.F. Dorjee was awarded Performance Shares as set out below in the year preceding the date of this Position Statement.

Award date	*Class of Shares*	*Number of Shares*
1-1-2008	Performance shares	19.794
1-1-2009	Performance shares	55.252
1-1-2010	Performance shares	20.221

9. CONCLUSION

Given all of the above, the Supervisory Board and the Board of Management believe that to date the Offer is in the best interest of Draka, its Shareholders and other stakeholders of Draka.

5 January 2011

Supervisory Board	**Board of Management**
Mr F.W. Fröhlich (Chairman)	Mr F.F. Dorjee
Mr B.E. Dijkhuizen	
Mr L.M.J. van Halderen	
Mr R.F.W. van Oordt	
Mr J.C.M. Schönfeld	
Mr A.W. Veenman	

Appendix I – Fairness Opinion J.P. Morgan plc

November 22, 2010

JPMorgan

Draka Holding N.V.

De Boelelaan 7
Building 'Officia I'
1083 HJ Amsterdam
The Netherlands

Attention: The Board of Management
The Supervisory Board

You have requested our opinion as to the fairness, from a financial point of view, to the holders of the ordinary shares of par value €0.50 per share (the "Company Shares") in the share capital of Draka Holding N.V. (the "Company") of the consideration to be paid to such holders in the proposed sale (the "Transaction") of the Company to Prysmian S.p.A. (the "Acquiror").

Pursuant to the merger agreement dated 22 November (the "Agreement"), among the Company and the Acquiror (and any company formed by the Acquiror to acquire the Company), each holder of outstanding Company Shares, other than Company Shares held in treasury or owned by the Company and its affiliates, will be offered the right to receive from the Acquiror a consideration equal to €8.60 in cash (the "Cash Consideration") and 0.6595 ordinary shares of par value €0.10 per share of the Acquiror's share capital (the "Acquiror Shares") (the "Share Consideration" and together with the Cash Consideration, the "Consideration") for each Company Share.

Please be advised that while certain provisions of the Transaction are summarised above, the terms of the Transaction are more fully described in the Agreement. As a result, the description of the Transaction and certain other information contained herein is qualified in its entirety by reference to the more detailed information appearing or incorporated by reference in the Agreement.

In arriving at our opinion, we have (i) reviewed the Agreement; (ii) reviewed certain publicly available business and financial information concerning the Acquiror and the Company, the industries in which they operate and certain other companies engaged in businesses comparable to them; (iii) compared the proposed financial terms of the Transaction with the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration paid for such companies; (iv) compared the financial and operating performance of the Acquiror and the Company with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Acquiror Shares and the Company Shares and certain publicly traded securities of such other companies; (v) reviewed certain internal, unaudited financial analyses, projections, assumptions and forecasts prepared by the management of the Company (and their other professional advisors) relating to the Company's business for the period ended 2013, as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Transaction (the "Synergies"); and (vi) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Company with respect to certain aspects of the Transaction, and the past and current business operations of the Company and the Acquiror, the financial condition and future prospects and operations of the Acquiror and the Company, the effects of the Transaction on the financial condition and future prospects of the Company and the Acquiror, and certain other matters we believed necessary or appropriate to our inquiry. We have only reviewed publicly available information regarding the financial condition, future prospects and operations of the Acquiror.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by the Company or otherwise reviewed by or for us, and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Acquiror or the Company under any laws

relating to bankruptcy, insolvency or similar matters. In relying on financial analyses, projections, assumptions and forecasts provided to us or derived therefrom, including the Synergies, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management of the Company as to the expected future results of operations and financial condition of the Acquiror and the Company to which such analyses, projections, assumptions or forecasts relate. We express no view as to such analyses, projections or forecasts (including the Synergies) or the assumptions on which they were based and the Company has confirmed that we may rely upon such analyses, projections, assumptions and forecasts (including the Synergies) in the delivery of this opinion. We have also assumed that the Transaction and the other transactions contemplated by the Agreement will have the tax consequences described in the discussions with, and materials furnished to us by, representatives of the Company, and will be consummated as described in the Agreement, and that the definitive Agreement will not differ in any material respects from the draft thereof furnished to us. We have also assumed that the representations and warranties made by the Company and the Acquiror in the Agreement and the related agreements are and will be true and correct in all respects material to our analysis and will have no exposure under any indemnification obligations contained within the Agreement or the related agreements in any amount material to our analysis. We are not legal, regulatory or tax experts and have relied on the assessments made by advisors to the Company with respect to such issues. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Acquiror or the Company or on the contemplated benefits of the Transaction. In giving our opinion, we have relied on the Company's commercial assessments of the Transaction. The decision as to whether or not the Company enters into a Transaction (and the terms on which it does so) is one that can only be taken by the Company.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion.

Our opinion is limited to the fairness, from a financial point of view, of the Consideration to be paid to the holders of the Company Shares in the proposed Transaction and we express no opinion as to the fairness of the Transaction to, or any consideration paid in connection therewith by, the holders of any other class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Transaction. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Transaction, or any class of such persons relative to the Consideration to be paid to the holders of the Company Shares in the Transaction or with respect to the fairness of any such compensation. We are expressing no opinion herein as to the price at which the Company Shares or the Acquiror Shares will trade at any future time. As a result, other factors after the date hereof may affect the value of the business of the Company and the Acquiror after consummation of the Transaction, including but not limited to (i) the total or partial disposition of the share capital of the Company or the Acquiror by shareholders of the Company or the Acquiror within a short period of time after the effective date of the Transaction, (ii) changes in prevailing interest rates and other factors which generally influence the price of securities, (iii) adverse changes in the current capital markets, (iv) the occurrence of adverse changes in the financial condition, business, assets, results of operations or prospects of the Company or the Acquiror, (v) any necessary actions by or restrictions of governmental agencies or regulatory authorities, and (vi) timely execution of all necessary agreements to complete the Transaction on terms and conditions that are acceptable to all parties at interest. No opinion is expressed as to whether any alternative transaction might be more beneficial to the Company.

We have acted as financial advisor to the Company with respect to the proposed Transaction and will receive a fee from the Company for our services if the proposed Transaction is consummated.

During the two years preceding the date of this letter, we and our affiliates have had commercial or investment banking relationships with the Company for which we and such affiliates have received customary compensation. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of the Company or the Acquiror for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

Acquiror for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Consideration to be paid to the holders of the Company Shares in the proposed Transaction is fair, from a financial point of view, to such holders.

This letter is provided to the Board of Management and the Supervisory Board of the Company in connection with and for the purposes of its evaluation of the Transaction. This opinion does not constitute a recommendation to any shareholder of the Company as to whether or not such shareholder should tender any Company Shares with respect to the Transaction or any other matter. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. This opinion may be reproduced in full in any proxy or information statement mailed to shareholders of the Company but may not otherwise be disclosed publicly in any manner without our prior written approval.

Very truly yours,

J.P. MORGAN PLC

J.P. Morgan plc

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