CARRYING OUT IDEAS TO KEEP ON GROWING

2008 ANNUAL REPORT

PRYSMIAN
CABLES & SYSTEMS

2008 ANNUAL REPORT

PRYSMIAN GROUP

Disclaimer

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


BRYMIAN
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NOTICE OF SHAREHOLDERS' MEETING

Shareholders are convened to an Ordinary Shareholders' Meeting to be held in Via Filodrammatici 3, Milan (at the premises of Mediobanca), at 14.30 on 8 April 2009 in first call and on 9 April 2009 in second call, at the same time and place, to resolve on the following

Agenda

1. Financial statements at 31 December 2008; Directors' report and proposed allocation of net income for the year; report by the Board of Statutory Auditors; report by the Independent Auditors; related resolutions;
2. Re-establishment of composition of the Board of Statutory Auditors pursuant to art. 2401 of the Italian Civil Code and art. 21 of the prevailing By-laws; related resolutions;
3. Grant of authorization to the Board of Directors to buy back and sell treasury shares pursuant to art. 2357 and art. 2357-ter of the Italian Civil Code; cancellation of the authorization to buy back and sell treasury shares under the shareholder resolution dated 15 April 2008; related resolutions;
4. Revocation of the current directors in order to renew the Board's mandate for another three years. Appointment of the Board of Directors pursuant to art. 2364, no. 2, of the Italian Civil Code and art. 14 of the By-laws, after determining the number of new directors. Determination of the term in office and annual compensation of directors. Related resolutions.

Re-establishment of composition of the Board of Statutory Auditors

In accordance with art. 21 of the By-laws, the appointment of one Standing Statutory Auditor and two Alternate Statutory Auditors for the purposes of re-establishing the composition of the Board of Statutory Auditors shall take place by relative majority vote, subject to the rights of the minority under the same art. 21. Consequently, shareholders who, alone or together with others, own shares representing at least 2% of share capital with voting rights, as established by Consob Resolution no. 16779 dated 27 January 2009, may present names of proposed candidates to re-establish the composition of the Board of Statutory Auditors. These names must be filed at the Company's registered office at least 15 days prior to the date set for the Shareholders' Meeting in first call. The following documents must also be filed within the same deadline:

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

(ii) a statement by these shareholders that they do not have any connection with shareholders or groups of shareholders with a controlling or majority interest in the Company;

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

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

Appointment of the Board of Directors

Pursuant to art. 14 of the By-laws, the appointment of the Board of Directors takes place on the basis of slates presented by shareholders. Consequently, shareholders who, alone or together with others, own shares representing at least 2% of share capital with voting rights, as established by Consob Resolution no. 16779 dated 27 January 2009, may present candidate slates. The candidate slates must be filed at the Company's registered offices in Viale Sarca 222, Milan at least 15 (fifteen) calendar days before the date set for the Shareholders' Meeting in first call, and published, at the

care and expense of the shareholders who presented them, in at least one of the following daily newspapers: "Corriere della Sera", "Il Sole 24 Ore" or "Milano Finanza". The following documents must be filed at the Company's registered offices along with each slate:

(i) a statement by each candidate confirming that there are no reasons why he/she is ineligible or incompatible for the position, that he/she meets the requirements for the office of director, as set out in law and the Company's By-laws, and that he/she accepts his/her candidacy;
(ii) a curriculum vitae containing each candidate's personal and professional details, also indicating whether they would qualify as an independent director;
(iii) information relating to the identity of the shareholders who have presented the candidate slates, indicating the total percentage of shares owned and a certification attesting this ownership, as well as the name of the daily newspaper in which the candidate slate has been published;
(iv) a statement by these shareholders that they do not have any connection with shareholders or groups of shareholders with a controlling or majority interest in the Company.

No shareholder or shareholders belonging to the same group or who are connected, even indirectly, can - even through an intermediary or trustee - present or contribute to the presentation of more than one slate. No candidate may appear on more than one slate, otherwise they will be disqualified. No candidate who is not in possession of the requirements set out in applicable laws may be included on the slate. The candidates must be listed with a sequential number and the first and second candidates on each slate must fulfil the independence requirements set out in law.

Attendance at the meeting

As provided by art. 11 of the By-laws, all holders of voting rights may attend or be represented at meetings provided they file at the Company's registered office at least two working days before the date of the meeting in first call, the certificate issued by authorised intermediaries required by art. 2370, par. 2 of the Italian Civil Code, which may not be withdrawn until after the meeting has taken place. In order to facilitate confirmation of their entitlement to vote, the holders of voting rights are requested to show a copy of the certificate sent by the respective intermediaries to the Company, which such intermediaries must make available to them, in compliance with applicable laws and regulations.

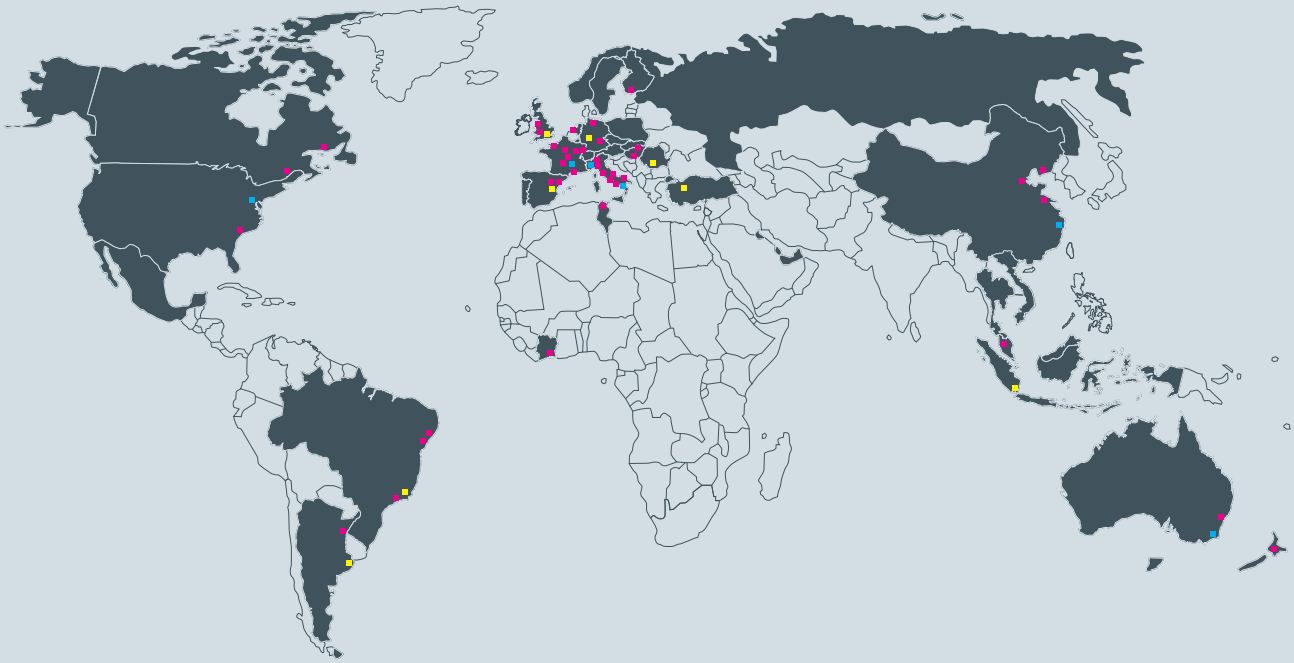
Documentation

The Board of Directors' proposals relating to the items on the agenda, including the Parent Company and Consolidated Financial Statements at 31 December 2008 and relevant reports, will be made available to the public in the legally required term at the Company's registered offices, at Borsa Italiana S.p.A. and on the Company's website at www.prysmian.com.


GIULIO VERNE
GIULIO VERNE

DIRECTORS' REPORT

38	53	7	12,000
COUNTRIES	PLANTS	R&D CENTRES	EMPLOYEES



Shared Energy and Telecom (8) | Energy (39) | Telecom (6)

Prysmian global presence

PLANTS

EMEA

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

France: Amfreville, Angy, Charvieu, Chavanoz, Gron, Vologne, Paron, Xoulces

UK: Aberdare, Bishopstoke, Wrexham

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

Germany: Eschweiler, Neustadt, Schwerin

Hungary: Balassagyarmat, Kistelek

Ivory Coast: Abidjan

Finland: Pikkala

Holland: Delft

Romania: Slatina

Tunisia: Grombalia

Turkey: Mudanya

APAC

China: Baoying, Tianjin (2), Wuxi

Australia: Dee Why, Liverpool

Indonesia: Cikampek

Malaysia: Kuala Lumpur

New Zealand: Auckland

NORTH AMERICA

Canada: Prescott, St. Jean

USA: Abbeville, Lexington

SOUTH AMERICA

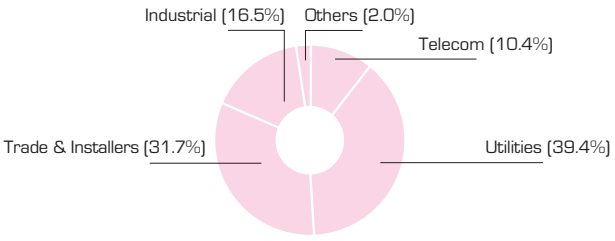
Brazil: Joinville, Sorocaba, St. Andrè, Vila Velha

Argentina: La Rosa, Quilmes

CARRYING OUT IDEAS FOR A WORLDWIDE GRID

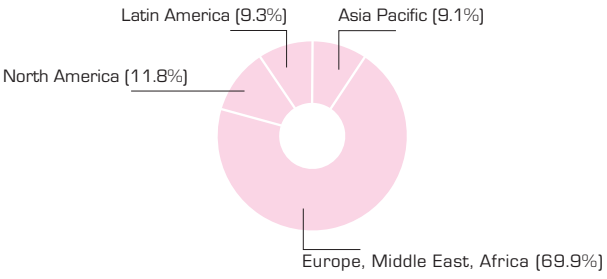
As a leading worldwide player in the high-technology business of energy and telecom cables and systems, the Prysmian Group in its almost 130 years of history has established strong relationships with most of the major global players in its sectors of operation. Companies like AKER, Alstom, Bharti, British Telecom, Changchung Railcars, E.On, Eletropaulo, Endesa, Enel, Foster & Wheeler, France Telecom, Hagemeyer, Iberdrola, National Grid, Petrobras, Qwest, Rexel, RTE/EDF, Siemens, Sonepar, STX Marine, Telefonica, Telstra, Terna, Valeo, Verizon and Vodafone choose Prysmian as their partner for carrying out strategic cable projects which are often designed and implemented on the basis of customer specifications. High and extra-high voltage underground and submarine power transmission cables and systems, industrial cables for applications in the most strategic sectors (from Oil, Gas & Petrochemicals, transport and mining to renewable energy systems), and optical cables for voice, video and data transmission: these are the strategic industries and markets for Prysmian. Industries where the level of technology, the ability to constantly innovate and the commitment to providing high value-added services are factors of differentiation and competitive positioning. Product quality and innovation are the hallmarks of Prysmian's approach even in sectors where the products are more standardised, such as low and medium voltage cables, within which Prysmian has introduced important innovations such as Fire Resistant and LSOH (Low Smoke Zero Halogen) cables, and the P-Laser production process which has brought significant innovation whitin the energy distribution sector. We carry out major submarine energy interconnection projects for utilities and power grid operators such as the Basslink project in Australia, the Neptune and Transbay projects in the United States, the Cometa and SAPEI projects in Europe, and the Doha Bay and GCCIA projects in the Middle East. We are involved in developing new interconnectors for energy from renewable sources, such as at Greater Gabbard and Thanet, the world's two largest offshore wind farms. We have helped build energy networks in the world's largest cities, from New York to London, Paris, Madrid, Singapore, Hong Kong, Buenos Aires, Milan and Rome. We support the OG&P industry by supplying a wide range of high-tech products which permit extraction and processing even in the most difficult conditions. In the transport sector, we have cabled some of the world's biggest ships, such as the Genesis, as well as its fastest trains such as the TGV designed by Alstom. In the construction sector, Prysmian's fire-resistant cables are at the very heart of the most spectacular and complex developments, like the Burj Dubai, the world's tallest building ever constructed. In the telecom cables sector, we carry out the most advanced Fibre To The Home projects in support of world leaders like Verizon in the United States. Thanks to this unique track record, Prysmian can present itself throughout the world as a partner of choice for developing infrastructure in two of the most strategic sectors: energy and telecommunications.

SALES BY BUSINESS AREAS AT 31 DECEMBER 2008 (*)



Total Energy: Euro 4,608 million | Total Telecom: Euro 536 million
Total sales: Euro 5,144 million

SALES BY GEOGRAPHICAL AREAS AT 31 DECEMBER 2008 (*)



(*) Net of intragroup eliminations.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION (*)

(in millions of Euro)

	2008	2007	% change
Sales	5,144	5,118	0.5%
Contribution margin [1]	970	960	1.0%
EBITDA [2]	518	573	-9.6%
Adjusted EBITDA [3]	542	529	2.4%
Operating income	448	508	-11.8%
Adjusted operating income [4]	477	464	2.8%
Income before taxes	286	387	-26.0%
Net income	235	302	-22.5%

(in millions of Euro)

	31 December 2008	31 December 2007	Change
Net capital employed	1,165	1,282	(117)
Employee benefit obligations	125	112	13
Equity	463	454	9
of which attributable to minority interests	16	21	(5)
Net financial position	577	716	(139)

(in millions of Euro)

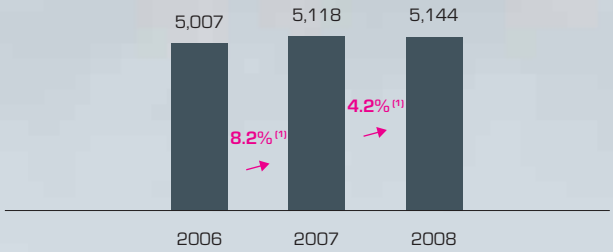
	2008	2007	% change
Investments	116	89	30.3%
Employees (at period end)	12,372	12,243	1.1%
Earnings/(loss) per share:			
- basic	1.32	1.67	
- diluted	1.31	1.65	

(1) Contribution margin is defined as adjusted EBITDA before fixed costs.
(2) EBITDA is defined as earnings/(loss) for the period, before finance income/costs, tax, depreciation, amortisation and impairment and the share of income/loss from associates and dividends from other companies.
(3) Adjusted EBITDA is defined as EBITDA before non-recurring income/expenses.
(4) Adjusted operating income is defined as operating income before non-recurring income/expenses.

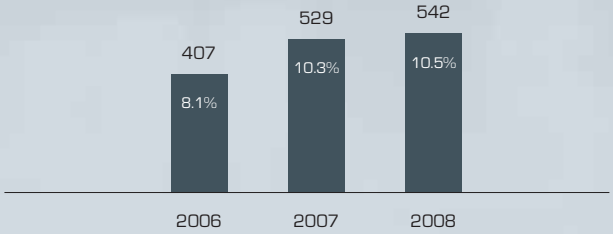
(*) All the percentages contained in this report have been calculated with reference to amounts expressed in thousands of Euro.

KEY FINANCIALS

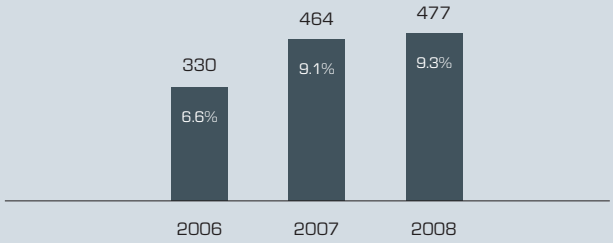
SALES



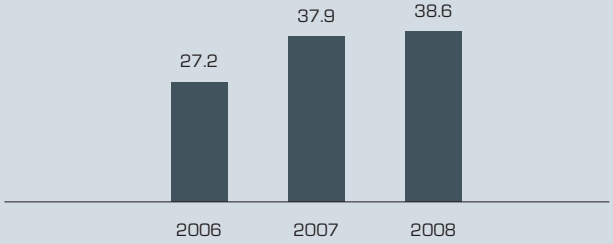
ADJUSTED EBITDA (2) ON SALES



ADJUSTED OPERATING INCOME (2) ON SALES

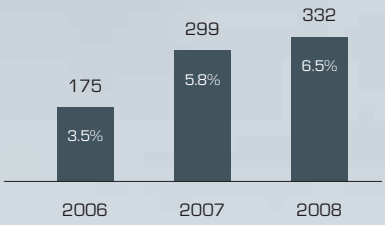


ADJUSTED OPERATING INCOME (2) PER EMPLOYEE (€ '000)

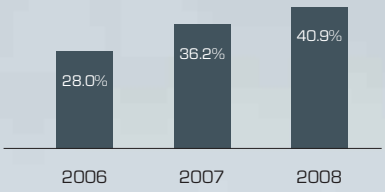


(1) Organic growth: growth net of changes in the group perimeter, in metal prices and exchange rates.
(2) Adjusted EBITDA and Adjusted Operating Income are defined as EBITDA and Operating Income before non-recurring income and expenses.
(3) Adjusted Net Income is defined as net income before non-recurring income and expenses, the effect of derivatives and exchange rate differences and the related tax effects.

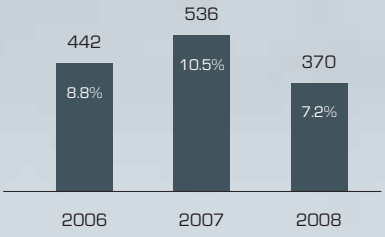
ADJUSTED NET INCOME [3]



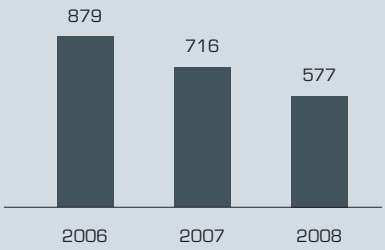
ROCE [4]



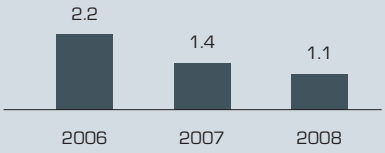
NET WORKING CAPITAL



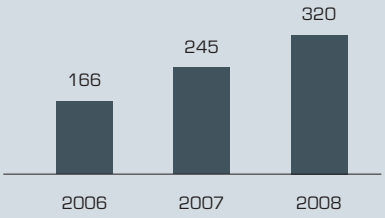
NET FINANCIAL POSITION



NET FINANCIAL POSITION/ADJUSTED EBITDA [5]



FREE CASH FLOW [6]



[4] Calculated as Adjusted Operating Income/(Equity + Net Financial Position + Pension funds).
[5] Calculated as Net Financial Position with third parties/Adjusted EBITDA.
[6] Free Cash Flow is defined as net cash flow provided by operating activities including finance costs.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LETTER TO SHAREHOLDERS

The market scenario in 2008 was a difficult one, with signs of global economic and financial crisis gradually emerging. A generally stable first half, with even growth in certain sectors, was followed by a steep deterioration in the third and fourth quarters. In such a context Prysmian was able not only to drive forward its growth strategy further penetrating higher-tech and higher value-added markets, confirming its ability to recognise and develop business opportunities even during market recession, but it has also undertaken prompt and decisive actions to further improve its organisational and industrial efficiency in order to be well placed to face the crisis.

The results achieved in 2008 confirmed the effectiveness of the strategies adopted. Prysmian presents a positive set of results, both in terms of individual business performance and in terms of its overall financial performance and strong balance sheet. Group sales amounted to Euro 5,144 million, reporting organic growth of 4.2% on 2007.
EBITDA before non-recurring items and the writedown of metal stocks reached Euro 557 million, confirming the target announced to the financial community. Net income was Euro 235 million, or Euro 332 million excluding the negative impact of non-recurring and extraordinary items.

The Group's balance sheet and financial structure is particularly solid, as witnessed by the further improvement in the net financial position, down to Euro 577 million from Euro 716 million at the end of 2007. This financial solidity, in the current credit market crisis, is an unquestionable asset for Prysmian, on which all its stakeholders can rely. Cash generation further improved, with free cash flow (before dividends and the buy-back of shares) climbing to Euro 320 million from Euro 245 million in 2007.

These positive achievements are the result of Prysmian's capabilities to execute its strategy focused on higher value-added and more profitable sectors.
In the Utilities market, Prysmian confirmed its worldwide leadership in high voltage underground and submarine cables and systems, reporting a double-digit organic growth in sales: during the year Prysmian fulfilled some of the most important projects in the world and secured major new contracts, proving its capabilities to anticipate and satisfy demand by operators engaged in extensive programmes to modernise electricity transmission networks and invest in renewable energy.
In the Middle East, for example, Prysmian has been awarded contracts to build the new Doha Bay submarine interconnector in Qatar and the Kahramaa stage VIII high voltage underground link, qualifying as reference supplier by major local Utilities. In the renewable energy sector, Prysmian has been awarded contracts to build power connections for Greater Gabbard and Thanet, the world's two largest offshore wind farms currently under construction, confirming its leadership in a rapidly developing sector expected to benefit from Euro 500 million in incentives from the European Union in 2009-2010. Although having inevitably started to feel the effects of global economic slowdown towards the end of 2008, the power transmission business has confirmed its strength, with the order book for underground cables providing strong visibility for the current year and orders for submarine cables covering all of production capacity in 2009 and beyond.
In the Power Distribution segment, Prysmian has continued to focus on innovation, obtaining homologation in September 2008 for its revolutionary P-Laser production process which, with its high quality, flexibility and ease of installation, will surely meet customer needs and so

allowing a major penetration in the market, thus representing a real competitive advantage for Prysmian.

In the Trade & Installers sector, which has suffered most as a result of the construction sector crisis, Prysmian has continued to concentrate on high-end products such as Fire Resistant and LSOH cables, qualifying as the partner of choice for cabling important public structures where safety is crucial. These include the new tennis stadium in Wimbledon and the new motor racing circuit in Singapore, site of the first night-time Formula One Gran Prix. In the Industrial cables sector, Prysmian has increased its sales of cables for the Oil & Gas industry and of systems for renewable energy, with a strong performance even in the last quarter of the year. In the Telecom business, Prysmian has continued to focus on optical cables, reporting significant sales growth in Europe, Australia and North America, reinforcing its already solid relationship with major operators such as Telstra, Qwest and Verizon. In the field of optical fibre, Prysmian continues to stand out for its technological innovation, with new products like CasaLight™ optical fibre and the VertiCasa™ cabling system being well received by the market.

In order to face a market that is expected to remain extremely weak, our Company has undertaken important actions to improve its organisational and industrial efficiency and will continue to work in order to achieve an ever more competitive structure. However, we have not abandoned our focus on growth, which will be selective and aimed at strengthening our presence in strategic sectors and at taking advantage of new opportunities in the emerging businesses and markets.
Prysmian invested a total of some Euro 116 million in 2008 in improving its industrial efficiency and expanding its production capacity in high value-added sectors.
Major organisational and industrial rationalisation has been started throughout the world, while a significant investment is being made in the "SAP Consolidation" project, which will standardise the information system throughout the Group.
The investments in increasing production capacity and diversifying into new markets have been directed towards those sectors which ensure greater visibility and better prospects, like the power transmission business.
These include the construction of a new plant for manufacturing high voltage cable in the United States due to start operation in 2009, investments in the submarine cables business, particularly cables for the renewable energy sector, and the investment in building a new plant in Brazil, which, thanks to a technical and commercial cooperation agreement with the oil major Petrobras, will allow Prysmian to start manufacturing flexible pipes for the oil industry. This is an important strategic move for Prysmian, allowing it to enter a higher-tech, higher-margin business which it had not previously been present; thanks to the new flexible pipes business, which will join existing range of submarine systems for oil extraction, Prysmian will become an absolutely reliable and qualified partner for all sectors of the Oil, Gas & Petrochemicals industry.

Prysmian has therefore acted in time, having prepared itself in 2008 not only to face economic recession but also to take advantage of any resulting opportunities, in particular associated with the economic stimulus packages being put together by several governments worldwide.
In fact, these packages particularly focus on infrastructure for energy and telecommunications. An estimated USD 150 billion is expected to be invested in modernising and building energy transmission and distribution networks, particularly

to allow greater exploitation of renewable sources, and Prysmian is ready to compete to ensure itself a primary role in realising these projects.
It is no accident that two of our largest investments in increasing production capacity for power transmission cables and systems have been started in the United States, where the government has set aside over USD 17 billion for modernising energy networks, and in China, where planned expenditure on expanding electricity networks amounts to USD 132 billion for constructing around 26,000 km in new lines.

Our guiding principles in managing the business in recent years have been solidity and prudence.
This policy has now been rewarded, since our strong balance sheet will allow us, when the time is right, to move in our sector from a position of absolute strength, ready to seize the opportunities for growth.

Valerio Battista, Chief Executive Officer

Pier Francesco Facchini
CFO

Valerio Battista
CEO

Fabio Romeo
Head of Energy Business

Giovanni B. Scotti
Head of TLC Business


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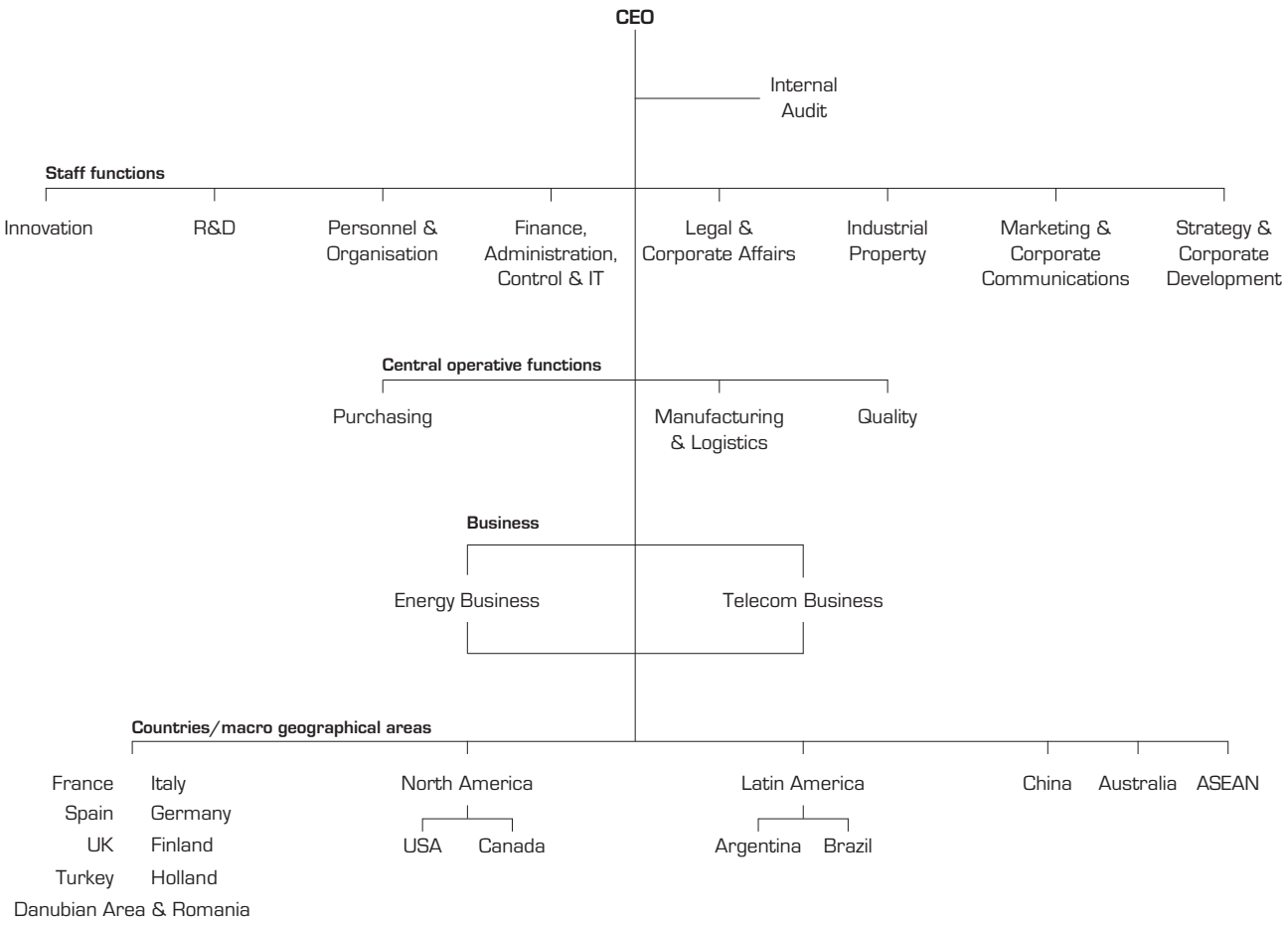
ORGANISATIONAL STRUCTURE



COMPANY BOARDS

Board of Directors	**Chairman**	Paolo Zannoni	
	Chief Executive Officer	Valerio Battista	
	Directors	Wesley Clark [*]	Francesco Paolo Mattioli [*] [1] [2]
		Giulio Del Ninno [*] [1]	Michael Ogrinz
		Pier Francesco Facchini	Fabio Ignazio Romeo
		Hugues Lepic [2]	Udo Gunter Werner Stark [*] [1] [2]
Board of Statutory Auditors	**Chairman**	Marcello Garzia	
	Standing Statutory Auditors	Luigi Guerra	Giovanni Rizzi [3]
	Alternate Statutory Auditors	Alessandro Ceriani	
Independent Auditors	**PricewaterhouseCoopers S.p.A.**		

[*] Independent directors
[1] Members of the Internal Control Committee
[2] Members of the Compensation and Nomination Committee
[3] Replaced P.F. Lazzati from 28 August 2008

PRYSMIAN AND THE FINANCIAL MARKETS

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

The listing of Prysmian's ordinary shares, resulting from the sale of 46% of the shares held by Prysmian (Lux) II S.à r.l. (indirectly controlled by Goldman Sachs Group Inc.) took place at a price of Euro 15.00 per share, corresponding to a capitalisation of Euro 2.7 billion.

The world economy experienced a sharp slowdown in growth rate during the year, especially in the second half. In fact, the real estate market crisis in the United States has caused great instability in the global banking system with clear signs of a decline in consumption and investments first in North America and then in Europe and the rest of the world.

The world's principal stockmarkets closed the year with steep falls and a high level of volatility due to worsening of the sub-prime loans crisis which had started in the United States in the second half of 2007 and intensified during 2008. Performance by Europe's principal financial markets was as follows: MIBTEL: -49%, S&P MIB: -50%, CAC 40 (France): -43%; IBEX (Spain): -39%; FTSE 100 (UK): -31%; DAX (Germany): -40%.

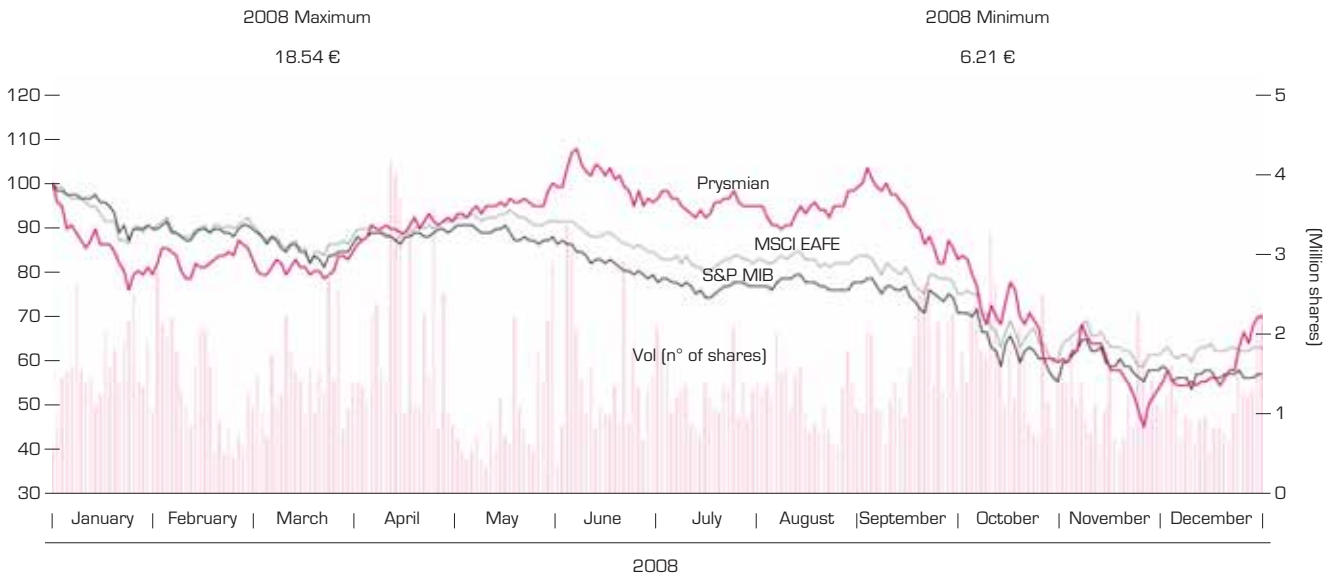
In this context, the Prysmian stock reported a drop in its value of 34% over 2008 and of 26% since the date of its listing (3 May 2007), nonetheless significantly outperforming its competitors and related indices (S&P MIB, MIB 30 and Morgan Stanley Capital International), thus increasing its weight in these indices. The stock's positive performance up until September, when it reached a peak of Euro 18.54 after publication of better-than-expected half-year results, experienced a sharp reversal in the last few months of the year as part of the general downward trend by all the world's principal markets in the wake of the credit crisis.

The Prysmian stock's liquidity grew significantly during the year, with average daily trading volumes reaching 1.30 million shares, up 35% compared to 0.96 million in 2007, also due to the increasing brokers coverage (numbering 18 at the end of 2008 compared with 14 in 2007).

The dividend for 2007 was paid on 24 April 2008 and amounted to Euro 0.417 per share, corresponding to a total of Euro 75 million and a 25% pay-out ratio on the 2007 net income. Earnings per share in 2007 amounted to Euro 1.67 per share.

Prysmian S.p.A. started a share buy-back programme during 2008. At 31 December 2008 total treasury shares were 3,028,500 with a nominal value of Euro 302,850. More details are reported in Note 11. Share capital and reserves, forming part of the Notes to the consolidated financial statements.

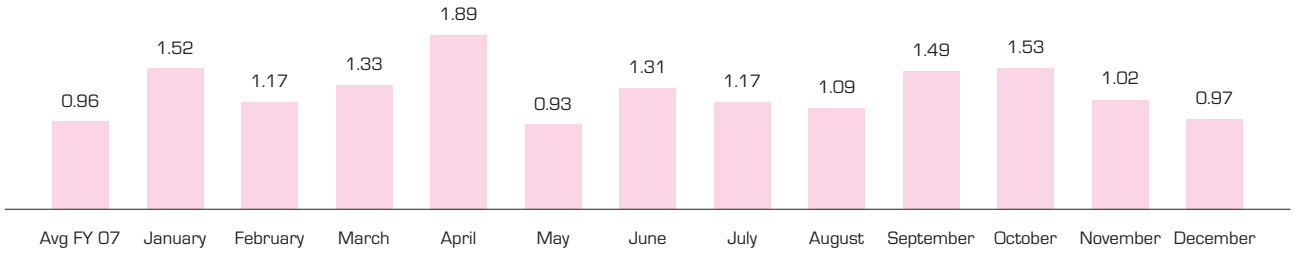
PERFORMANCE



2008 Performance
-34.28%

Market capitalisation at 31 December 2008
2,004 Mil €

AVERAGE DAILY TRADING VOLUME (million shares)



	31 December 2008	31 December 2007 [1]
Price	Euro 11.10	Euro 16.89
Change over period	-34.28%	12.60%
Market capitalisation	Euro 2,004 Mil	Euro 3,040 Mil
Average price	Euro 13.76	Euro 18.36
Average capitalisation	Euro 2,482 Mil	Euro 3,305 Mil
Average daily trading volume	1.30 Mil	0.96 Mil
Number of shares at 31 December	180,546,227	180,000,000

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

INVESTOR RELATIONS

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

The Group's behaviour and procedures are to provide the market with the credibility which stands at the base of a long term investment approach, and to avoid disparity of treatment in the disclosure of information and ensure effective compliance with the principle that all investors and potential investors receive the same information, allowing them to make sound investment decisions.

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

Relations with the financial market were particularly intense in 2008, involving more than 300 meetings held at the Group's offices, roadshows in the major financial centres of Europe and North America, as well as participation at conferences organised by the main international brokers.

Coverage of the Prysmian stock increased significantly during the year, confirming growing interest by national and international financial markets in the Company. Eighteen independent analysts regularly cover the Prysmian stock: Banca Aletti, Banca Akros, Banca Leonardo, Banca IMI, Cheuvreux, Citigroup, Dresdner Kleinwort, Equita, Exane BNP Paribas, Execution Ltd, Goldman Sachs, Intermonte, JP Morgan, Mediobanca, Merrill Lynch, Natixis, Royal Bank of Scotland and UniCredit HVB.

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

Investor Relations contact details

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Head of Investor Relations
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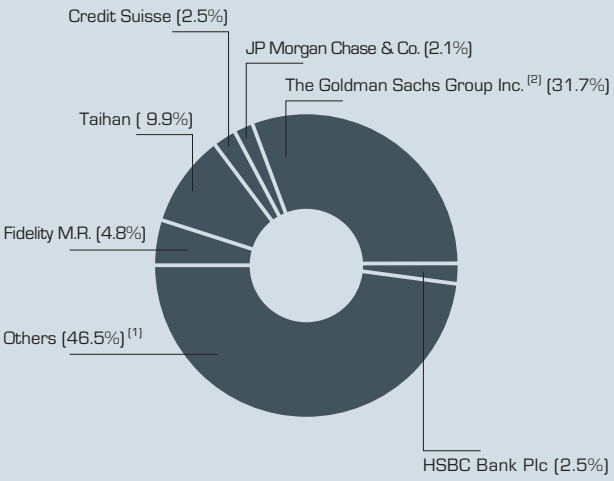
OWNERSHIP STRUCTURE

At 31 December 2008, the share capital of Prysmian S.p.A. amounted to 180,546,227 shares with a par value of Euro 0.1 each. The ownership structure at 31 December 2008 was as follows:

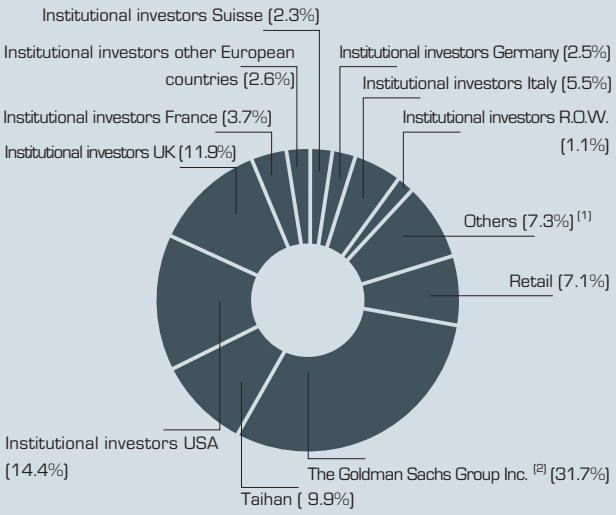
INVESTORS



Source CONSOB

[1] Includes 3,028,500 in treasury shares.
[2] Investment held through Prysmian Lux II S.à.r.l. (30.2%) and Goldman Sachs International (1.5%)

OWNERSHIP STRUCTURE BY TYPE AND GEOGRAPHICAL AREA



Source Thomson Reuters

[1] Includes 3,028,500 in treasury shares
[2] Investment held through Prysmian Lux II S.à.r.l. (30.2%) and Goldman Sachs International (1.5%)

FINANCIAL CALENDAR

4 March	2009	Board of Directors 2008 Group Annual Report and draft Annual Report of Prysmian S.p.A.
8 or 9 April	**2009**	**Shareholders' Meeting to approve 2008 Annual Report**
7 May	2009	First quarter Report at 31 March 2009
3 August	2009	Half-year Report at 30 June 2009
5 November	2009	Third quarter Report at 30 September 2009

PRYSMIAN INVESTS IN THE DEVELOPMENT OF YOUNG PROFESSIONAL TALENTS

Training and development of young, professional, managerial talents is one of Prysmian's strategic priorities in managing human resources. In 2008, Prysmian Powerlink, the Group company operating in the high voltage submarine and underground cables and systems business, organised a Master in Engineering Procurement & Installation for new engineering graduates, selected from around the world. At the end of this training, which lasted for over six months, four young new graduates joined the Group. Apart from the high standard of training provided, thanks to the direct testimony and highly developed expertise of the Prysmian managers taking part in this project, the masters programme stood out for its decidedly international character. In fact, the purpose of this programme was to give the participants the necessary know-how for being able to move immediately within the wide context in which Prysmian operates, whose markets and sectors have diverse needs and characteristics. In fact, its ability to respond effectively to different types of demand, with specially developed products and systems, has allowed Prysmian to consolidate its international presence by participating in major, innovative projects and to become the preferred partner of many players in both the energy and telecommunications industries. Therefore, having talents who are able to operate immediately in this environment is an important factor for the Group's growth.

CARRYING OUT IDEAS FOR THE DEVELOPMENT OF HUMAN RESOURCES

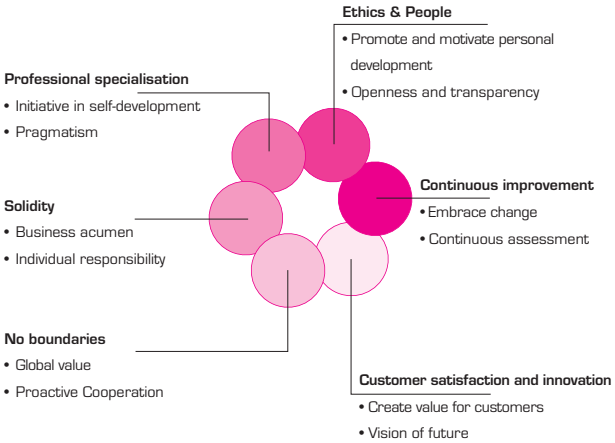
The quality of human resources is a constituent of excellence and a key success factor for Prysmian.
At Prysmian, we believe that the present and future of our Group depend on the personal and professional development of our employees.

For this reason, our Human Resources strategy is designed to promote ongoing training and the spread of best practices throughout the Group, with particular attention to key people in possession of talent and critical know-how.

PRYSMIAN VALUES

Prysmian has adopted a system of values that unites diverse groups of people and represents the basis of actions, attitudes, conduct and ultimately sustained business success.

The Prysmian value system defines the way in which its people communicate and interact with customers, partners, suppliers, shareholders and communities, and the way in which they manage the business and decide priorities.



PRYSMIAN PERSONNEL

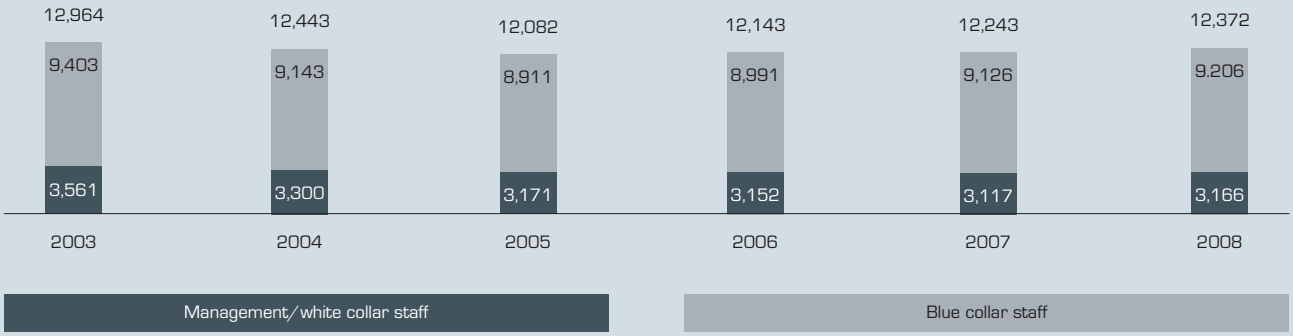
The Prysmian Group had a total of 12,372 employees at 31 December 2008, comprising 3,166 management/white collar staff and 9,206 blue collar staff, of whom 687 under fixed-term contracts (267 temporary workers and 420 agency workers). The headcount can be broken down as follows:

	Management/White collar staff	Blue collar staff	Total
EMEA [1]	1,806	6,147	7,953
North America	217	628	845
South America	297	1,061	1,358
APAC [2]	478	1,300	1,778
Milan Headquarters	368	70	438
Total	**3,166**	**9,206**	**12,372**

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

[1] EMEA= Europe, Middle East and Africa
[2] Malaysia 40%

MANAGEMENT/WHITE COLLAR AND BLUE COLLAR STAFF



INVESTING IN TRAINING TO HAVE EXCELLENT RESOURCES

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

In 2008 Prysmian continued its personnel development programme focusing on:

Leadership development: the Developing Leadership Programme seeks to strengthen the leadership skills of young talents and senior management internationally.

Managerial development: a series of courses for executives, line managers and staff aimed at strengthening managerial skills at all levels within the Group, skills such as people management, self management, finance basics, intercultural orientation and communication skills.

Operational excellence: training of plant technical staff involving a series of continuous improvement modules consisting of theoretical and practical sessions, focusing on Problem Solving, Quality, Maintenance and Industrial Engineering.

In 2008, apart from its plant technical staff, Prysmian also trained an international group of newly-qualified engineers who, in the space of one year, completed the four continuous improvement modules and the intercultural orientation and communication skills courses.

Prysmian devotes particular attention to the integration of young talents: in fact, another important training programme was offered to newly-qualified engineers in 2008. This programme, a Masters in Engineering Procurement & Installation lasting 6 months, started after an initial selection and assessment process and focused on sales, engineering and project management.

Training in Italian Decree 231: The Group's Italian companies have carried on, once more in 2008, with this specific training programme, involving classroom teaching of the principles contained in this decree and illustration of the Organisational Models adopted by the individual companies.

In 2008, Prysmian held an average of 2.5 training days per person for white collar staff and 1.7 days per person for blue collar staff.

WE VALUE KEY PEOPLE AND TALENT

The Personnel Department operates closely with the business with the aim of always having the right people in the right job.
Prysmian has developed internal systems for the mapping of skills and evaluating potential so as to identify key people, i.e. those capable of leading change, achieving strategic objectives, and holding key positions by virtue of their abilities, commitment, and aspirations.

A new performance evaluation form has also been developed, focusing on managerial skills and business objectives.

INTERNATIONAL MOBILITY

International mobility is one of the most important ways of managing and developing key people for the organisation. In fact, the associated benefits are fundamental both for the business and for the individual's own personal development, also involving a process of professional and cultural enrichment by facilitating the sharing of knowledge between countries.

ORGANISATIONAL INITIATIVES IMPLEMENTED IN 2008

With a view to continuously improving organisational effectiveness, during 2008 Prysmian has continued projects and started new ones for revising structures and processes both centrally and in the Group's different businesses.

The key focus has been on:

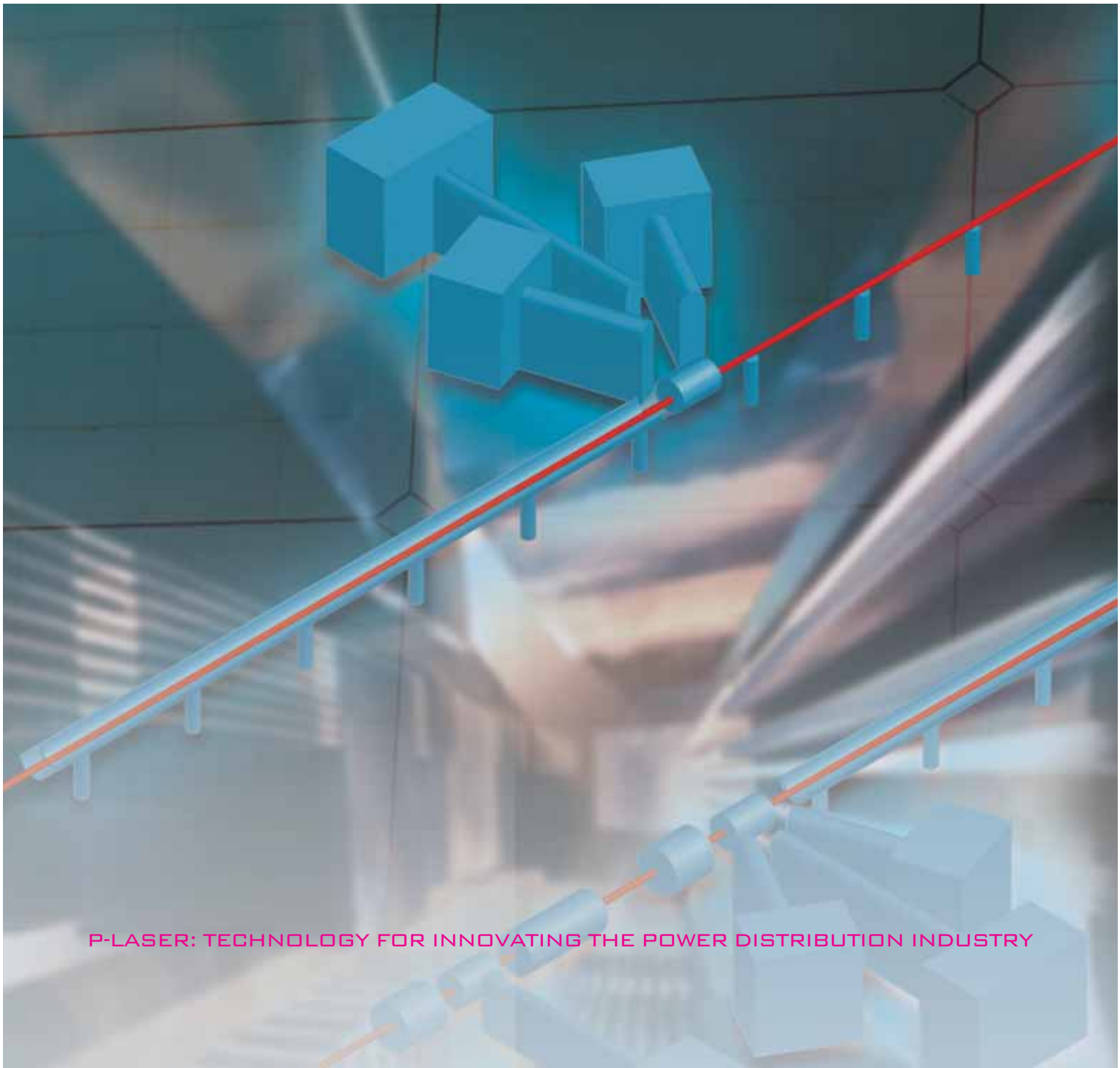
- Process improvement, through an assessment of the sales force, which is helping establish best practice and identify areas for improvement;
- Integration, in order to improve the overall performance and capabilities of recently acquired companies;
- Support for change, by deciding the organisational changes needed to facilitate introduction of the Group's new IT platform.

One of the main priorities in the year continued to be reducing fixed costs, by undertaking organisational changes producing efficiency gains both within headquarters and locally (streamlining of structures, process revision and resource mix change).

INDUSTRIAL RELATIONS

The acquisition of 100% of Facab Lynen Gmbh, a German cables manufacturer, was completed in the first half of 2008.

The necessary steps to restructure/reorganise were taken after this acquisition to ensure its effective integration into the Group.



P-LASER: TECHNOLOGY FOR INNOVATING THE POWER DISTRIBUTION INDUSTRY

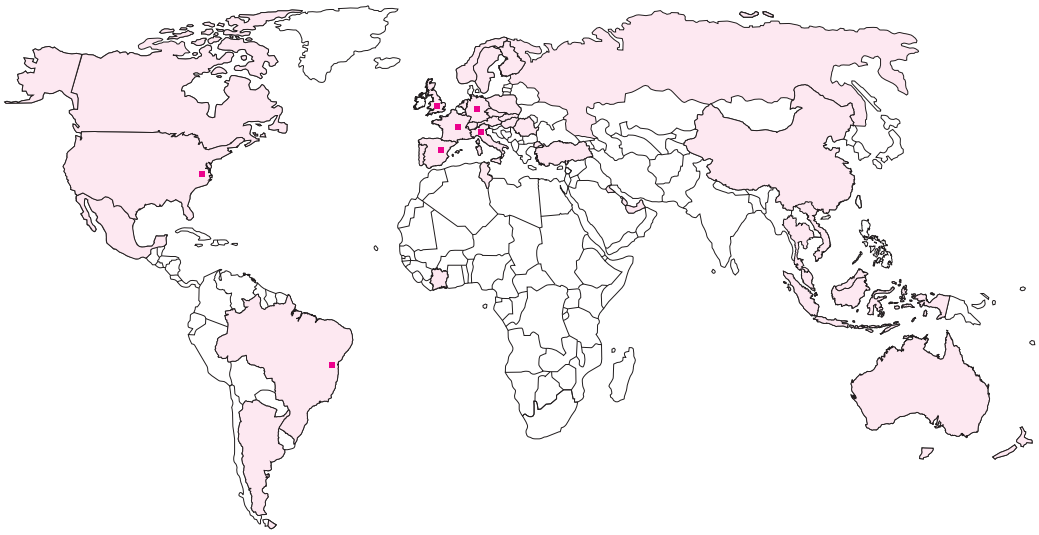
In 2008 Prysmian made significant progress in developing its P-Laser technology: an innovation of major importance for utilities as regards power distribution. From a technical perspective, P-Laser consists of an insulating system based on thermoplastic materials. This allows a more competitive production process since it can be manufactured on a single, uninterrupted production line, thereby significantly reducing the factory lead time. Prysmian's P-Laser cable uses a High Performance Thermoplastic Elastomer Compound (HPTE) developed in Prysmian's R&D laboratories and patent protected. It can also be produced according to different metallic screen and outer sheath configuration requirements. P-Laser not only offers a more compact architecture and compatibility with conventional cables and accessories but also the fundamentally important benefit of being completely recyclable: the offer of P-Laser cables therefore represents an opportunity for utilities, who are increasingly focusing on the eco-sustainability of their growth strategies.

Manufacturing started in 2008 at the Pignataro Maggiore plant, which produced more than 500 km of unipolar 185 mmÇ - 12/20 kV cable. Prysmian has also obtained the approval of ENEL, Italy's principal Utility, with whom an experimental phase has been successfully completed. Prysmian is therefore ready to offer this innovation in place of the existing medium voltage product.

CARRYING OUT IDEAS FOR LEADING R&D ACTIVITIES

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

Research & Development spending in 2008 amounted to approximately Euro 45.3 million, staying in line with the year before (Euro 45.5 million in 2007).



7
R&D Centres
Worldwide

400
R&D
Professionals

3,000
Patents Granted
and Filed

The main achievements in 2008 included:

- The world's first extruded submarine cable for 200 kV in direct current was developed for the Transbay project (to build a submarine HVDV interconnector between the cities of Pittsburgh and San Francisco in California); manufacture of this cable has started at the plant in Arco Felice.
- Development of flexible cables, for loading and unloading containers by port-side cranes, with optical fibre sensors allowing measurement of cable wear and tear and thus the performance of preventive maintenance, therefore significantly limiting the risks of cable damage and work stoppage.
- New technology for manufacturing hybrid umbilical cables, which unlike traditional cables use steel pipes rather than plastic ones, improving their reliability and performance, even at depths of over 2,000 metres. The Group's centre of excellence for manufacturing umbilical cables is in Vila Velha, Brazil.
- The new medium voltage P-Laser cables, developed at the Italian plant of Pignataro, with new technology involving less energy consumption and less environmental pollution. In fact, the different mix of materials and faster processes mean that the new technology is more industrially efficient and cable quality better, thereby ensuring a more efficient, competitive service for customers thanks to shorter production and installation times.

- In the area of optical cables, a new range of products was developed using micro-module technology, containing up to 288 fibres for indoor applications and up to 144 fibres for outdoor applications.

INTELLECTUAL PROPERTY RIGHTS

Protecting its portfolio of patents and trademarks is a major part of the Group's business, particularly due to its strategy of growth in high technology market segments.
At 31 December 2008, the Prysmian Group owned 3,072 patents and patent applications throughout the world (of which 1,779 relating to the Energy business and 1,293 to the Telecom business) covering 457 inventions (of which 245 in the Energy business and 212 in the Telecom business). Of these, 354 are patent applications or patents filed in one or more European countries and 377 are patent applications or patents in the USA.
At the end of 2008, the Prysmian Group also owned 2,440 trademarks for products or product lines, whose main purpose is product identification through specific features or production processes.

CARRYING OUT IDEAS FOR A SUSTAINABLE AND ENVIRONMENTALLY FRIENDLY BUSINESS

Management of its business on an environmentally sustainable basis is not just an ethical commitment for the Prysmian Group but a key factor in its very business competitiveness. Prysmian is constantly seeking not only to develop products with an ever lower environmental impact, but also to implement management and production processes that help improve the environmental sustainability of its business.

In keeping with the contents of the specific policy document, approved and supported by the Chief Executive Officer in 2007, over the course of 2008 Prysmian systematically and continuously pursued all the fundamental activities for managing issues relating to the environment and the health and safety of its employees, introducing a few improvements to the instruments used for fulfilling these tasks. Prysmian has also set up a special committee, the Environmental and Safety Committee (ESC), which acts at management level by deciding objectives for improvement on the basis of information provided by the Health Safety & Environment (HSE) department.

ISO 14001 AND OHSAS 18001 CERTIFICATIONS

In 2008, all of the Prysmian sites already certified ISO 14001 maintained the standards for continued certification. This was officially certified as a result of audits at these sites by the certifying entity.

The environmental management ISO 14001 certification, combined with the occupational health and safety OHSAS 18001 certification, result in an integrated environmental/safety system that makes environmental processes more effective while at the same time ensuring a high level of environmental and social responsibility.

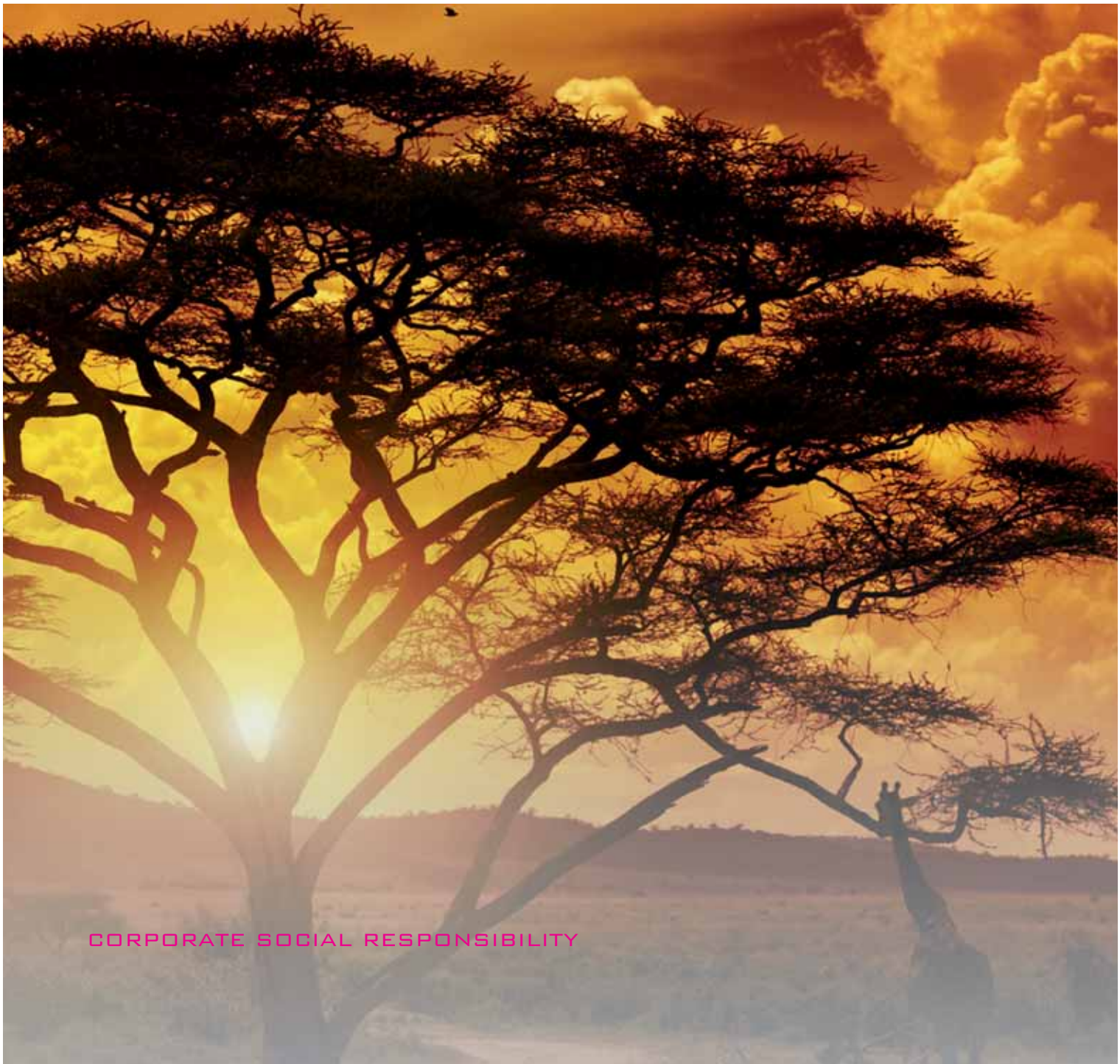
ENVIRONMENTAL INVESTMENTS

Environmental investments are fundamental to a management process based on continuous improvement, accident prevention and maintenance of adequate environmental standards.

In Prysmian, these investments are the result of:

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

"Environment/Safety" investments amounted to more than Euro 3 million in 2008.



CORPORATE SOCIAL RESPONSIBILITY

There is no electricity in the rural area of Madunda, in southern Tanzania. This severely limits social services such as education and healthcare and prevents the development of local business. Prysmian is donating technical support and materials to the ACRA project (Associazione di Cooperazione Rurale in Africa e America Latina - Association for Rural Cooperation in Africa and Latin America) for the construction of a hydroelectric plant on the Kisongo river, for the benefit of the 12,000 local inhabitants. Schools, medical facilities, public offices, small and medium enterprises will finally be supplied with electricity, improving the standard of living in the region and allowing it to escape from a subsistence economy. The process of rural electrification is managed by village committees which have set up the Madunda Electricity Company. Specific training is provided to technicians, who manage the power generation and transportation facilities, and to administrative staff, who manage the electricity company's accounts and finances.

Several professional courses have been organised to help bolster the local small and medium enterprises, for example in carpentry and in the use of computers and the internet.

The project also seeks to support local reforestation through income-generating activities. In fact, the presence of commercially desirable aboriginal plants, combined with access to a low-cost renewable source of energy in the form of the hydroelectric plant, would make it possible to start silvicultural activities, that could become the region's principal industry in the future.

These are some of the more important investments in the past three years:

Operating unit	Investment	Results
Energy cables and systems segment		
Plant in Argentina	Purchase of closed ovens for cleaning plastic residue from mechanical parts	Prevention of pollution by substances produced from combustion of plastics in working environment
	Installation of sprinklers	Prevention of fire risk
Plant in France	Installation of recycling systems for process water	Less environmental impact due to large reduction in water consumed for production, basically used to cool semi-finished products after transformation/assembly
Plant in France	Device for recycling SF6	Fewer losses of SF6 (greenhouse gas) used for used for testing compression on power joints
Plant in Turkey	Installation of system for treating used emulsions	Fewer environmental risks from disposing of used emulsions since the waste disposal company receives them already treated and so can more easily eliminate them
Plant in Canada	Improvement of production machinery safety devices	Reduction in risk of workplace accidents
Telecom cables and systems segment		
Plant in France	Elimination of dielectric fluids with PCB greater than 50 ppm	Elimination of a harmful substance for the environment and human health (PCB)

PRODUCT INNOVATION

Prysmian's Research & Development department has studied, developed and created several innovative products and processes, representing progress not only in terms of technology, but also in terms of lower environmental impact than the traditional technological solutions they replace. Some examples are:

- "micromodule" telecom cables, using a smaller quantity of materials. The total weight of the micromodule is 110 kg per kilometre, compared with 190 kg using the established technical solution; the environmental benefits lie in the smaller quantity of raw materials, and therefore the lower environmental impact needed to produce these cables;

- medium voltage power cables with a thinner insulating layer. Once again, the environmental benefit, relative to traditional solutions, lies in the smaller quantity of material used to produce the cable;

- P-Laser medium voltage power cable, insulated with recyclable thermoplastic materials. The cable is currently at an advanced stage of experimentation for production on an industrial scale;

- elimination of lead compounds in low voltage cables;

- extruded cables for transporting direct electrical current, the environmental benefit lying in the fact that the insulating layer comprises polymer-based mixes, rather than liquid oil like in previous technical solutions.

CARRYING OUT IDEAS FOR A MORE EFFICIENT ORGANISATION

INDUSTRIAL OPERATIONS

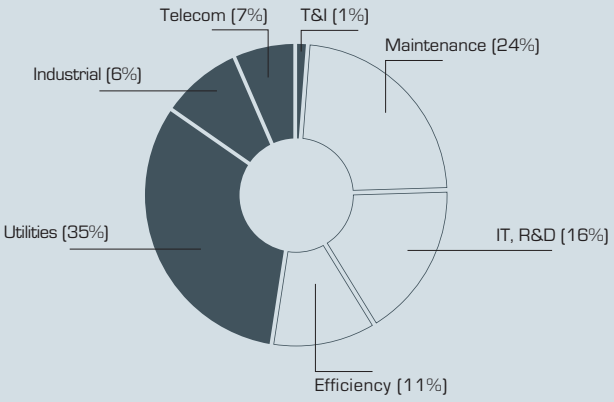
The Group's manufacturing operations are carried out through a highly decentralised model, involving 53 plants in 21 different countries at 31 December 2008. The wide geographical distribution of its plants is a strategic factor, allowing the Group to react to changing market demand in relatively short time. In recent years, the Group has reorganised its manufacturing operations so as to: (i) focus production on higher value-added products, while at the same time maintaining a suitably diversified geographical presence to minimise distribution costs for other Group products; (ii) concentrate the manufacture of certain products in certain plants to take advantage of economies of scale, by increasing manufacturing efficiency and reducing fixed costs and net capital employed.

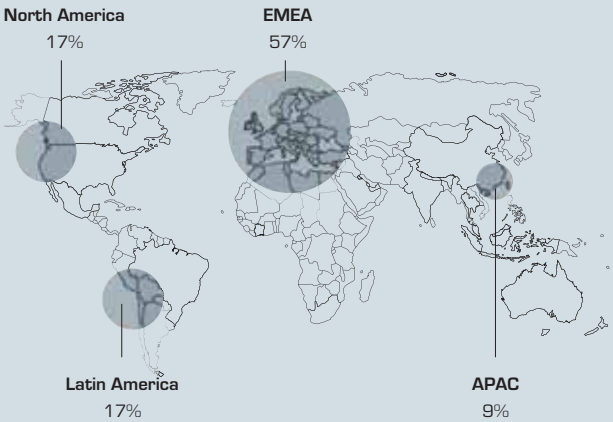
As part of this strategy, in 2008 Prysmian started building its first plant in the United States to manufacture high and extra-high voltage cables and it increased production capacity of power transmission cables in China.

Of particular strategic importance is the investment in progress in Brazil to expand the plant in Vila Velha to manufacture flexible pipes for subsea oil extraction; work is expected to be completed in 2010 and will allow Prysmian to take a major step forward in expanding its business with the Oil Gas & Petrochemicals industry, confirming the Group's strategic commitment to investing in value-added businesses that are high-margin, high-tech and require specialist know-how.

Gross investments in property, plant and equipment amounted to Euro 116 million in 2008, compared with Euro 89 million in 2007. Investments for increasing production capacity accounted for 49% of the total. In keeping with Group strategy, the increase in production capacity primarily referred to the Utilities and Industrial businesses (in the Energy segment) and to enhancing production of optical fibre and cables (in the Telecom segment).

The following charts show how the Group's investments in 2008 were split by type and geographical area:





Capacity increase

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

- further expanding capacity at the plant in Arco Felice (Italy) to satisfy long-term contracts for submarine cables;
- expanding optical fibre and cable production capacity at existing plants in Italy and Brazil, as well as building a new plant in Romania;
- new plants and equipment to produce mixes for LSOH cables in Vilanova (Spain), silanized cables in Sorocaba (Brazil) and automotive cables in Mudanya (Turkey) to satisfy demand in developing areas.

Structural maintenance capex accounted for 24% of total investments. This referred to buildings (such as the relocation of the factory in Jacarei to Santa Catarina) or complete production lines in order to comply with prevailing laws or to relocate production.

A significant part of the investments was also devoted to information systems (14% of the total). These included the start of the "SAP Consolidation" project, designed to standardise the information system in all the Group's operations over the next five years.

INFORMATION SYSTEMS

Prysmian achieved an important objective in 2008 by concluding the segregation plan, started in 2006, that has made Prysmian's infrastructure independent from that of Pirelli. This has made it possible to change the model of outsourcing, with a significant reduction in costs and the creation of a solid base for future developments. Pirelli Sistemi Informativi is nonetheless still Prysmian's principal outsourcer for ICT services, especially in terms of applications.

Major investments have also been made in ICT, the most important of which was the start of the "SAP Consolidation" project described later. This project will involve reorganising the ICT team with the goal of creating a Competence Centre. The new organisation will be based on Prysmian's existing staff and competencies. The organisational changes will be made gradually over the life cycle of the "SAP Consolidation" project.

APPLICATIONS

Consolidation of the Enterprise Resource Planning (ERP) system

Prysmian has used SAP as its ERP platform for more than 10 years. It is now used by nearly all the Group's companies in support of their principal functions. The "SAP Consolidation" project was started in March 2008; this is Prysmian's largest ever ICT investment and has the goal of standardising processes throughout the Group, and improving efficiency by using an optimal technological platform that will support the business in coming years.

The project will be concluded in 2012, but its initial results will be achieved as early as 2009.

Other significant projects

Implementation of SAP at our Chinese companies was completed during 2008.

Another important project, confirming SAP as a tool supporting integration and improvement in efficiency, was its implementation at our new plant in Eschweiler, Germany, in just three months from its date of acquisition.

Over the year Prysmian developed new websites for most of its companies based on latest technology and innovative content.

IMPROVING SAFETY IN THE CONSTRUCTION INDUSTRY: FP CABLES FOR THE NEW WIMBLEDON CENTRE COURT AND THE NEW F1 CIRCUIT IN SINGAPORE

Prysmian has focused its market strategy for low voltage cables used by the construction industry on higher value-added, high-tech segments, achieving further important successes in 2008. In particular, the Group worked on two new cabling projects in structures where safety is of paramount importance: Fire Resistant and LSOH (Low Smoke Zero Halogen) cables have been installed in Wimbledon's new centre court and at the motoring racing circuit in Singapore, which hosted the first ever night-time Formula 1 race in September 2008.

The world's most famous tennis tournament attracts around 470,000 visitors over its two-week period and employs over 6,000 staff. Fire safety protection is therefore at the top of the list of priorities for organisers and club managers. Prysmian has supplied its range of high performance cables, which continue to operate even in the event of fire and have reduced emissions of toxic gas and fumes.

In the case of the new Formula 1 Gran Prix circuit in Singapore, an event attended by over 90,000 spectators, Prysmian has supplied high performance cables for the lighting system which ensure the best night-time visibility for spectators and pilots and which transmit electricity from 12 generators to 1,500 floodlights.

One of the other structures where Prysmian has recently installed its fire-resistant cables is the Burj Dubai Tower, the world's tallest building.

INFRASTRUCTURE

Personal computing

More than 7,000 workstations were reinstalled in 2008 with standard software and upgrades, allowing better control and management of company assets: this process formed part of the segregation project from Pirelli.

Infrastructure consolidation

Prysmian has implemented a new technological framework known as PULSE (Prysmian User Layer Standard Environment). This standard framework includes all the hardware and software used by ICT users, including servers and workstations. Its adoption has resulted in a significant reduction in the number of servers and related maintenance costs.

Network improvement

Like many other companies, Prysmian is centralising certain ICT systems and services in order to reduce operational complexity and costs.

The strategy pursued requires a solid, flexible network, which is why two important steps were taken in 2008: the adoption of control and monitoring devices, which have helped improve network performance and reliability, and the signing of a new agreement with Telecom Italia covering the national and international telecommunications network.

Both these actions have made it possible to upgrade, replace and align the data lines to the growing volume of data exchanged within the Prysmian Group and so ensure improved performance and levels of service for our subsidiaries in 2009.

HEALTH AND SAFETY

The health and safety of its employees is a constant priority for Prysmian. Based on the recommendations of the Health Safety Environment (HSE) department, the Environmental and Safety Committee (ESC) has defined the improvement objectives to pursue.

These include:

- implementation of an OHSAS 18001 certified safety management system at all Italian plants;
- enhancement of safety training programmes.

In 2008, apart from having implemented these objectives (which will be completed operationally in the next 2 years), the Group managed to reduce its accident severity index by 16%; a lower value of this index indicates fewer days work lost as a result of accidents.

The Group also revised its procedures for environmental and safety management systems. This revision was conducted with the goal of integrating the two systems in order to manage them more efficiently.

Training and sharing of experience

Training sessions at plants continued in 2008, with the goal of increasing awareness of work-related risks and improving the knowledge needed to manage them, with the ultimate objective of preventing occupational accidents.

Apart from courses, meetings were organised with safety managers at the Italian plants, during which, in addition to the usual purely reporting aspect, the results of plant safety were analysed with the goal of sharing experience and reaching useful conclusions for establishing objectives for improvement.

Health and preventive medicine

In addition to protecting its workers in the conduct of their duties, Prysmian has also undertaken initiatives in

the field of health. In detail:

- it has made an agreement with a clinic at which employees of Prysmian's Milan office can enjoy services at particularly advantageous rates;
- it offers all employees the opportunity of having a flu vaccination free of charges in their workplace.

QUALITY

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

Rigorous application of the standards contained in the Quality Management Policy has made a significant contribution to achieving the Group's excellent business results in 2008.

The year 2009 will be a very important one for Quality in Prysmian: there will be greater focus on Quality as from 1 January having established a Quality Department within headquarters which reports directly to the Prysmian Chief Executive Officer.

The new department will help develop the Quality Management System both within headquarters and at Group companies, and further reduce internal and external non-compliance by implementing a prevention-based approach; all this is geared to improving Customer Satisfaction and gradually reducing the "Costs of Non Quality".

PURCHASING

The main raw materials used by the Group in its own production processes are copper, aluminium, lead and oil derivative products, such as PVC and polyethylene. Although metal costs were slightly lower in 2008 than in 2007, they experienced unprecedented price volatility during the year. The price per tonne of copper and aluminium varied during the year between USD 2,800 and 8,900 and between USD 1,400 and 3,300 respectively. Prysmian was able to deal with these fluctuations thanks to strict application of its hedging policies. As for other raw materials, their average price in 2008 was considerably higher than in 2007.

Thanks to constant monitoring of global supplies and various cost-cutting initiatives, Prysmian was also able to optimise the purchase of raw materials without compromising their quality. The sale price adjustment mechanisms, combined with prudent hedging, helped mitigate the effect of higher costs on the income statement.

LOGISTICS

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

In addition to the "Customer Service Excellence" project started in recent years, Prysmian launched the "Improving Factory Reliability" project in 2008 with the goal of improving the planning and execution of production output both in terms of mix and volumes in ever shorter time frames.

Improved Factory Reliability has permitted rigorous control of all elements of inventory: raw materials, semi-finished products and finished goods; this allowed the Group to deal efficiently and effectively with the market turmoil in the second half of 2008.

Prysmian also started work in 2008 on the "SAP Consolidation" project, entailing harmonisation and standardisation of all processes worldwide. In particular, the supply chain, from purchasing to physical distribution, will benefit from ever greater process integration and centralisation of decision-making and operations, allowing resources to be used more efficiently, information to be shared and a big reduction in market response times.

MAKING FUTURE ENERGY SAFER: HIGH-TECH INDUSTRIAL CABLES FOR NEW NUCLEAR POWER STATIONS IN CHINA

In 2008 Prysmian was awarded a contract in China in the strategic, high-tech sector of cables for nuclear power stations. China Nuclear Power Engineering Company has awarded the Group a contract to design, produce and install special cables of type K1 (inside the reactor) and type K3 (outside the reactor) which will be used to cable two new nuclear power stations being built in Liaoning and Fujian provinces. In particular, the K1 cables are designed to withstand high radioactive loads and are tested under the LOCA test (Loss of Coolant Accident), which certifies their resistance even after leakage of the reactor cooling agent (heavy water).

This contract is of particular strategic importance for Prysmian, as it concerns special cables designed and manufactured utilising Prysmian's proprietary technology, developed in over two decades of experience of collaborating with the world's largest developers and managers of nuclear power stations. A key factor in securing this contract, which lasts 4 years, was Prysmian's ability to develop and build part of the required products directly in China, at its new plant in Tianjin, as well as at its specialist plant in Paron, France.

SIGNIFICANT EVENTS DURING THE YEAR

The Prysmian Group continued in 2008 to take forward its strategy of growing in higher valued-added businesses less exposed to economic cyclical trends and in geographical markets with better growth prospects, principally through investments in selective production capacity increases and strategic commercial initiatives. Important actions were also taken to improve industrial efficiency and to reorganise group structure. Prysmian won contracts for major projects in 2008, allowing it to strengthen its competitive position in the key strategic sectors.

PRINCIPAL PROJECTS ACQUIRED AND COMMERCIAL INITIATIVES

At the beginning of September, Prysmian was awarded a contract worth Euro 140 million by Qatar General Electricity & Water Corporation (KAHRAMAA) to build Qatar's first submarine power connection serving its capital Doha. This new project joins the other major contract for Euro 168 million, recently awarded by KAHRAMAA to a consortium headed up by Prysmian, to build high voltage underground connections.

Prysmian was awarded two important contracts in the field of renewable energy, gaining a competitive advantage in a business with growing prospects. At the end of September, the Group won a contract in partnership with Siemens Transmission & Distribution Ltd worth Euro 87 million (of which Euro 36 million is the Prysmian share) to supply a power transmission system for the new Thanet 300 MW offshore wind farm being built in the North Sea. In May, the Group announced that it had been awarded a contract worth Euro 93 million to build the power connections for the Greater Gabbard offshore wind farm.

In June 2008, Prysmian announced that it had signed a four-year master agreement with Petrobras, a Brazilian oil company, to design and supply high-tech flexible pipes, tubes and ducts used for offshore oil extraction. The initial value of material supplied under this agreement is USD 135 million.
Other important orders will be placed under the technical cooperation agreement with Petrobras over the four-year period.
The Petrobas agreement represents a major step forward for Prysmian in expanding its business with the Oil Gas & Petrochemicals industry, confirming the Group's strategic commitment to investing in value-added businesses that are high-margin, high-tech and require specialist know-how. In order to enter this new sector, Prysmian has embarked on an investment of USD 110 million to build a new plant in Brazil, part of whose production capacity is already covered by the first supply contract with Petrobras.

INDUSTRIAL AND ORGANISATIONAL EFFICIENCY, INCREASES IN PRODUCTION CAPACITY, CORPORATE REORGANISATION

In keeping with its strategy of further strengthening its market position in the higher value-added strategic businesses, Prysmian invested in 2008 in expanding capacity at the submarine cables plant in Arco Felice, and carried on building a new high and extra-high voltage cable plant in the USA, which will be the only one of its kind in this country and will allow Prysmian to strengthen its leadership in a market expected to grow. Again in the high voltage sector, production capacity was doubled at the Baoying plant in China.

In terms of corporate reorganisation, the Prysmian

Group has been engaged for some time now in taking up opportunities to simplify and further integrate the Energy and Telecom businesses in certain countries. After France, Spain and Germany, the project relating to the United States was completed in September as a result of which the US operating companies have been grouped together under a single local holding company, a wholly-owned subsidiary of Prysmian Cavi e Sistemi Telecom S.r.l.

This project has also simplified the Prysmian Group's corporate structure in Italy.

Prysmian reorganised its business in China in 2008, with the new group structure comprising a new holding company headquartered in Beijing which controls 5 operating companies with 5 plants and over 1,000 employees. Also in China, the refurbished industrial cables plant was inaugurated in Tianjin.

MERGERS & ACQUISITIONS

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.). With sales of Euro 62 million in 2007, one manufacturing plant and 270 employees, Facab is one of Germany's leading players in the high value-added industrial cables market, particularly for the renewable energy, transport and mining industries. Facab Lynen contributed Euro 31 million to total Group sales in 2008.

In November 2008, Prysmian announced that it had terminated the agreement made in December 2007 with the Nicco Corporation of India, designed to create a new company majority-owned by Prysmian (60%), which would have acquired all of the Nicco Corporation's cable business.

FINANCE

In October 2008, Prysmian commenced the share buy-back programme authorised by the Shareholders' Meeting on 15 April 2008. A total of 3,028,500 shares have been purchased at an average price of Euro 9.965.

More details can be found in Note 11 forming part of the Notes to the consolidated financial statements at 31 December 2008.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)	2008	2007	% change
Sales	5,144	5,118	0.5%
Adjusted EBITDA	**542**	**529**	**2.4%**
% of sales	10.5%	10.3%	
EBITDA	**518**	**573**	**-9.6%**
% of sales	10,1%	11.2%	
Amortisation, depreciation and impairment	(70)	(65)	7.1%
Operating income	**448**	**508**	**-11.8%**
% of sales	8.7%	9.9%	
Net finance income (costs)	(165)	(123)	33.6%
Share of income from invest. accounted for using the equity method and dividends	3	2	
Income before taxes	**286**	**387**	**-26.0%**
% of sales	5.6%	7.6%	
Taxes	(51)	(85)	-38.7%
Net income	**235**	**302**	**-22.5%**
% of sales	4.6%	5.9%	
Attributable to:			
Equity holders of the parent	237	300	
Minority interests	(2)	2	

Reconciliation of Operating Income/EBITDA and Adjusted Operating Income/Adjusted EBITDA

Operating income (A)	**448**	**508**	**-11.8%**
EBITDA (B)	**518**	**573**	**-9.6%**
Non-recurring expenses (income):			
IPO costs	-	8	
Shutdown of production facilities and reorganisations	11	6	
IT segregation	1	1	
Settlement with Pirelli & C. S.p.A.	-	(21)	
Acquisition price adjustment of the Energy and Telecom Cables & Systems divisions from Pirelli & C. S.p.A.	-	(39)	
Disposal of Submarine Telecoms Business	-	1	
Badwill from Facab Lynen acquisition	(3)	-	
Provision for tax inspections	12	-	
Unsuccessful acquisition projects	3	-	
Total non-recurring expenses (income) (C)	**24**	**(44)**	
Impairment for shutdown of production facilities (D)	5	-	
Adjusted operating income (A+C+D)	**477**	**464**	**2.8%**
Adjusted EBITDA (B+C)	**542**	**529**	**2.4%**

DEVELOPING RENEWABLE ENERGY: SUBMARINE POWER CONNECTIONS FOR THE BIGGEST EVER OFFSHORE WIND FARM

In recent years Prysmian has significantly increased its commitment to developing high-tech cable systems for use by the renewable energy sector. All the world's energy players are focusing on this sector, with governments worldwide embarking on major investment plans. Once again in 2008, Prysmian has confirmed its leading position in the design, production and installation of cables for the transmission of energy from renewable sources, by providing utilities and grid managers with innovative solutions. In fact, the Group has been awarded two new contracts to supply and install links between the mainland and two offshore wind farms being built in Great Britain which, once completed, will be among the largest in the world.

The Greater Gabbard contract, secured in May 2008, involves supplying 175km of 132kV cables which will connect the wind farm's 140 turbines to the UK electricity grid. With a capacity of 504MW, Greater Gabbard will be able to supply 415,000 homes with electricity. The wind farm will be located approximately 26km off the Suffolk coast and is due to be completed in 2010. The contract for the Thanet project, awarded in September 2008, involves supplying 75km of 33 kV submarine cables for linking the farm's 100 wind turbines, as well as 55km of 132kV cables for transmitting the electricity to the mainland. The Thanet offshore wind farm, which is due for completion by October 2009, is located off the coast of Kent. This farm will have a capacity of 300MW.

These follow on from other major contracts awarded to Prysmian in the renewable energy sector in 2007, such as the supply and installation of power links for offshore wind farms being built in Germany and Denmark by EON.NETZ and Dong Energy.

Group sales reported a 4.2% organic growth in 2008 compared with 2007 (excluding changes in group perimeter, metal prices and exchange rates).

Organic growth by segment was as follows:

- Energy + 4.0%
- Telecom + 5.2%

Adjusted EBITDA amounted to Euro 542 million (before non-recurring expenses of Euro 24 million), posting an increase of 2.4% on the prior year.
This result was negatively impacted by the average appreciation of the Euro against almost all the currencies in which the Group operates outside the Eurozone. The impact of Euro appreciation eased slightly in the fourth quarter versus the US dollar, but increased for the British pound and the currencies related to Eastern Europe (Turkish lira, Hungarian forint, Romanian leu) and South America (Brazilian real and Argentine peso). EBITDA was also negatively impacted by exchange rates, although most of this impact was offset by the positive effects on the operating margins due to the appreciation of the US dollar and other Middle Eastern currencies on certain high voltage submarine and underground projects in progress in the Middle East. The large revaluation of the US dollar against the Brazilian real also positively influenced margins on OGP projects at the Brazilian subsidiary, part of which are denominated in US dollars.

INCOME STATEMENT

Group sales reached Euro 5,144 million in 2008, compared with Euro 5,118 million in 2007, reporting an increase of Euro 26 million (+0.5%).
This improvement was the result of a combination of the following factors:

- organic growth in sales of Euro 213 million (+4.2%) due to the positive trend in volumes and mix;
- decrease of Euro 51 million in sale prices due to metal price fluctuations (-1.0%);
- negative exchange rate effects of Euro 167 million (-3.3%);
- benefit of Euro 31 million (+0.6%) from the acquisition of Facab Lynen.

The contribution margin increased by 1.0% to Euro 970 million from Euro 960 million in 2007, confirming the positive commercial performance expected as a result of Group strategies. This result was achieved in a context of market stability in the first half of the year and ever accelerating contraction in the third and fourth quarters in all the geographical areas. The orders reduction in certain businesses (Trade & Installers, Automotive) negatively impacted the margin due to the writedowns of some Euro 15 million in metal stocks not yet assigned to sales orders ("Free Stock").

Adjusted EBITDA (before non-recurring income and expenses) amounted to Euro 542 million in 2008 compared with Euro 529 million at 31 December 2007, reporting an increase of Euro 13 million (+2.4%). This improvement reflected the increase of Euro 10 million in contribution margin and a reduction of Euro 3 million in fixed costs.

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

(in millions of Euro)	
Energy	**12**
Utilities	50
Trade & Installers	(42)
Industrial	9
Others	(5)
Telecom	**1**

Group EBITDA amounted to Euro 518 million in 2008 compared with Euro 573 million in 2007.
The reduction of Euro 55 million (-9.6%) was the combined effect of:

- an improvement of Euro 28 million (+5.4%) in recurring operations;
- negative impact of Euro 15 million due to the write down of metal stocks not yet assigned to sales orders ("Free Stock");
- higher net non-recurring expenses of Euro 68 million, amongst which:
  - the absence of refunds from Pirelli & C. S.p.A., amounting to Euro 60 million in 2007;
  - 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;
  - the absence of Euro 8 million in expenses incurred in 2007 for the IPO;
  - additional expenses of Euro 12 million for tax provisions relating to an inspection on indirect taxes involving a foreign subsidiary;
  - additional expenses of Euro 3 million incurred in relation to the non finalized acquisition of a majority interest in the Nicco Group (India);
  - additional expenses of Euro 4 million for restructuring costs, particularly following acquisition of Facab Lynen.

Amortisation, depreciation and impairment amounted to Euro 70 million at 31 December 2008, compared with Euro 65 million at the end of 2007. The increase of Euro 5 million is due to impairment losses recognised against land and machinery at the plant in Eastleigh (United Kingdom), closed in July 2008.

Group operating income amounted to Euro 448 million at the end of 2008, compared with Euro 508 million in the prior year, reporting a decrease of Euro 60 million (-11.8%).

Finance income and costs reported net costs of Euro 165 million in 2008 with an increase of Euro 42 million on the Euro 123 million reported in 2007. This was due to:

- the absence of Euro 59 million in write-offs of bank fees reported in 2007 following the refinancing of the previous Credit Agreement with the New Credit Agreement, effective as of 4 May 2007;
- the recognition in the income statement of the fair value of metal hedging derivatives (with a negative impact of Euro 68 million in 2008, compared with a negative impact of Euro 7 million at the end of December 2007);
- an increase in costs associated with exchange differences and currency hedges (with a negative value of Euro 27 million in 2008 compared with a positive value of Euro 9 million in 2007);
- the absence of Euro 8 million in gains on interest rate swaps in 2007;
- lower finance costs due to the significant reduction in debt in the past twelve months and the reduction in the cost of funding under the New Credit Agreement;
- the absence of the benefit of releasing an equity reserve of Euro 4 million to income in 2007 after refinancing the Credit Agreement. This reserve related to the fair value of interest rate swaps designated as cash flow hedges.

Taxes amounted to Euro 51 million in 2008, representing a tax rate of 18.0%, down from 21.9% in the prior year.

Net income for 2008 was Euro 235 million, 22.5% down on the prior-year figure of Euro 302 million.

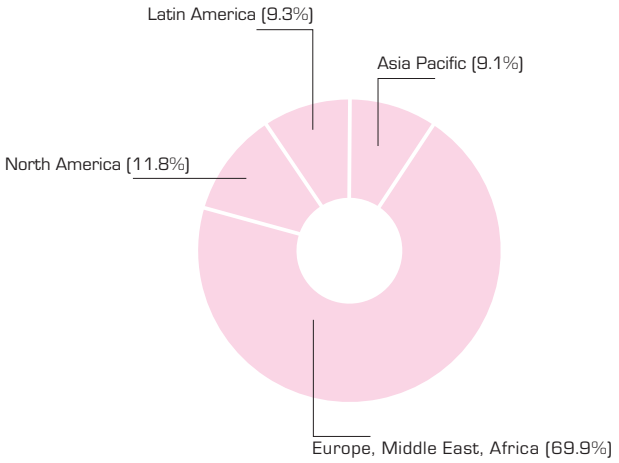
Adjusted net income [1] amounted to Euro 332 million, compared with Euro 299 million in 2007, reporting an increase of 11.0%.

[1] Adjusted net income is defined as net income before non-recurring income and expenses, the effect of derivatives and exchange rate differences and the related tax effects.

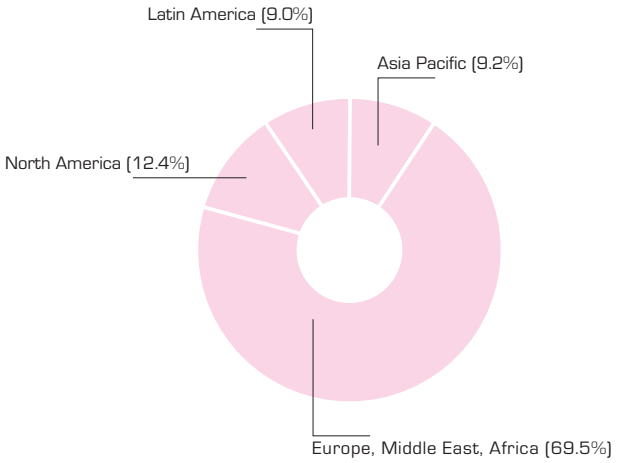
GEOGRAPHICAL PERFORMANCE

The following charts provide a comparison of sales by geographical area in 2008 and 2007.

2008



2007



The breakdown of sales by geographical area reports a slight reduction in the weight of sales in North America in favour of Europe and South America.
These sales trends reflected the rates of growth or contraction in the various markets, and the average appreciation of the Euro (the consolidation currency) against the US dollar and other related currencies in the year just ended.

Sales in Europe increased by Euro 38 million (+1.1%) thanks to a combination of the following factors:

- organic growth of Euro 135 million (+3.8%), mainly driven by High Voltage and Submarine projects, which more than made up for lower volumes in the Power Distribution and Trade & Installers businesses;
- negative exchange rate effects of Euro 94 million (-2.6%) due to appreciation of the Euro against other currencies in which Prysmian's European companies operate (British pound, Romanian leu, etc.);
- decrease of Euro 34 million (-0.9%) in metal prices (due to the combined effect of a reduction in metal prices and the depreciation of the Euro against the US dollar in the second half of the year);
- increase of Euro 31 million (+0.8%) due to the first-time consolidation of Facab Lynen.

Sales in Europe reported negative organic growth of Euro 1 million (-0.1%) in the fourth quarter, reporting a further slowdown on the previous quarter, particularly due to lower demand in the Trade & Installers and Power Distribution businesses.

Sales in North America decreased by Euro 27 million (-4.3%) due to:

- organic increase of Euro 18 million (+2.8%), with the third-quarter growth in the High Voltage and Telecom businesses entirely offsetting lower demand in other areas of the business (particularly Power Distribution);
- negative exchange rate effects of Euro 41 million (-6.5%) following appreciation of the Euro against the

IMPROVING GLOBAL TELECOM NETWORKS: FTTH SOLUTIONS CABLING THE WHOLE CITY STATE OF ANDORRA

Prysmian further strengthened its position in 2008 as a supplier of FTTH (Fibre To The Home) solutions to the most important telecom companies in Europe and the world, proving itself equal to the new challenges offered by the market. Among the major projects in which it has been involved in Europe, the Middle East, Russia and China, confirming its technological and market leadership in this sector, Prysmian has assisted Andorra Telecom in building the infrastructure that will help the Principality of Andorra to become the first country in the world to provide a direct optical fibre link to every home and business within its territory. By the time of its completion in 2010, the new network, using Prysmian's innovative VertiCasa™ cabling system, will provide all 35,000 homes and business premises in Andorra with optical fibre connections, allowing them to use ultra high speed broadband services.
The VertiCasa™ system, designed to satisfy the needs of flexible, easy installation in multi-storey buildings, has proven particularly suited to the Principality's installation requirements and has allowed Prysmian to confirm itself as the ideal partner for developing the best information infrastructure.

US dollar;

- decrease of Euro 4 million (-0.6%) in metal prices.

Sales in Latin America increased by Euro 17 million (+3.8%) compared to the prior year, thanks to organic growth in volumes of Euro 35 million (+7.6%) in all business areas, except for Power Distribution.

Organic growth, most of which generated in the second half of the year, mainly came from cables for the Oil&Gas industry.

Asia Pacific reported organic growth of 5.5% (-0.3% in absolute value), having benefited from certain important projects in Indonesia and Australia.

SEGMENT PERFORMANCE

ENERGY

(in millions of Euro)	2008	2007	% change
Sales	4,623	4,618	0.1%
of which to third parties	4,608	4,583	0.5%
Adjusted EBITDA	**493**	**481**	**2.2%**
% of sales	10.6%	10.4%	
EBITDA	**470**	**475**	**-1.3%**
% of sales	10.1%	10.3%	
Amortisation, depreciation and impairment	(63)	(61)	4.4%
Operating income	**407**	**414**	**-2.1%**
% of sales	8.8%	9.0%	
Adjusted operating income	**435**	**420**	**3.1%**
% of sales	9.4%	9.1%	
Contribution margin	**861**	**851**	**1.2%**
% of sales	18.6%	18.4%	

Reconciliation of Operating Income/EBITDA and Adjusted Operating Income/Adjusted EBITDA

Operating income (A)	**407**	**414**	**-2.1%**
EBITDA (B)	**470**	**475**	**-1.3%**
Non-recurring expenses/(income):			
Shutdown of production facilities and reorganisations	11	6	
Launch of the Prysmian trademark	(3)	-	
Badwill from Facab Lynen acquisition	12	-	
Unsuccessful acquisition projects	3	-	
Total non-recurring expenses/(income) (C)	**23**	**6**	
Impairment for shutdown of production facilities (D)	5	-	
Adjusted operating income (A+C+D)	**435**	**420**	**3.1%**
Adjusted EBITDA (B+C)	**493**	**481**	**2.2%**

Sales to third parties in the Energy Cables and Systems industry rose from Euro 4,583 million in 2007 to Euro 4,608 million in 2008. The increase of Euro 25 million (+0.5%) was mainly due to the following factors:

- organic growth in sales of Euro 185 million (+4.0%) due to the positive trend in volumes and mix;
- decrease of Euro 45 million (-1.0%) in sale prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 144 million (-3.1%);
- increase of Euro 29 million (+0.6%) due to the acquisition of Facab Lynen.

The Energy segment enjoyed positive organic growth in the fourth quarter of 2008 compared with the corresponding period of 2007, contributing Euro 34 million (+3.0%) to the full-year results.

Contribution margin increased by 1.2% from Euro 851 million in 2007 to Euro 861 million in the year just ended. This improvement was even more significant considering the market scenario, stable in the first half but contracting in the second part of the year, and the writedown of Euro 15 million due to metal stocks not yet assigned to sales orders ("Free Stock").

Adjusted EBITDA (before non-recurring income and expenses) came to Euro 493 million in 2008, compared with Euro 481 million at 31 December 2007, reporting an increase of Euro 12 million (+2.2%).
This improvement principally reflected the increase of Euro 10 million in contribution margin and a reduction of Euro 2 million in fixed costs.

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

UTILITIES

(in millions of Euro)

	2008	2007	% change	% organic change
Sales	2,029	1,895		
of which to third parties	2,028	1,894	7.1%	12.1%
Adjusted EBITDA	**287**	**237**		
% of sales	14.2%	12.5%		
Adjusted operating income	**256**	**208**		
% of sales	12.6%	11.0%		

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

The following macro segments can be identified within the Utilities business:

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

DEVELOPING MIDDLE EAST POWER INFRASTRUCTURE: A NEW SUBMARINE CABLE LINK IN QATAR

Two important new contracts awarded in 2008 in Qatar strengthen Prysmian's position in the Middle East as the partner of choice for players involved in developing the region's power transmission networks. In June Qatar General Electricity & Water Corp. (KAHRAMAA) awarded the consortium led by Prysmian a contract for expanding the country's electric power transmission network. The project, worth a total of Euro 168 million of which Prysmian's share is around Euro 87 million, involves the provision of engineering, production and installation services for high voltage and extra high voltage underground power cables, as part of the project for expanding the power transmission system (Phase VIII) currently underway in Qatar.

In September, KAHRAMAA awarded Prysmian another contract worth Euro 140 million to develop the country's first ever submarine power link serving Qatar's capital city of Doha. The Doha project requires Prysmian not only to design the cable but also to install it, with work expected to be completed by the end of 2010.

The Middle East has been targeted as a strategic area of expansion for Prysmian. Currently the Group has offices and facilities in Dubai and Abu Dhabi (UAE), Doha (Qatar), Manama (Bahrain) and Kuwait and is involved in several major projects in the region. These include the construction of a submarine power link between Saudi Arabia and Bahrain, the supply of high voltage cables and systems to the world's largest aluminium smelter under construction in Abu Dhabi, the Pearl GTL project, the largest Oil&Gas project started in 2006 in Qatar, and the Burj Dubai, the tallest tower in the world in which Prysmian-designed Fire Resistant cables are being installed.

Submarine power transmission and distribution systems (Submarine)

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

The Group has used specific technology for submarine power transmission and distribution in order to develop cables and accessories boasting exclusive proprietary technology for installation at depths of up to 2,000 metres. These cables offer two types of insulation: cables insulated with paper impregnated with oil or fluid for transmission of up to 500 kV in direct and alternating current; extruded polymer insulated cables for transmission of up to 400 kV in alternating current and up to 300 kV in direct current. Installation, design and services are of particular importance in this business.

In particular, as far as installation is concerned, Prysmian can call on the services of the Giulio Verne, one of the largest and most technologically advanced cable-laying vessels in the world.

Power distribution cables and systems (Power Distribution)

In the field of power distribution cables and systems, Prysmian produces medium voltage cables and systems for the connection of industrial and/or residential buildings to primary distribution networks and low voltage cables and systems for power distribution and the wiring of buildings.

All Prysmian products in this category comply with international standards regarding insulation, fire resistance, smoke emissions and halogen levels.

Network accessories and components (Accessories)

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

Network components for high voltage applications, in particular, are designed to customer specifications.

MARKET OVERVIEW

Despite large geographical differences, the markets in which Prysmian's Utilities business operated during 2008 were generally stable in the first six months, while steadily contracting in the second half of the year.

The High Voltage market - traditionally highly international both in terms of demand and cable manufacturers - reported growing demand in the first nine months of 2008 for extra-high voltage cables almost everywhere in the world, except for North America.

In the past three years, growing demand for electricity and the high oil price led the larger producers to make their generation processes ever more efficient and eco-friendly, by carrying out major restructuring projects on power stations and primary distribution networks.

Cable manufacturers have progressively increased their production capacity to support the growing demand.

The acute financial crisis particularly in evidence in the second half of the year - which significantly dampened the grant of new credit - also affected markets in the High Voltage segment: the largest Utilities in the sector announced fewer major new projects, while confirming those already in progress in the last three months of 2008.

The state of the market is unchanged in the early part of 2009, even if potential government incentives in the major economies, involving large infrastructure projects, could give demand renewed vigour during the year.

The underlying characteristics of the Submarine

segment are similar to those of the Underground High Voltage segment, although its players are larger and more highly concentrated both on the demand and supply side.
Demand from new projects was sustained during the year, although some of them were delayed in the last quarter of 2008, while there was a growth in requests for maintenance and/or repair of submarine connections already installed.

The Power Distribution segment confirmed the downward trend in demand – already evident in the last few months of 2007 – throughout the year just ended.
In Europe, the principal Utilities completed maintenance work and restructuring of secondary distribution networks in the first quarter of the year, meaning that cable demand fell back to a lower level in the rest of the year.
The financial crisis and the need to give priority to completing generation and primary distribution projects further dampened demand for medium and low voltage cables.
The market in North America reported the largest decline with demand falling by over 30% on the prior year; instead, South American markets, affected by adverse exchange rates of their currencies against the US dollar and by local network development strategies, offered a few opportunities to cable manufacturers in the second half of the year.

The market for network Accessories and components can be broadly divided into products for high and extra-high voltage networks and products for medium and low voltage use.
As regards the first sub-segment, demand by the Utilities in relation to major High Voltage and Submarine projects continued to be high, with the focus on customised, high-tech products.
The market for medium and low voltage accessories remained stable, since these products are usually used for ordinary maintenance of secondary distribution networks.

FINANCIAL PERFORMANCE

Sales to third parties in the Utilities business amounted to Euro 2,028 million in 2008 compared with Euro 1,894 million at the end of the prior year, reporting an increase of Euro 134 million (+7.1%) due to the combined effect of the following factors:

- organic growth in sales of Euro 230 million (+12.1%) due to the positive trend in volumes and mix;
- decrease of Euro 14 million (-0.7%) in sale prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 82 million (-4.3%).

Growth was concentrated in the High Voltage, Accessories and Submarine businesses thanks to strong demand for major projects worldwide, to which Prysmian has responded in the past two years by expanding production capacity at its plants in Arco Felice (Italy), Pikkala (Finland), Delft (Holland) and Gron (France).
Sales in these businesses enjoyed very significant organic sales growth of Euro 273 million (+32.5%) on the prior year thanks to projects such as the Sardinia - Italian Peninsula link (Sa.Pe.I) and those for Northeast Utilities (USA), Eon Alpha Ventus (UK) and Kahramaa (Qatar), as well as a series of smaller projects carried out by Prysmian on its major European markets.
Prysmian also took up interesting opportunities in Russia and the Persian Gulf during the first nine months of the year.
The turmoil on financial and oil markets, particularly

acute in the fourth quarter, has made the behaviour of the Energy sector's major players (energy producers and transmission grid managers) less predictable over the long term.
Accordingly, thanks to its wide range of products and services, Prysmian has sought not to overlook even smaller business opportunities (such as those involving network repair and maintenance).
The value of the Group's order book at the end of December 2008 covers all of the sales planned for 2009.
The Power Distribution business reported a slight organic drop in sales on the prior year.
This reduction was mainly concentrated in the North American market, where the main Utilities have postponed or slowed ordinary grid maintenance in favour of major transmission projects. In the second half of the year the major instability in the global banking system, spreading from the United States to Europe, caused volumes to fall in Central and Eastern Europe as well with a consequent decrease in orders by the Utilities.

Power Distribution cables therefore recorded a general reduction in demand, both for low and medium voltage products.

The contribution margin of the Utilities business increased by Euro 51 million (+12.8%), from Euro 399 million at the end of 2007 to Euro 450 million at the end of 2008.
The more than proportionate increase relative to the organic growth in sales reflected the higher contribution from more profitable segments (Underground High Voltage, Accessories and Submarine) than Power Distribution. Contribution margin includes a loss of Euro 5 million due to the write down of metal stocks not yet assigned to sales orders ("Free Stock").

Almost all of the increase in contribution margin was reflected in adjusted EBIDTA, which improved from Euro 237 million in 2007 to Euro 287 million at the end of 2008.

SUCCESSFUL TECHNOLOGICAL INNOVATION FOR TELECOM CABLES: ONE MILLION KM OF OPTICAL FIBRE INSTALLED WITH SIROCCO® SYSTEM

Prysmian has achieved major successes in 2008 in the higher value-added, high-tech sectors of the telecom business. In fact, Prysmian reached a milestone of one million km of fibre installed with the Sirocco® blown fibre system, for which it is the principal manufacturer in the world.

Particularly suited to installation in residential units still under design, the principle of blown fibre involves installing a network of empty tubes into which the fibre is subsequently blown as the network develops based on each individual customer's connection requirements. The Sirocco® system not only provides effective solutions to end users for high speed connections, broadband and optical fibre services, it also saves costs and allows users to delay investing in and installing fibre until they actually need it.

This milestone has also been achieved thanks to a major contract awarded to Prysmian by Slovak Telekom, the principal telecoms operator in Slovakia, which has ordered more than 25,000 km of blown fibre to modernise its national telephone network.

Sirocco®, produced in Prysmian's Bishopstoke plant in the UK, is now supplied to over 20 countries throughout the world, spanning 5 continents.

TRADE & INSTALLERS

(in millions of Euro)

	2008	2007	% change	% organic change
Sales	1,631	1,803		
of which to third parties	1,629	1,802	-9.6%	-5.0%
Adjusted EBITDA	**113**	**155**		
% of sales	6.9%	8.6%		
Adjusted operating income	**100**	**137**		
% of sales	6.1%	7.6%		

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

MARKET OVERVIEW

The reference markets have distinct geographical characteristics (despite international product standards) both in terms of customer and supplier fragmentation and the range of items produced and sold.
In the first six months of 2008 the construction sector in Europe and North America (Canada) reported slightly lower demand for cables in nearly every country, with a few negative exceptions like Spain; however, the downturn became ever steeper in the second half of the year and not even a reduction in prices – resulting from the fall in metal prices – was enough to counter the negative impact on cable manufacturer volumes.
The financial crisis in the last three months of the year caused the construction sector crisis, already very serious in countries like Spain and the United States, to spread nearly everywhere.

FINANCIAL PERFORMANCE

Sales to third parties in the Trade & Installers business decreased by Euro 173 million (-9.6%), from Euro 1,802 million in 2007 to Euro 1,629 million at the end of December 2008; this decrease was principally due to:

- organic decrease of Euro 91 million (-5.0%);
- decrease of Euro 28 million (-1.6%) in sale prices due to fluctuations in metal prices;
- negative exchange rate effects of Euro 54 million (-3.0%).

The markets in which Prysmian operates displayed signs of further contraction in the second half of 2008. In addition to Spain, UK and North America,

which were already deeply affected by the downturn in the construction sector, demand contracted in the major European markets, with increased pressure on finished product prices combining with volatility in raw material costs.

Overall, Prysmian sought to limit the contraction in sales volumes as far as possible and to avoid pressure on sale prices: contribution margin decreased accordingly by around Euro 49 million relative to the same period in the prior year (-17.6%).
This amount also reflects Euro 6 million in writedowns against metal stocks not yet assigned to sales orders (Free Stock).

Prysmian has therefore continued the strategy adopted at the start of 2008, combining the need to maintain its market share with an ability to react quickly to changes in specific markets by increasing its penetration of high value-added products (eg. LSOH/Afumex fire resistant cables) and demand for non-residential applications. In Europe, for example, our subsidiary in Spain reacted to a drastic reduction in demand in the low-end construction segment increasing presence in medium voltage cables, while in the United Kingdom the weaker pound and resulting decrease in competition from imports allowed to better exploit opportunities in the building wires sector. In North America, Prysmian's small market share enabled us to focus on highly specialised building sectors, while in Australia we concentrated on direct rather than intermediated channels.

Not all of the decrease in contribution margin fed through to adjusted EBITDA, which, thanks to swift action to cut fixed costs, was Euro 42 million lower, down from Euro 155 million to Euro 113 million at the end of 2008.

INDUSTRIAL

(in millions of Euro)

	2008	2007	% change	% organic change
Sales	851	795		
of which to third parties	850	795	7.0%	5.0%
Adjusted EBITDA	**93**	**84**		
% of sales	10.9%	10.6%		
Adjusted operating income	**80**	**71**		
% of sales	9.4%	9.0%		

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

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

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

MARKET OVERVIEW

Market trends for Industrial cables in 2008 were affected not only by performance in the relevant industrial sectors but also by fluctuations in raw material prices.
The high oil price fostered higher demand by the Oil & Gas industry, thanks to huge profits for extraction companies, and by rail and sea transport, thanks to numerous projects to rationalise these sectors and make them more efficient.
The same trend was seen in the mining sector, which reported sustained demand in the first nine months but a sharp slowdown in the last quarter.
The renewable energy sector reported strong growth throughout the year, with no particular impact from the financial crisis.
The automotive sector, already experiencing a widespread contraction in demand since the second half of 2007, reported another steep downturn in 2008.
Cables for domestic appliances (Branchement) witnessed growing competition in the first half of the year between European and Asian manufacturers in the face of generally stable demand.

FINANCIAL PERFORMANCE

The Industrial business reported a Euro 55 million (+7.0%) increase in sales on 2007, due to the following factors:

- organic growth of Euro 39 million (+5.0%);
- benefit of Euro 29 million (+3.6%) following the first-time consolidation of Facab Lynen;
- decrease of Euro 5 million (-0.6%) in sale prices due to a reduction in metal prices;
- negative exchange rate effects of Euro 8 million (-1.0%).

The improvement of Euro 12 million in contribution margin is due to a number of factors, such as the growth of sales in Europe, where the main focus was on special-application products (crane cables for port installations, instrumentation cables and rolling stock cables for rail installations), and the high increase of Oil & Gas projects throughout the world, allowing Prysmian to counteract lower volumes in the Automotive and Branchement (domestic appliances) sectors.
The margin also includes a loss of Euro 3 million due to the write down of metal stocks not yet assigned to sales orders (Free Stock).

In the umbilical cables sector, Prysmian's plant in Vila Velha (Brazil) increased its volumes by 15.9% on the prior year, accounting for around Euro 6 million of the improvement in contribution margin.
Almost all of the improvement in contribution margin

INVESTING IN INNOVATION TO BETTER SERVE THE O&G INDUSTRY WITH THE WIDEST RANGE OF CABLE SOLUTIONS

The Prysmian Group continues to expand its business in the sector of technology and products for the Oil Gas & Petrochemical (OG&P) industry, a business known for its high value-added and large investment in technology and know-how. A four-year Technical Cooperation Agreement was reached in June with the Brazilian oil company Petrobras, for the design and supply of high-tech flexible tubes and pipes for offshore oil extraction. The agreement involves an initial order worth USD 135 million, which will be followed by others already specified in the technical cooperation agreement. The addition of Flexible Pipes to its current production of umbilicals will enable the Prysmian Group to offer a comprehensive range of SURF products (Subsea Umbilicals, Risers and Flowlines) to the OG&P industry. In order to enter this new sector, Prysmian will invest around USD 110 million in building a new plant in Brazil. The new plant's production capacity will be partly covered by the first supply contract with Petrobras, while also allowing for additional development of this business in the future. The new plant will complement the one dedicated to the production of subsea umbilicals for the OG&P industry, opened in Brazil in early 2007.

was reflected in adjusted EBITDA and adjusted operating income.

OTHERS

(in millions of Euro)

	2008	2007
Sales	112	125
of which to third parties	101	92
Adjusted EBITDA	**-**	**5**
% of sales		5.5%
Adjusted operating income	**(1)**	**4**
% of sales		4.0%

This business comprises the sale of semi-finished products, raw materials or other goods, forming part of the production process and occasionally produced by the operating units of the Prysmian Group.

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

TELECOM

(in millions of Euro)	2008	2007	% change
Sales	547	548	-0.1%
of which to third parties	536	535	0.2%
Adjusted EBITDA	**49**	**48**	**4.9%**
% of sales	9.0%	8.6%	
EBITDA	**49**	**47**	**6.6%**
% of sales	9.0%	8.5%	
Amortisation, depreciation and impairment	(4)	(4)	-3.7%
Operating income	**45**	**43**	**7.5%**
% of sales	8.4%	7.8%	
Adjusted operating income	**45**	**44**	**5.7%**
% of sales	8.4%	7.9%	
Contribution margin	**109**	**109**	**-0.4%**
% of sales	19.9%	20.0%	

Reconciliation of Operating Income/EBITDA and Adjusted Operating Income/Adjusted EBITDA

Operating income (A)	**45**	**43**	**7.5%**
EBITDA (B)	**49**	**47**	**6.6%**
Non-recurring expenses (income):			
Disposal of Submarine Telecoms Business	-	1	
Total non-recurring expenses (income) (C)	**-**	**1**	
Adjusted operating income (A+C)	**45**	**44**	**5.7%**
Adjusted EBITDA (B+C)	**49**	**48**	**4.9%**

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

Optical fibres

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

Optical cables

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

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

Copper cables

Prysmian produces a wide range of copper cables for underground and overhead cabling solutions and for residential and commercial buildings.

Cables are designed for high transmission, low interference and electromagnetic compatibility and in accordance with the main international standards and specifications. Prysmian can supply cables with specific performance characteristics such as zero halogen emissions, low emission of toxic fumes and gases and fire non-propagating.

The Group's product portfolio includes a vast range of copper cables with different capacities (from 2 to 2,400 pairs) including xDSL cables for broadband access.

Accessories

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

FTTH (Fibre To The Home)

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

MARKET OVERVIEW

The optical fibre cables market is a global one and grew by around 12% in 2008 relative to 2007. The latest CRU bulletin in January 2009 estimated 132.4 million km of fibre market size in 2008, compared with around 118 million km of fibre in 2007 (+12.1%). Growth in the first half of 2008 was significantly higher than in the second half and was concentrated in rapidly-developing markets such as Eastern Europe, the Middle East, India and China. Several business opportunities also appeared in highly-developed markets such as France, the United States, Australia and the United Kingdom.

Prices nonetheless remained under severe pressure, especially because of the aggressive tactics adopted by some Asian manufacturers.

The Access/Broadband/FTTx market recorded a positive development in 2008, although the relatively low maturity of these products implies a different

BREAKING INDUSTRY WORLD RECORD WITH COMMISSIONING OF SA.PE.I. SUBMARINE CABLE

In 2008 Prysmian successfully completed the commissioning of the first phase (Pole 1) of the high voltage DC submarine link between the Sardinian power transmission network and that on the Italian mainland (SA.PE.I.), with the post-installation electrical tests carried out in the Latina converter station. Prysmian started work on this project in 2006 after being awarded the contract by Terna Rete Elettrica Nazionale SpA, the company responsible for power transmission and dispatch over the high voltage and extra high voltage grid throughout Italy. The project, an infrastructure upgrade of strategic importance for the entire country, is a milestone in the submarine power transmission systems industry and reconfirms Prysmian's position as a world leader in this industry. Apart from being the longest connection ever produced by a single supplier (over 400 km) and the second longest overall, the SA.PE.I. project also boasts two other world firsts in terms of transmitted power (1,000 MW) and maximum depth reached (over 1,600 metres). Once completed, SA.PE.I will be the largest link ever built worldwide.

Prysmian is involved in a number of important international projects involving submarine cables for power transmission and distribution, including the link between Saudi Arabia and Bahrain, the TransBay link in San Francisco, USA, the crossing of the Doha Bay in Qatar and the COMETA link between the Iberian Peninsula and Palma de Mallorca.

demand evolution by geographical area.
The copper cables market reported a slight decline in 2008: the latest CRU bulletin in January 2009 estimated 139.7 million km of pairs market size in 2008, compared with around 149.7 million km of pairs in 2007. Copper cables are primarily used for maintenance work or for upgrading existing networks. xDSL cables have provided an opportunity for product technological diversification in a market with no significant changes during last years.

FINANCIAL PERFORMANCE

Sales to third parties in the Telecom industry were largely stable relative to the prior year, going from Euro 535 million in 2007 to Euro 536 million in 2008.

This change was mainly due to the following factors:

- organic growth of Euro 28 million (+5.2%);
- decrease of Euro 6 million (-1.0%) in sale prices following a reduction in metal prices;
- negative exchange rate effects of Euro 23 million (-4.0%);
- increase of Euro 2 million due to the acquisition of Facab Lynen.

Organic growth was particularly strong in 2008 relative to 2007, thanks to development of the optical cables business.
Sales of optical cables continued to grow significantly in Europe, Australia (due to the contract with Telstra) and above all in North America, due to higher sales to Qwest and Telus (Canada) and maintenance of the current position with Verizon. This enabled the Group to limit the negative effects of a weaker Indian market.

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

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

Sales held up in the copper cable business thanks to high volumes in Turkey, Italy and Romania. Prysmian has secured a major contract worth over Euro 35 million to supply telecom cables in Libya.
The contract has been made with the Libyan General Post and Telecommunications Company and involves supplying a wide range of cables for the national operator's telephone network.
In South America, performance in Brazil was good, with high volumes achieved on both the domestic and export markets (North and Central America).

Contribution margin was in line with the prior year at Euro 109 million. Adjusted EBITDA (before non-recurring income and expenses) came to Euro 49 million (9.0% of sales), reporting an increase of Euro 1 million (+4.9%) on 2007.

GROUP BALANCE SHEET AND FINANCIAL POSITION

BALANCE SHEET

(in millions of Euro)

	31 December 2008	31 December 2007	Change
Net fixed assets	882	881	1
Net working capital	370	536	(166)
Provisions	(87)	(135)	48
Net capital employed	**1,165**	**1,282**	**(117)**
Employee benefit obligations	125	112	13
Total equity	463	454	9
of which attributable to minority interests	16	21	(5)
Net financial position	577	716	(139)
Total equity and sources of funds	**1,165**	**1,282**	**(117)**

Net fixed assets were Euro 1 million higher than at 31 December 2007, mainly due to:

- Euro 116 million in investments;
- Euro 70 million in amortisation, depreciation and impairment charges for the year;
- first-time consolidation of Euro 14 million in fixed assets for Facab Lynen ;
- a decrease in value due to depreciation of the US dollar, the British pound and other currencies against the Euro.

Net working capital was Euro 166 million lower than at 31 December 2007. This decrease reflects the trend in strategic metal prices relative to December 2007 causing a steep reduction in the value of metal included in the Group's working capital, the reduction in working capital employed in High Voltage and Submarine projects, an increase in liabilities as a result of the fair value measurement of trade-related derivatives (metal and currency derivatives) and the effect of translating the working capital of subsidiaries whose functional currency is not the Euro. This improvement was partially absorbed by the first-time consolidation of the working capital of Facab Lynen of Euro 10 million.

The change in provisions relative to 31 December 2007 mainly reflects movements in deferred tax liabilities in the last quarter of 2008.

The increase of Euro 13 million in employee benefit obligations since December 2007 mostly reflects the first-time consolidation of some Euro 15 million in pension funds of Facab Lynen.

The net financial position was down by Euro 139 million relative to 31 December 2007, reflecting the following factors:

- net cash inflow of Euro 502 million from operating activities in 2008;
- net operating investments of Euro 109 million;
- receipt of Euro 16 million in price adjustments from Pirelli & C S.p.A.;
- payment of Euro 88 million in net finance costs;
- payment of Euro 75 million in dividends by Prysmian S.p.A.;
- share buy-back of Euro 30 million;
- other net negative changes of Euro 77 million, mainly due to the effect of translating into Euro the financial statements of subsidiaries whose functional currency is not the Euro

(principally US and Brazilian subsidiaries), the reduction in the fair value of derivatives and the change in the Group's perimeter after consolidating Facab Lynen.

EQUITY

The following table reconciles the Group's equity and net income for 2008 with the corresponding figures reported by the Parent Company Prysmian S.p.A..

(in millions of Euro)

	Equity at 31 December 2008	Net income (loss) for 2008	Equity at 31 December 2007	Net income (loss) for 2007
Parent Company Financial Statements	**249**	**130**	**221**	**61**
Elimination of carrying amount of consolidated companies from Prysmian S.p.A. financial statements and related dividends	(262)	(118)	(252)	(117)
Recognition of equity and net income of consolidated companies	488	232	485	353
Elimination of intercompany profits and losses included in inventories and other consolidation adjustments	(9)	(9)	-	5
Minority interests	(19)	2	(21)	(2)
Consolidated Financial Statements	**447**	**237**	**433**	**300**

NET WORKING CAPITAL

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

(in millions of Euro)

	31 December 2008	31 December 2007	Change
Inventories	514	582	(68)
Trade receivables	734	833	(99)
Trade payables	(650)	(738)	88
Other receivables/(payables)	(228)	(141)	(87)
Net working capital	**370**	**536**	**(166)**

Net working capital amounted to Euro 370 million (7.2% of sales) at 31 December 2008, compared with Euro 536 million (10.5% of sales) at 31 December 2007.

PROVIDING ENERGY TO MAKE GLOBAL EVENTS HAPPEN: HV CABLES FOR THE BEIJING 2008 OLYMPIC VILLAGE

China State Grid commissioned the Prysmian Group to install the high voltage electricity network that supplied energy to the Beijing Olympic Village in summer 2008. Prysmian used 20 Km of high voltage 220 kV cables to cable this structure, covering an area of 66 hectares. Prysmian also cabled the television broadcasting studio from which RAI TV, Italy's state-owned television station, transmitted footage of the Olympics.

Prysmian is one of the Italian companies with the biggest presence in China, where it has 4 manufacturing plants and over 1,000 employees. With the goal of further strengthening its presence in a strategic market like China, Prysmian adopted a new corporate and organisational structure in China in 2008 with the formation of a new holding company based in new offices in Beijing. Prysmian's expansion strategy in China primarily focuses on developing higher value-added, high-tech sectors which can most benefit from the country's rapid economic growth and current infrastructural investments. In particular, the Group is aiming for further growth in high voltage connections, special cables for industrial applications and optical fibre cables for telecommunications.

This change was affected by the following factors:

- trend in strategic metal prices relative to December 2007, causing a steep reduction in the value of metal included in the Group's working capital;
- first-time consolidation of Euro 10 million in working capital for Facab Lynen;
- reduction in working capital employed in High Voltage and Submarine projects;
- increase of Euro 94 million since 31 December 2007 in liabilities arising from the fair value measu rement of derivatives;
- decrease due to the effect of translating the working capital of subsidiaries whose functional currency is not the Euro.

NET FINANCIAL POSITION

The following table provides a detailed breakdown of the Net Financial Position:

(in millions of Euro)

	31 December 2008	31 December 2007	Change
Long-term financial payables			
Credit agreement	967	990	(23)
Bank fees	(6)	(8)	2
Other financial payables	31	11	20
Total long-term financial payables	**992**	**993**	**(1)**
Short-term financial payables			
Credit agreement	34	5	29
Securitization	99	-	99
Other financial payables	66	63	3
Total short-term financial payables	**199**	**68**	**131**
Total financial liabilities	**1,191**	**1,061**	**130**
Long-term financial receivables	14	22	(8)
Long-term bank fees	7	10	(3)
Short-term financial receivables	60	18	42
Short-term bank fees	3	3	-
Financial assets held for trading	38	40	(2)
Cash and cash equivalents	492	252	240
Total financial assets	**614**	**345**	**269**
Net financial position	**577**	**716**	**(139)**

The increase in cash and cash equivalents at the same time as an increase in gross debt is basically due to the drawdown of the securitization credit facility (Euro 99 million at 31 December 2008 compared with zero at 31 December 2007).

CASH FLOW STATEMENT

(in millions of Euro)

	31 December 2008	31 December 2007	Change
EBITDA	**518**	**573**	**(55)**
Acquisition price adjustment and other settlements	-	(60)	60
Badwill from Facab Lynen acquisition	(3)	-	(3)
Share-based compensation	2	6	(4)
Changes in provisions (including employee benefit obligations)	2	(6)	8
(Gains)/losses from disposal of property, plant and equip. and intangible assets	-	(1)	1
Net cash flow provided by operating activities (before changes in net working capital)	**519**	**512**	**7**
Changes in net working capital	66	(60)	126
Taxes paid	(83)	(86)	3
Net cash flow provided by (used in) operating activities	**502**	**366**	**136**
Acquisition price adjustment and other settlements	16	45	(29)
Acquisitions	(1)	(3)	2
Net cash flow used in investing activities [1]	(109)	(80)	(29)
Free cash flow (unlevered)	**408**	**328**	**80**
Net finance costs	(88)	(83)	(5)
Free cash flow (levered)	**320**	**245**	**75**
Capital contribution and other changes in equity	2	(2)	4
Dividends paid	(76)	-	(76)
Purchase of treasury shares	(30)	-	(30)
Repayment of shareholders' loan	-	(28)	28
Net cash flow provided (used) in the year	**216**	**215**	**1**
Net financial position at the beginning of the year	**(716)**	**(879)**	**163**
Net cash flow provided (used) in the year	216	215	1
Other changes	(77)	(52)	(25)
Net financial position at the end of the year	**(577)**	**(716)**	**139**

Net cash flow generated by operating activities (before changes in net working capital) amounted to Euro 519 million in 2008. This result also benefited from the decrease in working capital of Euro 66 million, described earlier; therefore, after deducting Euro 83 million in taxes paid, net cash flow from operating activities in the period amounted to Euro 502 million, reporting an increase of Euro 136 million (+37.2%) on the prior year.

Net investments in 2008 amounted to Euro 109 million, Euro 29 million more than in 2007.
This increase was primarily due to an expansion in production capacity at the plants manufacturing High Voltage and Submarine products needed to satisfy growing demand, and to investments in improving industrial efficiency.

Net finance costs of Euro 165 million recognised in the income statement include significant non-monetary items, mainly relating to a decrease in the fair value of derivatives.

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

Consequently, excluding these effects, net monetary finance costs reflected in the cash flow statement amounted to Euro 88 million.

Net cash flow for the year also benefited from Euro 16 million in indemnification received from Pirelli & C. S.p.A..

Prysmian S.p.A. paid Euro 75 million in dividends in April 2008 and bought back its own shares in the last quarter of 2008 for Euro 30 million.

CORPORATE GOVERNANCE

Introduction

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

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

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

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

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

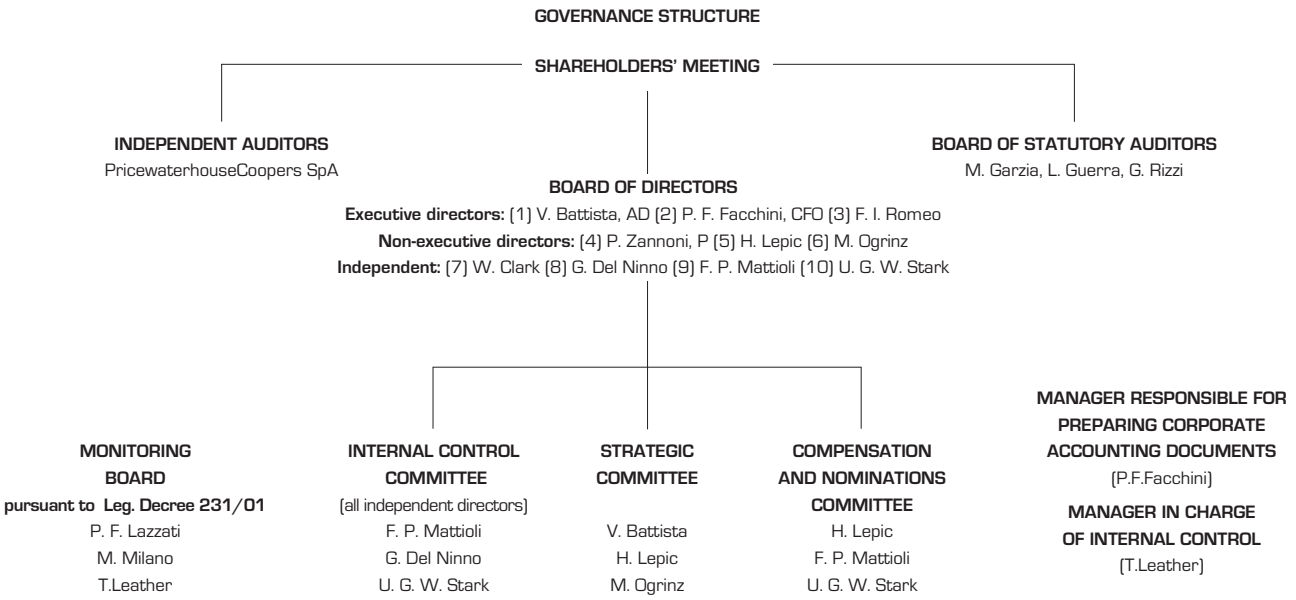
The main aims of the corporate governance structure are:

- to guarantee Prysmian S.p.A. shareholders an appropriate level of supervision over the more important strategic decisions of the Group;
- to organise a multilevel decision-making structure to enable appropriate involvement of shareholders and of the Board of Directors in the more important strategic decisions of the Group, with everyday management delegated to managers;

- to require management to closely observe governance procedures and to determine the due consequences in the event of non-compliance.

Further information (i) on the corporate governance system of Prysmian S.p.A. and (ii) on its ownership, as required by art.123-bis of Legislative Decree 58 of 24 February 1998 (Unified Financial Act), can be found in the "Corporate Governance Report", which may be viewed on the Company's website www.prysmian.com, in the Investor Relations/Corporate governance section, and which has been prepared in accordance with art. 124-bis of the Unified Financial Act, art. 89 bis of the CONSOB Issuer Regulations and art. IA.2.6. of the Instructions to the Regulations of Borsa Italiana S.p.A.

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



Company organisational structure

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

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

The Board of Directors has the broadest possible powers of ordinary and extraordinary administration, except for those powers which by law are the exclusive prerogative of the Shareholders' Meeting. The Board of Statutory Auditors oversees compliance with the law and the memorandum of association and observance

of the principles of correct administration in the conduct of corporate activities and controls the adequacy of the Company's organisational structure, internal control system and administrative and accounting system.
The independent audit of the financial statements is entrusted to a specialised company registered with CONSOB, and specifically appointed by the Shareholders' Meeting.

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

As for the appointment of Directors, in compliance with the provisions of Legislative Decree 58/98, the Company has adopted a list voting system to allow, where possible, minority shareholders to elect one Director. The appointment of the Board of Directors takes place on the basis of lists presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights at the Ordinary Shareholders' Meeting, or such lower percentage established by legal or regulatory provisions. CONSOB Resolution 16779 of 27 January 2009 has set the minimum share capital holding required to present candidate lists at 2% for 2009.

The Company is currently managed by a Board of Directors consisting of ten Directors, appointed during the Company's Ordinary Shareholders' Meeting of 28 February 2007, and who will serve until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2009

The Board of Directors consists of the following directors:

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

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

independence of judgement.

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

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

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

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

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

- Internal Control Committee, with powers to advise and make proposals to the Board of Directors regarding, inter alia, assistance in fulfilling the duties relating to management of the internal control system;
- Compensation and Nominations Committee, with powers to advise and make proposals to the Board of Directors regarding, inter alia, determination of the remuneration of the directors and top management of Prysmian S.p.A., the appointment/replacement of independent directors, and the size and composition of the Board itself.
- Strategic Committee, with powers to advise and make proposals to the Board of Directors regarding, inter alia, planning the Company and Group's strategic decisions, as well as preliminarily assessing the strategic options available to enhance the Group's position and its business plans.

Board of Statutory Auditors

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

The current Board of Statutory Auditors - appointed by the Company's Ordinary Shareholders' Meeting held on 28 February 2007 - will serve until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2009 and consists of the following members:

Name and Surname	Office held
Marcello Garzia	Chairman of the Board of Statutory Auditors
Luigi Guerra	Standing Statutory Auditor
Giovanni Rizzi	Standing Statutory Auditor
Alessandro Ceriani	Alternate Statutory Auditor

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

The appointment of the Statutory Auditors takes place on the basis of lists presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights, or such lower percentage established by legal or regulatory provisions.
CONSOB Resolution 16779 of 27 January 2009 has set the minimum share capital holding required to present candidate lists at 2% for 2009.
These lists must be filed at the registered offices at least fifteen days before the date set for the Shareholders' Meeting in first call. Each list must be accompanied by statements in which the individual candidates accept their candidacy and by the candidates' curriculum vitae.

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

Organisational model pursuant to Legislative Decree 231/2001

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

Revision of the Model has taken account of the extension of corporate administrative liability to new types of offences, and of changes to the Company's organisational structure after adopting the original organisational model.
As a result, the Model fully reflects the guidelines arising from the analysis and mapping of company processes exposed to the risk of crime and is consistent with the Company's specific characteristics, meaning that it meets the effectiveness requirements demanded by the law.

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

(a) Code of Ethics. This sets out the general principles (transparency, integrity and loyalty) which underpin the conduct of business and which are also relevant for the purposes of Legislative Decree 231/2001; it also indicates the goals and values which characterise the Company's operations.
(b) Rules of conduct. These contain specific rules for dealing with public officials and are designed to satisfy the specific requirements of Legislative Decree 231/2001 with regard to the prevention of potential situations of risk. These guidelines set out types of conduct to be actively adopted and conduct to be avoided, thus translating the con tents of the Code of Ethics into operational guidelines.
(c) Rules of Governance. This is a descriptive document structured as follows:
- Foreword: this contains a description of the business and organisation of Prysmian, designed to put the Model into its specific company context.
- Section One: this contains a general description of the contents of the Decree and the purpose of the Model.
- Section Two: this provides details of the Model's specific rules of governance.

This document contains, inter alia, a list and description of the crimes, an organisation chart, contractual clauses and a list of procedures.

It also describes how the Model is made known and publicised, how its users are instructed and how it is adopted and continuously updated.

It also contains a specific chapter on the Monitoring Board (duties, reasons for members being ineligible, removal, lapse and suspension of members, spending budget for its work).

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

In order to guarantee better oversight of internal control activities and in compliance with the recommendation of the Self-regulatory Code of the Italian Stock Exchange, the Board of Directors has appointed Valerio Battista, the Chief Executive Officer, as executive director in charge of supervising the functionality of the internal control system and charged him, inter alia, with the task of keeping constant check on its overall adequacy, efficiency and effectiveness The Board of Directors has also appointed the Head of the Internal Audit Department as the Manager in charge of internal control, with responsibility for checking that the internal control system is always appropriate, fully operational and functioning.

Implementation of Law 262/05 (Investor Protection Act)

Law 262/05 requires the Company to assess the adequacy and effectiveness of its internal controls over financial reporting (annual and interim financial reports and other financial information).

The Prysmian Group has adopted the COSO Report as its point of reference for implementing such controls and has used a step approach which includes: evaluation of the risks and scope of intervention, identification of existing processes and controls, testing of key controls, identification of areas for improvement and preparation of the related implementation plan.

The Chief Executive Officers and Chief Financial Officers of each subsidiary are responsible for maintaining adequate internal controls which ensure the accuracy of the financial information reported .

Internal Audit Department

The Internal Audit department is entrusted with the task of providing an independent and objective assessment on the adequacy of the company's internal control environment. The Director of Internal Audit reports directly to the Chief Executive Officer of the Prysmian Group and also reports to the Internal Control Committee.

The Internal Audit department prepares an annual Internal Audit plan utilizing a top down risk based approach. The plan is required to be approved by the Internal Control Committee and ultimately the Board of Directors.

The Director of Internal Audit attends each Internal Control Committee meeting. The results of internal audit activity are reported to the committee along with key findings and remediation actions. The status of the audit plan is regularly reported and any material deviations to the plan are also discussed and confirmed with the Internal Control Committee. The implementation status of audit recommendations is reported to the Internal Control Committee.

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

STOCK OPTION PLANS

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

In compliance with the terms of the Plan Regulations, options were granted gratis to 99 employees of the Company and other Prysmian Group companies to subscribe to 2,963,250 of the Company's ordinary shares.

Each option carries the right to subscribe to one share of par value Euro 0.10, at a price of Euro 4.65 per share.

The unit price was determined by the Company's Board of Directors on the basis of the market value of the issuer's share capital at the date of the Plan's approval by the Company's Board of Directors.
The value was determined on the basis of the issuer's economic and financial results at 30 September 2006 and took account of (i) the dilution produced by the grant of the options themselves, as well as (ii) the illiquidity of the presumed market value of the issuer's share capital at that date.

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

At 31 December 2008, there were 93 Plan beneficiaries, all of whom employees of the Company and the Prysmian Group. This figure takes account of those persons identified by the Extraordinary Shareholders' Meeting of 30 November 2006 ("Original Beneficiaries"), those Original Beneficiaries whose options have lapsed and Pier Francesco Facchini, the director and Chief Financial Officer, identified by the Board of Directors on 16 January 2007 as an additional beneficiary of the Plan. At 31 December 2008, a total of 546,227 options had been exercised, involving the issue of a corresponding number of new ordinary shares of the Company, while 2,318,974 options were still outstanding.

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

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

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

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

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

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

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

In addition, it is reported that some directors of Prysmian S.p.A. and some managers of Group companies hold shares in Prysmian (Lux) S.à r.l., which indirectly holds 30.2% of the shares in Prysmian S.p.A. through Prysmian (Lux) II S.à r.l..

GOING CONCERN

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

The earlier chapters of this report provide a detailed account of the Group's activities and its economic and financial performance in 2008. In particular, the "Letter to shareholders" and the account of "Significant events during the year" describe the strategies that the Group has adopted or intends to adopt to ensure its development.

The next chapter on "Risk factors" describes the risks and uncertainties facing the Group in the course of its business and the strategies adopted to mitigate such risks. Financial risks are discussed in detail in the Notes to the financial statements in Section C. Financial risk management.

The Group's liquidity reserves at 31 December 2008 are reported within this section as amounting to Euro 1,145 million, comprising cash and cash equivalents, financial assets held for trading and unused committed credit lines. Note 12 to the consolidated financial statements (Borrowings from banks and other lenders) contains the amortisation plan of the Credit Agreement (a variable rate term loan facility for Euro 1,000 million), which shows that the Group must repay 3% of the loan, corresponding to Euro 30 million, in November 2009.
The Group does not foresee any difficulty in

(*) Aggregate figure.

making this repayment.

The Group's estimates and projections take account of possible changes that could reasonably occur in its business performance and demonstrate Prysmian's ability to operate with the current level of debt. The Group will commence negotiations with its banks to roll over loans when the time is due.

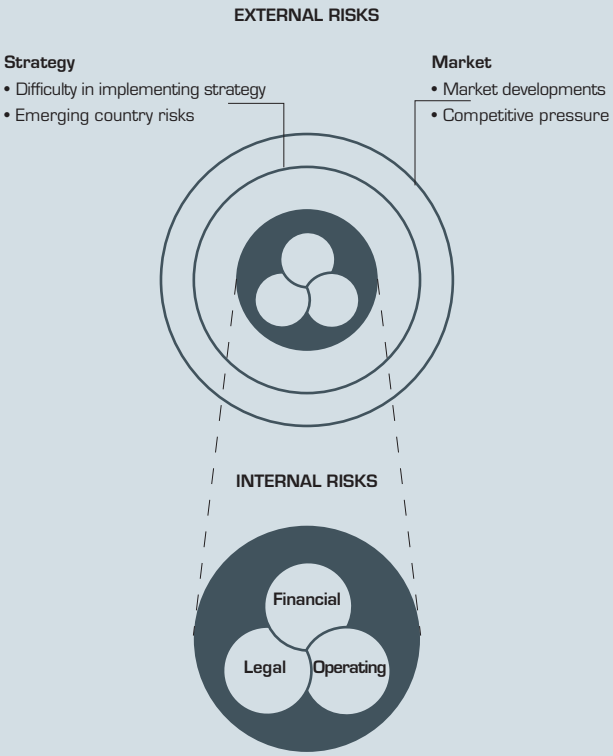
RISK FACTORS

The Group adopts specific procedures to manage the risk factors which may influence the results of its business.

These procedures are the result of corporate policy which has always sought to maximise value for shareholders by taking every action needed to prevent the risks inherent in the Group's business. The Board of Directors accordingly voted on 24 January 2006 to adopt a model of organisation, management and control ("Organisational Model"), designed to prevent the commission of the crimes envisaged by Legislative Decree 231/01.

In order to reflect the intervening organisational changes since first adopting the Organisational Model, and changes in the above law, the Company's Board of Directors voted on 27 August 2008 to adopt a revised Organisational Model. The revised model has been prepared on the basis of recent pronouncements by the legal and academic profession and the Guidelines of Confindustria (Italian confederation of industry) and satisfies the requirement to have a constantly updated system of corporate governance.

The Company's corporate governance structure is based on the recommendations and rules contained in the "Self-regulatory Code of the Italian Stock Exchange for Listed Companies", adopted by the Company. The chapter of this report on "Corporate governance" provides information on the structure adopted and the related responsibilities and outlines the contents of the documents that comprise the new Organisational Model. Based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2008, the Company believes there are no significant uncertainties, such as to raise substantial doubts as to the business's ability to continue as a going concern. Risk factors may be divided into context risks (external risks) and process risks (internal risks) as described below.



EXTERNAL RISKS (CONTEXT RISKS)

MARKET RISKS

Risks associated with trends in the Group's markets

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

In addition, demand for products in the energy cables sector is also influenced by projected spending by companies in the utilities sector and by the overall consumption of energy, as well as in part by construction sector trends, while demand for products in the telecom cables sector is heavily influenced by projected spending by telecom operators. Demand was seen to weaken in 2008 in certain market segments and geographical areas; as a result, the weakness experienced primarily in North America for the Power Distribution business and in certain European countries, particularly Spain, the United Kingdom and France for Trade & Installers, combined with a further drop in demand in other geographical areas, is likely to have a significant impact on the Group's business and results in coming months.

In addition, the Company believes that the deterioration in the global banking system will probably result in a reduction in investments by the Utilities, by Telecom operators and by certain businesses in the Industrial segment more exposed to cyclical trends in demand.

Risks associated with competitive pressure

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

Many of the products offered by the Group in these areas are based on industry standards and are largely interchangeable with similar products offered by its main competitors, in which case price is an important factor.

Although the competitive scenario for this business may vary by country or geographical area, one constant is the large number of competitors, which include those capable of competing on a global scale and smaller ones whose presence, in an individual country or geographical area or single line of business, may be comparable to that of the principal players.

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

Risks in implementing Group strategy

The Group's ability to improve its profitability depends, amongst other things, on its success in implementing its business strategy.

Group strategy is based, amongst other things, on increasing the proportion of sales from high value-added products; on developing its industrial structure to support its strategy and on continuously improving the structure of variable costs; on improving logistics and customer service; and on constantly researching and developing new products and manufacturing processes.

Although the Group intends to achieve its strategy, largely through internal growth but not excluding external lines, it is not possible to guarantee that this strategy will be achieved in the planned timeframe. The Group is not expecting to make significant use of external financing since it intends to finance its strategy with cash flows generated from operating activities.

Risks associated with activities in developing countries

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

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

INTERNAL RISKS (PROCESS RISKS)

FINANCIAL RISKS

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

Risks associated with sources of finance

The effects of the recent major instability in the global banking system could represent a potential risk factor in terms of procuring financial resources and the cost of that procurement. The Company believes this is not a risk it faces thanks to the five-year financing agreement (New Credit Agreement) signed on 18 April 2007 and expiring in May 2012. Under this agreement, the

lenders have made available a total of Euro 1,700 million in credit facilities to Prysmian SpA and some of its subsidiaries, analysed as follows:

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

The annual interest rate on the cash credit facilities is equal to the sum of:
(i) LIBOR or EURIBOR, depending on the currency;
(ii) an annual spread determined on the basis of the ratio between consolidated net financial position and consolidated EBITDA. The latest measurement of this ratio has permitted retention of the spreads effective from March 2008 (0.40% per annum on the Term Loan and Revolving Credit Facility).

Based on unused committed credit lines and available cash, the Group's financial resources exceeded Euro 1 billion at the end of December 2008 (including the undrawn portion of the credit facility of Euro 350 million serving the securitization programme expiring in July 2012).

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

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

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

[1] Figures in Euro.

Interest rate risk

The interest rate risk to which the Group is exposed is mainly on long-term financial payables.

These payables carry both fixed and variable rates. Fixed rate payables expose the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts, considering the risk to be immaterial. Variable rate payables expose the Group to a risk arising from rate volatility (cash flow risk).

The Group uses interest rate swaps (IRS) to hedge this risk, which transform variable rates into fixed ones, thus reducing the risk arising from rate volatility. By using IRS contracts, the Group, in agreement with the parties, swaps on specific deadlines the difference between the contracted fixed rates and the variable rate calculated with reference to the notional value of the loan.

LEGAL RISKS

Product liability

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

In addition, the Group's involvement in this kind of dispute and any resulting liability could expose the Group to a damage in reputation.

Risks associated with intellectual property rights

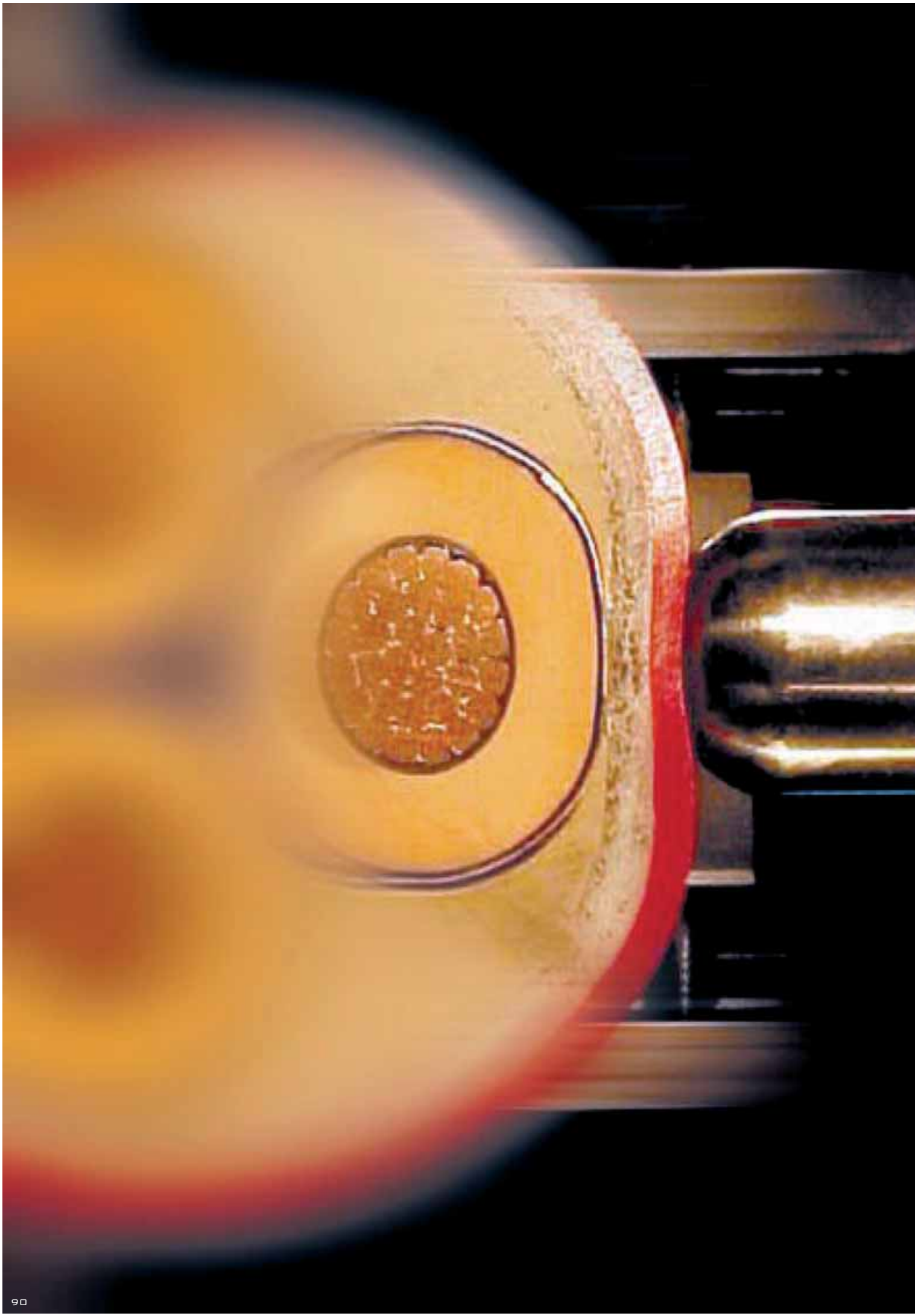
Although the Group believes it has adopted an adequate system for protecting its own intellectual property rights, it is not possible to rule out that it may face difficulties in defending such rights.

The intellectual property rights of third parties could inhibit or limit the Group's ability to introduce new products to the market. In addition, it is not possible to rule out that the Group might be involved in legal proceedings regarding intellectual property rights. Such circumstances might have a negative impact on the Group's activities, results of operations, balance sheet and financial position.

Risks relating to legal proceedings

It is not possible to rule out that the Group might be required to meet liabilities that are not covered by its provisions for risks and which are linked to the negative outcome of legal cases, with a consequently negative impact on the Group's activities, results of operations, balance sheet and financial position.

At the end of January, the European Commission and the Antitrust Authorities of Japan and the United States started an investigation into Prysmian in order to verify the existence of alleged anti-competitive agreements in the High Voltage underground and Submarine cables sector. The investigation is at an initial stage of gathering and selecting the relevant documentation and Prysmian is collaborating with these Authorities. In the event of proven breach of the relevant legislation, the financial penalties applicable under European law (EC Regulation 1/2003) could reach a maximum of 10% of turnover.



Risks relating to changes in the legal and regulatory framework

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

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

OPERATING RISKS

Risks associated with delivery dates and product quality

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

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

Risks relating to the operation of industrial plants

Being an industrial Group, Prysmian is exposed to the risk of a stoppage to its production at one or more of its plants, due, by way of example, to machine breakdown, withdrawal of or challenge to permits and licences by the competent public authorities, strikes or shortage of labour, natural disasters, major interruptions to the supply of raw materials or energy, sabotage or terrorist attacks. Although during the past three years there have not been any stoppages at the Group's industrial plants which have significantly affected its operations, it is not possible to rule out stoppages in the future and, where the cost of such stoppages exceeds the Group's current insurance coverage, its activities, results of operations, balance sheet and financial position could be negatively affected.

In order to avert such operating risks, Prysmian's Risk Management office reviews risk at all Group companies for the purpose of identifying and quantifying operating risks and establishing and managing policies for transferring and financing such risks.

In particular, it periodically reviews the level of insurance coverage, premiums paid, losses incurred and the damages recovered by the Group.

A plan for preventing such risks is prepared for every Group company, indicating the key areas of control. As part of a Loss Prevention plan applying to every plant, Risk Management personnel periodically inspect the Group's plants to identify and avert potential risks.

The following classifications are used to establish the level of risk:

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

The investment needed to reduce the level of risk at each plant is estimated with the goal of achieving a level of "Excellent HPR" at all the Group's facilities.
At 31 December 2008, 98% of plants were classified as "Excellent HPR", "Good HPR" or "Good non HPR", while only one plant was classified as "Fair" and none as "Poor".

Risks associated with the supply and availability of raw materials

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

Risks associated with fluctuations in raw material prices

All raw materials, especially oil derivatives, have experienced particularly significant price fluctuation in 2008, which is also expected to continue in coming months. The Group neutralises 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), whose risk cannot be offset through hedging. Certain products (mainly in the Trade & Installers business) are hedged, due to 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 Company 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 size and speed of the fluctuations in the copper price, such fluctuations may have a significant impact (i) 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 (ii) on the Group's margins and working capital.
In particular, (i) significant, rapid increases and

decreases in the copper price may cause absolute increases and decreases respectively in the Group's profit margins due to the nature of the commercial relationships and mechanisms for determining end product prices and (ii) increases and decreases in the copper price may cause increases and decreases respectively in working capital (with the consequent effect of increasing or reducing the Group's net debt).

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

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

High

Low

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

Risks associated with IT systems

To support the Group's strategic development, Prysmian has embarked on a major upgrade to its IT systems. The changes involve, amongst others, replacing certain important company systems with more up-to-date, functional versions, with the old systems being retained only for the next two years.

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

OTHER INFORMATION

Transactions with parents, subsidiaries and associates
Related party transactions do not qualify as either atypical or unusual but fall into the normal course of business by Group companies.
Such transactions take place under market terms and conditions, according to the type of goods and services provided.
Information on related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 33 to the consolidated financial statements at 31 December 2008.

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 2008.

Secondary offices and principal corporate information
For the list of secondary offices and principal corporate information of the legal entities making up the Group, see the list of companies included in the scope of consolidation contained in Attachment A of the Notes to the Consolidated financial statements.

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

SUBSEQUENT EVENTS

At the end of January, the European Commission and the Antitrust Authorities of Japan and the United States started an investigation into Prysmian in order to verify the existence of alleged anti-competitive agreements in the High Voltage underground and Submarine cables sector. The investigation is at an initial stage of gathering and selecting the relevant documentation and Prysmian is collaborating with these Authorities. In the event of proven breach of the relevant legislation, the financial penalties applicable under European law (EC Regulation 1/2003) could reach a maximum of 10% of turnover.

BUSINESS OUTLOOK

As already evident in the first nine months of 2008, the last quarter of the year confirmed a sharp slowdown in the world economy, with further contraction expected in 2009. The construction market crisis in the United States has generated great instability in the global banking system with clear signs of a decline in consumption and investments first in North America and then in Europe and the rest of the world. Given this economic scenario, the Group expects a further decrease in demand in the Trade & Installers and Power Distribution businesses and for certain products in the Industrial segment more exposed to cyclical trends, accompanied by more resilient demand for power transmission and industrial applications such as OG&P and renewable energy.
The Group also intends to continue rationalising and

making its industrial structure more efficient, while confirming its investment plans in higher value-added businesses to strengthen its presence in the most profitable, high-growth segments.

ALTERNATIVE PERFORMANCE INDICATORS

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

The alternative indicators used for reviewing the income statement include:

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

The alternative indicators used for reviewing the balance sheet include:

- **Net fixed assets:** sum of the following items contained in the consolidated balance sheet:
  - Intangible assets
  - Property, plant and equipment
  - Investments in associates
  - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in the net financial position

- **Net working capital:** sum of the following items contained in the consolidated balance sheet:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other non-current receivables and payables, net of long-term financial receivables classified in the net

financial position
- Other current receivables and payables, net of short-term financial receivables classified in the net financial position
- Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the net financial position
- Current tax payables

- **Provisions:** sum of the following items contained in the consolidated balance sheet:
  - Provisions for risks and charges - current portion
  - Provisions for risks and charges - non-current portion
  - Provisions for deferred tax liabilities
  - Deferred tax assets

- **Net capital employed:** sum of Fixed assets, Net working capital and Provisions.

- **Employee benefit obligations and Total equity:** these indicators correspond to Employee benefit obligations and Total equity reported in the consolidated balance sheet.

- **Net financial position:** sum of the following items:
  - Borrowings from banks and other lenders - non-current portion
  - Borrowings from banks and other lenders - current portion
  - Derivatives for financial transactions recorded as Non-current derivatives and classified under Long-term financial receivables
  - Derivatives for financial transactions recorded as Current derivatives and classified under Short-term financial receivables
  - Derivatives for financial transactions recorded as Non-current derivatives and classified under Long-term financial payables
  - Derivatives for financial transactions recorded as Current derivatives and classified under Short-term financial payables
  - Medium/long-term financial receivables recorded in Other non-current receivables
  - Bank fees on loans recorded in Other non-current receivables
  - Short-term financial receivables recorded in Other current receivables
  - Bank fees on loans recorded in Other current receivables
  - Financial assets held for trading
  - Cash and cash equivalents

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

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

Milan, 4 March 2009

On Behalf of the Board of Directors
The Chairman
(Paolo Zannoni)

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

BALANCE SHEET

(in millions of Euro)

	Note	31 December 2008	Related parties (Note 33)	31 December 2007	Related parties (Note 33)
Non-current assets					
Property, plant and equipment	1	806		838	
Intangible assets	2	31		21	
Investments in associates	3	9		9	
Available-for-sale financial assets	4	10		13	
Derivatives	8	21		32	10
Deferred tax assets	16	44		29	
Trade receivables	5	2		2	
Other receivables	5	26		34	
Total non-current assets		**949**		**978**	
Current assets					
Inventories	6	514		582	
Trade receivables	5	732	2	831	1
Other receivables	5	301		276	
Financial assets held for trading	7	38		40	
Derivatives	8	46		25	
Cash and cash equivalents	9	492		252	
Total current assets		**2,123**		**2,006**	
Assets held for sale	10	26		-	
Total assets		**3,098**		**2,984**	
Equity attributable to the Group:		**447**		**433**	
Share capital	11	18		18	
Reserves	11	192		115	
Net income (loss) for the year		237		300	
Equity attributable to minority interests:		**16**		**21**	
Share capital and reserves	11	18		19	
Net income (loss) for the year	11	(2)		2	
Total equity		**463**		**454**	
Non-current liabilities					
Borrowings from banks and other lenders	12	969		991	
Other payables	13	30		43	
Provisions for risks and charges	14	34		27	
Derivatives	8	33	1	2	
Deferred tax liabilities	16	30		62	
Employee benefit obligations	15	125		112	
Total non-current liabilities		**1,221**		**1,237**	
Current liabilities					
Borrowings from banks and other lenders	12	189		61	
Trade payables	13	650	2	738	1
Other payables	13	346	2	356	4
Derivatives	8	120		29	
Provisions for risks and charges	14	67		75	
Current tax payables		42		34	
Total current liabilities		**1,414**		**1,293**	
Total liabilities		**2,635**		**2,530**	
Total equity and liabilities		**3,098**		**2,984**	

INCOME STATEMENT

(in millions of Euro)

	Note	2008	Related parties (Note 33)	2007	Related parties (Note 33)
Sales of goods and services	17	5,144	17	5,118	13
Change in inventories of work in progress, semi-finished and finished goods	19	(51)		27	
Other income	18	39		111	
of which non-recurring other income	*36*	*3*		*60*	
Raw materials and consumables used	20	(3,127)		(3,198)	
Personnel costs	21	(551)		(548)	
of which non-recurring personnel costs	*36*	*(11)*		*(4)*	
Amortisation, depreciation and impairment	22	(70)		(65)	
of which non-recurring amortisation, depreciation and impairment	*36*	*(5)*		-	
Other expenses	23	(936)	4	(937)	6
of which non-recurring other expenses	*36*	*(16)*		*(12)*	
Operating income		**448**		**508**	
Finance costs	24	(543)		(230)	(1)
of which non-recurring finance costs	*36*	*(3)*		*(59)*	
Finance income	25	378	5	107	6
of which non-recurring finance income	*36*	*-*		*4*	
Share of income from investments in associates and dividends from other companies	26	3		2	
Income before taxes		**286**		**387**	
Taxes	27	(51)		(85)	
Net income/(loss) for the year		**235**		**302**	
Attributable to:					
Equity holders of the parent		237		300	
Minority interests		(2)		2	
Basic earnings/(loss) per share (in Euro)	28	**1.32**		**1.67**	
Diluted earnings/(loss) per share (in Euro)	28	**1.31**		**1.65**	

STATEMENT OF RECOGNISED INCOME AND EXPENSE

(in millions of Euro)	2008	2007
Fair value gains / (losses) on available-for-sale financial assets	(1)	2
Fair value gains / (losses) on cash flow hedges - gross of tax	(45)	(11)
Tax effect of fair value gains / (losses) on cash flow hedges	13	4
Currency translation differences	(89)	(5)
Actuarial gains / (losses) - net of tax effect	(1)	8
Net income recognised directly in equity	**(123)**	**(2)**
Net income / (loss) for the year	235	302
Total income / (loss) for the year	**112**	**300**
Attributable to:		
Equity holders of the parent	115	296
Minority interests	(3)	4

CASH FLOW STATEMENT

(in millions of Euro)

	2008	Related parties (Note 33)	2007	Related parties (Note 33)
Income before taxes	286		387	
Depreciation and impairment of property, plant and equipment	66		60	
Amortisation and impairment of intangible assets	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)		(2)	
Share-based compensation	2		6	
Net finance costs	165		123	
Changes in inventories	56		(50)	
Changes in trade receivables and payables	17	(2)	24	(3)
Changes in other receivables and payables	(5)		(26)	
Changes in derivatives	(2)		(8)	
Taxes paid	(83)		(86)	
Utilisation of provisions (including employee benefit obligations)	(44)		(53)	
Increases in provisions (including employee benefit obligations)	46		47	
Net cash flow provided by/(used in) operating activities	**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)		-	
Investments in property, plant and equipment	(103)		(87)	
Disposals of property, plant and equipment	1		4	
Investments in intangible assets	(13)		(2)	
Disposals of intangible assets	-		2	
Investments in financial assets held for trading	(7)		(22)	
Disposals of financial assets held for trading	1		7	
Disposals of available-for-sale financial assets	3		-	
Dividends received	3		3	
Net cash flow provided by/(used in) investing activities	**(100)**		**(53)**	
Capital contribution and other changes in equity	2		(30)	(28)
Dividends paid	(76)	(24)	-	
Purchase of treasury shares	(30)		-	
Finance costs paid	(461)		(171)	(1)
Finance income received	373		88	
Changes in net financial payables	41		(337)	(42)
Net cash flow provided by/(used in) financing activities	**(151)**		**(450)**	
Exchange gains/(losses) on cash and cash equivalents	(11)		(4)	
Total cash flow provided / (used) in the year (A+B+C+D)	**240**		**(141)**	
Net cash and cash equivalents at the beginning of the year	**252**		**393**	
Net cash and cash equivalents at the end of the year (E+F)	**492**		**252**	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 worldwide, cables and systems and related accessories for the energy and telecommunications industries.

Prysmian (Lux) S.à r.l., with registered office in Luxembourg, has de facto control 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 Board of Directors on 15 April 2008. As of 31 December 2008, Prysmian S.p.A. had bought back 3,028,500 shares for Euro 30 million.

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 4 March 2009.

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. Risks and uncertainties relating to the business are described in the Directors' report. These Notes contain a description of how the Group manages financial and capital risks, including liquidity risks, which can be found in sections C Financial risk management and C.1 Capital risk management.

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

The term "IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").
IFRS have been applied consistently to all the periods presented in this document. The consolidated financial statements have, therefore, been prepared in accordance with IFRS and related best practice; any future guidelines and new interpretations will be reflected in over the next 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 balance sheet have been classified as either current or non-current. The cash flow statement 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.

As required by IAS 1 (paragraph 96) and IAS 19 (paragraph 93 B), the consolidated financial statements contain a "Statement of recognised income and expense", reporting income and expenses recognised directly in equity; the statement of changes in equity is presented in Note 11.

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

B.2 BASIS OF CONSOLIDATION

The financial statements consolidated for Group subsidiaries have been prepared for the year ended 31 December 2007 and the year ended 31 December 2008. 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. For the purposes of determining control, the existence of potential voting rights exercisable at the balance sheet date is considered.

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 minority interests are given, where applicable, the relevant portion of equity and net income for the period. These amounts are reported separately on the face of the consolidated balance sheet and income statement;
- business combinations 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 a reassessment of the identification and measurement of the net assets acquired;
- acquisitions of minority interests in entities which are already under the Group's control are accounted for

as equity transactions. The Group records any difference between the cost of acquisition and the related share of net assets acquired directly in equity;

- gains and losses, including the relevant tax effect, from transactions carried out between companies consolidated on a line-by-line basis and which have still not been realised with third parties, are eliminated, except for unrealised losses which are not eliminated if there is evidence that the asset being transferred is impaired. The following are also eliminated: intercompany payables and receivables, expenses and income, as well as intercompany finance income and costs;
- gains and losses from disposal of investments in subsidiaries are recognised in the income statement for 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:

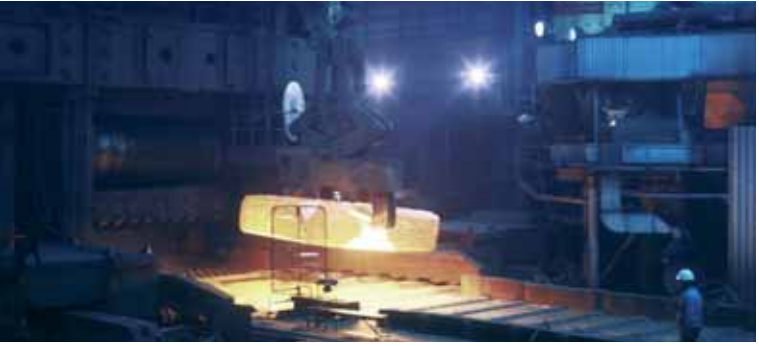
- the book value of these investments reflects the value of equity as adjusted, where necessary, to reflect the application of IFRS; it includes the higher values attributed to the assets and liabilities and any goodwill, which were identified on acquisition;
- the Group's share of profits or losses is recognised from the date the significant influence is acquired until the date it ceases. If in the case of losses, the company valued under this method has negative equity, the book value of the investment is cancelled and, where the Group is committed to fulfilling legal or constructive obligations of the investee company, or in any case to covering its losses, any Group surplus is recorded in a specific provision; changes in the equity of companies valued under the equity method which are not reflected in the income statement, are recognised directly in equity;
- unrealised gains or losses, 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 the 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 implemented a securitization programme for trade receivables involving a series 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 2008 are described below.
The Prysmian Group's 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.

The structure of the programme involves transferring receivables from the operating companies, directly or indirectly, to an Irish special purpose entity (Prysmian Financial Services Ireland Ltd), set up solely for the securitization programme. To buy the receivables, the Irish company uses available liquidity, as well as the loan 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). Subordinated loans granted by the Group's treasury companies are also used. In accordance with the provisions of SIC 12 - Consolidation - Special Purpose Entities (SPEs), the 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 into 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 Company's functional and presentation currency.

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 balance sheet date;
- 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 year-end rate and the differences caused by translating opening equity amounts at a different exchange rate from the year-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 closing exchange rate.

Whenever the foreign entity operates in a hyperinflationary economy, revenues and expenses are stated at the current exchange rate at the balance sheet 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 balance sheet 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.

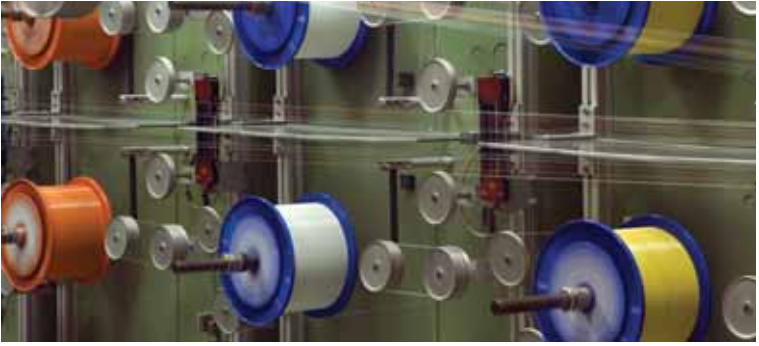
The exchange rates applied are as follows:

	Closing rate at		Average rate	
	31 December 2008	31 December 2007	2008	2007
Europe				
British Pound	0.953	0.733	0.794	0.684
Swiss Franc	1.485	1.655	1.587	1.643
Hungarian Forint	266.700	253.730	251.534	251.370
Slovak Koruna	30.126	33.583	31.253	33.777
Norwegian Krone	9.750	7.958	8.226	8.017
Swedish Krona	10.870	9.442	9.618	9.250
Romanian Leu	4.023	3.608	3.684	3.336
Turkish Lira	2.151	1.718	1.906	1.786
North America				
US Dollar	1.392	1.472	1.470	1.370
Canadian Dollar	1.700	1.445	1.560	1.468
South America				
Brazilian Real	3.252	2.608	2.702	2.670
Argentine Peso	4.806	4.636	4.649	4.270
Chilean Peso	885.817	732.664	771.217	715.418
Oceania				
Australian Dollar	2.027	1.676	1.742	1.635
New Zealand Dollar	2.419	1.902	2.078	1.863
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	1.832	1.791	1.810	1.751
Asia				
Chinese Renminbi (Yuan)	9.496	10.752	10.219	10.418
Hong Kong Dollar	10.786	11.480	11.450	10.691
Singapore Dollar	2.004	2.116	2.076	2.064
Indonesian Rupiah	15,239.120	13,826.700	14,169.633	12,529.025
Malaysian Ringgit	4.805	4.868	4.890	4.708

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 the year ended on 31 December 2008:



Acquisitions

- Prysmian Kabel und Systeme GmbH acquired all the shares held by third parties in Facab Lynen Gmbh & Co.Kg. (Germany), effective 3 June 2008. The acquired company changed its name to Prysmian Kabelwerk Lynen GmbH & Co.Kg. on 1 August 2008.

New company formations

- Prysmian Risk Services Limited was set up in Ireland on 1 May 2008, later renamed Prysmian Re Company Limited;
- Prysmian (China) Investment Company Ltd was set up in China on 21 May 2008;
- Sykonec GmbH was set up in Germany on 30 July 2008. The company is owned by Bergmann Kabel und Leitungen GmbH (50%) and by third parties (50%);
- Prysmian Cables and Systems (US) Inc. was set up in the United States on 31 July 2008.

Liquidations

- Fipla S.A. (Argentina) completed its winding-up process on 18 February 2008;
- Trans-Power Cables PTE Limited (Singapore) completed its winding-up process on 18 March 2008;
- Prysmian (US) Energia Italia S.r.l. and Prysmian (US) Telecom Italia S.r.l. completed their liquidation on 17 December 2008.

Mergers by absorption

- the absorption of Eurelectric S.A. into Prysmian Cables et Systèmes France S.A.S. was completed on 19 December 2008;
- the absorption of Prysmian Kabelwerke Lynen GmbH & Co.Kg. into Prysmian Kabel und Systeme GmbH was completed on 23 December 2008.

Other corporate actions

- the shares held by third parties in Prysmian Energia Cabos e Sistemas do Brasil S.A. were cancelled on 22 August 2008, through a new split in the shares;
- the shares held by third parties in Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A. were cancelled on 22 August 2008, through a new split in the shares;

A corporate reorganisation involving the United States was undertaken in 2008. As a result, all investments in US operating companies have been transferred to Prysmian Cables and Systems (US) Inc., a new company wholly-owned by Prysmian Cavi e Sistemi Telecom S.r.l
This process involved the following steps:

- transfer, with effect from 24 July 2008, of the entire interest in Prysmian (US) Energia Italia S.r.l. from Prysmian Energia Holding S.r.l. to Prysmian Cavi e Sistemi Telecom S.r.l. for consideration of Euro 19 million, corresponding to the investment's book value in the seller's accounts;
- set up, on 31 July 2008, of a company registered in the United States under the name of Prysmian Cables and Systems (US) Inc., whose sole shareholder is Prysmian Cavi e Sistemi Telecom S.r.l.;
- transfer, with effect from 31 August 2008, to Prysmian Cables and Systems (US) Inc. from Prysmian (US) Energia Italia S.r.l. and Prysmian (US) Telecom Italia S.r.l. of their entire respective interests in Prysmian Power Cables and Systems USA LLC and Prysmian Communications Cables and Systems USA LLC for consideration, based on fair market value, of USD 374.6 million and USD 15 million respectively;
- dissolution of Prysmian (US) Energia Italia S.r.l. and Prysmian (US) Telecom Italia S.r.l. through liquidation, with their subsequent cancellation from the Register of Companies on 17 December 2008.

This reorganisation, which hasn't had any impacts on Consolidated financial statements, has simplified the

Group's structure in North America and Italy and has optimised intragroup cash flows between Italy and the United States by shortening the chain of control between these regions and, like with other corporate reorganisations in the past, has brought corporate structure into line with the existing organisational structure.

In 2008 the Group reclassified the premises in Prescott and Eastleigh (United Kingdom) as assets held for sale.

Attachment A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2008.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2008

On 15 October 2008, the IASB issued amendments to IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures. These amendments allow, in certain exceptional market conditions like at present, an exception to be made to the treatment required under IAS 39 which forbids financial assets in the fair-value-through-profit-or-loss category from being transferred to another category. Non-derivative financial instruments, provided that they are not initially recognised under the fair value option, may be reclassified into a different category reported at cost or amortised cost. The amendments mean that IFRSs now offer the same reclassification option already allowed by US GAAP in certain very specific circumstances. These amendments do not have any impact on the Group's current financial statements.

On 5 July 2007, the IFRIC issued interpretation IFRIC 14 on IAS 19 - Defined Benefit Assets and Minimum Funding Requirements, endorsed on 16 December 2008 and applicable as from 1 January 2008. The interpretation provides general guidelines on how to determine the limit established by IAS 19 for recognising plan assets and provides an explanation of the accounting effects arising from the presence of a minimum funding requirement clause. IFRIC 14 has been applied to the valuation of Prysmian Cables and Systems Canada Ltd pension funds. For further details, please refer to Note 15.

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

On 30 November 2006, the IASB issued IFRS 8 - Operating Segments, applicable from 1 January 2009 in replacement of IAS 14 - Segment Reporting.
The new accounting standard requires companies to base segment reporting on the components used by management to make operating decisions. Operating segments must therefore be identified on the basis of internal reporting which is regularly reviewed by management in order to allocate resources to the different segments of the business and to analyse performance. The adoption of this standard will have no effect on the valuation and measurement of the contents of the financial statements.

On 29 March 2007, the IASB issued a revised IAS 23 - Borrowing Costs, applicable from 1 January 2009. This version has eliminated the option under which companies could immediately expense finance costs relating to assets that take a substantial period of time to get ready for their intended use or sale.
The standard will apply in the future to finance costs relating to assets capitalised as from 1 January 2009.

On 6 September 2007, the IASB issued a revision of IAS 1 - Presentation of Financial Statements, applicable as from 1 January 2009. This revision will involve

renaming some of the schedules forming part of the financial statements and introducing a new schedule (statement of changes in equity), which was previously included in the notes to the financial statements.
The changes envisaged by new IAS 1 will also apply to comparative figures presented together with the current period financial statements.

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 main changes to IFRS 3 include elimination of the obligation to value an acquired entity's identifiable assets and liabilities at fair value for every subsequent acquisition in the case of step acquisitions. In this case ooodwill 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. In addition, if a company does not acquire a 100% equity interest, the share of equity attributable to minority interests may be measured either at fair value or using the method previously allowed by IFRS 3. The revised standard also requires all costs associated with the acquisition to be expensed to income and liabilities for any contingent consideration to be recognised on the acquisition date. Prysmian must apply the new rules prospectively as from 1 January 2010. At the current reporting date, the European Union had not yet completed the endorsement process needed to apply this revised standard and amendment.

On 17 January 2008, the IASB issued an amendment to IFRS 2 - Vesting conditions and cancellations, under which:

- for the purposes of valuing share-based payments, only service and performance-related conditions may be treated as vesting conditions;
- all cancellations, whether by the company or by other parties, must receive the same accounting treatment.

This amendment to IFRS 2 will be applicable from 1 January 2009. The adoption of this amendment will have no effect on the valuation and measurement of the contents of the financial statements.

On 14 February 2008, the IASB issued an amendment to IAS 32 - Financial Instruments: Presentation and IAS 1 - Presentation of Financial Statements - relating to puttable financial instruments and instruments with obligations arising on liquidation. Puttable financial instruments and instruments that carry an obligation to deliver to another party a prorata share of the company's net assets must be classified as equity instruments. This amendment will be applicable from 1 January 2009.

On 22 May 2008, the IASB published a standard entitled "Improvements to International Financial Reporting Standards 2008". This is the first standard issued under the IASB's "Annual Improvement" process, intended to deal with minor amendments to standards. The new standard includes 35 amendments, and is split into two parts:

- Part 1: amendments that result in accounting changes for presentation, recognition or measurement purposes; and
- Part 2: amendments that are terminology or editorial changes only, which the Board expects to have no or minimal effect on accounting.

Most of the amendments will be applicable retrospectively from 1 January 2009. The Company is evaluating the impact on future financial statements.

On 22 May 2008, the IASB published amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards (IFRS) and to IAS 27 - Consolidated and Separate Financial Statements, relating to the measurement of the cost of investments in subsidiaries and associates on first-time adoption of IFRS. These amendments to IFRS 1 and IAS 27 are

effective from 1 January 2009, with earlier application permitted. These amendments will have no impact on the Group's future financial statements.

On 3 July 2008, the IFRIC issued IFRIC 16 - Hedges of a Net Investment in a Foreign Operation. This new interpretation eliminates 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. The interpretation also clarifies that in the case of hedging an investment in a foreign operation, the hedging instrument may be held by any entity within the group and that, when the investment is sold, IAS 21 (The effects of changes in foreign exchange rates) must be applied for determining the amount that needs to be reclassified to profit or loss from equity. This interpretation must be applied from 1 January 2009. At the current reporting date, the European Union had not yet completed the endorsement process needed for its application.

On 31 July 2008, the IASB published an amendment to IAS 39 - Financial Instruments: Recognition and Measurement, that must be applied retrospectively from 1 January 2010. The amendment provides clarification on the standard's application to designating hedged items in particular circumstances. At the current reporting date, the European Union had not yet completed the endorsement process needed for its application.

On 27 November 2008, the IFRIC issued IFRIC 17 - Distributions of Non-cash Assets to Owners, which 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. At the current reporting date, the European Union had not yet completed the endorsement process needed for its application.

The following interpretations address situations and cases which are not applicable to the Group:

- IFRIC 12 - Service Concession Arrangements, applicable from 1 January 2008 and not yet endorsed by the European Union;
- IFRIC 13 - Customer Loyalty Programmes, applicable from 1 January 2009;
- IFRIC 15 - Agreements for the Construction of Real Estate, applicable from 1 January 2009 and not yet endorsed by the European Union;
- IFRIC 18 – Transfers of Assets from Customers, particularly relevant for the utilities sector, applicable from 1 January 2010 and not yet endorsed by the European Union.

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 (Euros and US dollars).
Foreign currency exchange gains and losses arising on completion of a transaction 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. Interest expense on loans for the purchase or construction of property, plant and equipment is charged to the income statement.

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 applying 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 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 balance sheet date.

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 duration 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 for sales are measured at the lower of its 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. Any interest expense accrued during the development of intangible assets is charged to the income statement.
Amortisation commences when the asset is available for use and is calculated on a straight-line basis over the asset's estimated useful life.

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

The gains and losses from the disposal of an investment include the value of the related goodwill.

(b) Patents, concessions, licences, trademarks and similar rights
These items are amortised on a straight-line basis over their useful lives.

(c) Computer software
Software licence costs are capitalised on the basis ofthe 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 use of the asset will generate future economic benefits and if the conditions described for "Research and development costs" are met.

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

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

The amortisation of any development costs which have been recorded as intangible assets commences when the output of the project can be marketed.

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

At each balance sheet date, property, plant and equipment and intangible assets are analysed in order to see if there is 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. When the circumstances causing impairment cease to exist, the book value of the asset is restored with a release to the income statement, within the limit of the net carrying amount that the asset in question would have had if impairment had not been recognised and the asset had been amortised instead.
In the case of the Prysmian Group, the smallest CGU of the Energy sector can be identified on the basis of location of the registered office of the operating units (country), whilst for the Telecom sector, the smallest CGU is represented by the sector 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 and 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 from the balance sheet 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.

(a) Financial assets at fair value through profit and loss

Financial assets classified in this category are represented by securities held for trading since they have 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 and 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 and loss are measured at fair value. Assets in this category are classified as current assets. Gains and losses from changes in the fair value of financial assets at fair value through profit and loss are reported in the income statement as "Finance income" and "Finance costs", in the period in which they arise. Any dividends from financial assets at fair value through profit and loss are shown as revenue in the income statement under "Share of income from investments in associates and dividends from other companies", when the Group acquires the right to

receive the related payment.

(b) Loans and receivables

Loans and receivables are non-derivative financial instruments, mainly relating to trade receivables, with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified in the balance sheet as "Trade and other receivables" and are included under current assets (Note 5), except for those with contractual expiry dates of more than 12 months from the balance sheet date, which are classified as non-current (Note 5).

These assets are valued at amortised cost, using the effective interest rate. The assessment process aimed at identifying any impairment of trade and other receivables is described in Note 5.

(c) Available-for-sale financial assets

Available-for-sale assets are non-derivative financial instruments that are explicitly designated as available for sale; in other words, they cannot be classified in any of the previous categories and are included under non-current assets, unless management intends to dispose of them in the twelve months following the balance sheet 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 charged to 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 advanced ongoing negotiations, references to securities with the same characteristics, analyses based on cash flows, price models based on the use of market indicators and 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 presented as revenue in the income statement under "Share of income from investments in associates and dividends from other companies", when the Group acquires the right to receive the related payment.

The Group assesses at every balance sheet 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 prolonged or significant decline in the fair value of the investment below the initial cost is regarded as an indicator of impairment. Should this type of evidence exist, for available-for-sale financial assets, the accumulated loss - calculated as the difference between the acquisition cost and the fair value at the balance sheet date, net of any impairment losses previously recognised in the income statement - is transferred from equity and recognised 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 signing the contract, derivatives are accounted for at fair value and, if they are not accounted for as hedging instruments, any changes in the fair value following initial recognition are recorded in the income statement. 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 shown in Note 8. Movements in the "cash flow hedge" reserve forming part of equity are set out in Note 11.

The fair value of derivatives used as hedges is classified under non-current assets or liabilities if the expiry of the hedged item is in more than twelve months. If the expiry of the hedged item is within twelve months, the fair value of the hedge is reported under current assets and liabilities.

Derivatives not designated as hedges are classified as non-current assets or liabilities depending on their contractual expiry.

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 balance sheet 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 and 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 hedge, with reference to its ineffective portion, is immediately recognised in the income statement as "Finance income" and "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 income statement in the period in which the forecast transaction occurs. 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 2008, 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 linked to finance costs arising from floating rate debt transactions.

- **Exchange rate risk on intercompany financial transactions:** these hedges aim to reduce volatility due to changes in exchange rates on intercompany transactions. 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 occurs, the gains and losses from the hedging instruments are taken to the following lines in the income statement:

	Contract revenues/(costs)	Finance income/(costs)
Exchange rate risk on contracts	■	
Interest rate risk		■
Exchange rate risk on intercompany financial transactions		■

B.11 TRADE AND OTHER RECEIVABLES

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the Group's attention about the following loss events:

(a) significant financial difficulty of the issuer or debtor;
(b) the existence of ongoing legal disputes with the debtor relating to receivables;
(c) the likelihood that the debtor enters bankruptcy or other financial reorganisation;
(d) the existence of 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. The amount of the loss is recorded in the income statement under "Other costs".

Receivables which cannot be recovered are derecognised from the balance sheet with a matching entry through the allowance for doubtful accounts.

The Group occasionally factors trade receivables

without recourse. These receivables are derecognised from the balance sheet because all their related risks and rewards are transferred under such transactions 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, commencing from these financial statements, are being valued using the weighted average cost method. This change in the method of determining cost has been necessary in order to represent better the performance of Prysmian's business, even in periods of high price volatility for these metals. If this new method had been applied when preparing the consolidated financial statements at 31 December 2007, the impact on the balance sheet and income statement would not have been material.

The cost of finished and semi-finished products includes design costs, raw materials, direct labour costs and other production costs (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.

B.13 CONTRACT WORK-IN-PROGRESS

Contract work-in-progress (hereafter also "construction contract") 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 balance sheet 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 the contract work-in-progress, for which the amounts invoiced for progress of the project exceed the costs incurred including recognised profits (less recognised losses). These liabilities are reported in "Trade and other payables".

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. At the balance sheet date, current account overdrafts are classified as financial payables under current liabilities

in the balance sheet. 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 expected cash flows and it is possible to estimate them reliably, 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 under current liabilities, except where the Group has an absolute right to defer their payment for at least twelve months after the balance sheet date.

Borrowings from banks and other lenders are derecognised from the balance sheet 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 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 recorded in the balance sheet for defined benefit plans corresponds to the present value of the obligation at the balance sheet date, less, where applicable, the fair value of the plan assets.
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 care 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

Termination benefits are paid to employees when they end their employment relationship before the normal retirement date, or when they accept voluntary termination of their contract. The Group recognises termination benefits when it can be shown that the termination of employment complies with a formal plan establishing the termination of the employment relationship, or when the payment of the benefit is the result of voluntary redundancy incentives. Termination benefits payable twelve months after the balance sheet date are discounted to present value.

Share-based payments

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

(a) Stock options
Stock options are valued on the basis of the fair value determined on their grant date. This value is charged to the income statement on a straight-line basis over the option vesting period with a matching entry to equity. This recognition is based on an estimate of the stock options which will effectively vest in favour of eligible employees, taking into consideration any vesting conditions that are not based on the market value of the shares. Fair value is determined using the Black & Scholes method.

(b) Equity-settled share-based payment transactions
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.

The risks arising from contingent liabilities are indicated in the disclosures on commitments and risks and no provision is recognised.
Contingent liabilities, which are accounted for separately as liabilities in the process of allocating the cost of a business combination, are valued at the higher of the valuation derived using the method described above for provisions for risks and charges and the present value of the liability initially determined.

B.19 REVENUE RECOGNITION

Revenue from the sale of goods is recognised when the risks and rewards of the goods are transferred to the customer, usually coinciding with the delivery of the goods to the customer and the customer's acceptance of them. Revenue is recognised provided the collection of the related receivable is reasonably assured.

(a) Sales of goods
Revenue from sales of goods is recognised when a Group company has delivered the goods to the customer, the customer has accepted them and the collection of the related receivable is reasonably assured.

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

The method of recognising revenue for contract work-in-progress is outlined in Note B13.

B.20 GOVERNMENT GRANTS

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

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

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

B.21 COST RECOGNITION

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

B.22 TAXATION

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

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. Taxes

are offset when income taxes are levied by the same taxation authority, there is a legal entitlement to offset them and the net balance is expected to be settled.

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

B.23 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the net income attributable to the Group 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 Group's net income is adjusted to account for any effects, net of taxes, of exercising these rights. Diluted earnings per share are not calculated in the event of losses, since any dilutive effect would result in an improvement in the earnings per share.

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 the written principles for management of the above risks and the use of financial instruments (derivatives and non-derivatives).

The effect on net income 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 companies operating in the Euro area 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 companies operating in the Euro area on the Qatari market;

- Euro/British Pound: in relation to trade and financial transactions carried out by companies operating in the Euro area on the British market and vice versa;
- Australian Dollar/Euro: in relation to trade and financial transactions carried out by companies operating in the Australian market with companies operating in the Euro area and vice versa;
- Brazilian Real/US Dollar: in relation to trade and financial transactions in US dollars carried out by companies operating in Brazil on foreign markets and vice versa;
- Euro/Romanian Leu: in relation to trade and financial transactions carried out by companies operating in Romania on the Euro area market and vice versa;
- Euro/Hungarian Forint: in relation to trade and financial transactions carried out by companies operating in Hungary in the Euro area market and vice versa;
- Canadian Dollar/Euro: in relation to trade and financial transactions carried out by companies operating in the Canadian market with companies operating in the Euro area and vice versa.

In 2008, trade and financial flows exposed to these exchange rates accounted for around 92.3% of the total exposure to exchange rate risk arising from trade and financial transactions (87.4% in 2007 for the same exchange rates).

The Group is also exposed to significant exchange rate risks on the following exchange rates: Euro/Singapore Dollar, Malaysian Ringitt/US Dollar, United Arab Emirates Dirham/Euro, Turkish Lira/US Dollar.

None of the above exposures, when considered individually, exceeded 2.0% of the overall exposure to transactional exchange rate risk (2.0% in 2007).

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

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

These hedges are arranged through derivative contracts.

The following sensitivity analysis shows the effects on net income of a 5% and 10% increase/decrease in exchange rates relative to the exchange rates applicable at 31 December 2008 and 31 December 2007.

(in millions of Euro)

	2008		2007	
	-5%	+5%	-5%	+5%
Euro	(0.40)	0.36	(0.80)	0.72
US Dollar	(3.02)	2.73	(1.00)	0.90
Other currencies	(1.12)	1.01	(0.71)	0.64
Total	**(4.54)**	**4.10**	**(2.51)**	**2.26**

(in millions of Euro)

	2008		2007	
	-10%	+10%	-10%	+10%
Euro	(0.84)	0.68	(1.68)	1.38
US Dollar	(6.37)	5.21	(2.11)	1.73
Other currencies	(2.37)	1.94	(1.50)	1.23
Total	**(9.58)**	**7.83**	**(5.29)**	**4.34**

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 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 the exchange rates applicable at 31 December 2008.

(in millions of Euro)

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

The above analysis ignores the effects of 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. These payables carry both fixed and variable rates.

Fixed rate payables expose the Group to a fair value

risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts, considering the risk to be limited in view of the small amount of fixed rate loans.
Variable rate payables expose the Group to a risk arising from rate volatility (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 limit the exposure within the limits defined by the Group Finance, Administration and Control Department, arranging derivative contracts, if necessary.

The following sensitivity analysis shows the effects on consolidated net income of an increase/decrease of 25 basis points in interest rates relative to the interest rates at 31 December 2008 and 31 December 2007, 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 balance sheet 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 used for sensitivity analysis include variable rate financial receivables and payables, cash and cash equivalents and derivatives whose value is influenced by rate volatility.

(in millions of Euro)

	2008		2007	
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	(0.33)	0.33	0.15	(0.15)
US Dollar	0.12	(0.12)	0.09	(0.09)
British Pound	(0.01)	0.01	(0.05)	0.05
Other currencies	(0.11)	0.11	(0.11)	0.11
Total	**(0.33)**	**0.33**	**0.08**	**(0.08)**

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 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 net effect on equity of the changes described above would have been to increase it by Euro 1.59 million, or to decrease it by Euro 1.60 million.

At 31 December 2007, the increase/decrease in the fair value of derivatives designated as cash flow hedges would have had the following impact on other equity reserves:
- an increase of Euro 2.14 million and a decrease of Euro 2.16 million for hedges in Euro;
- an increase of Euro 0.22 million and a decrease of Euro 0.22 million for hedges in US dollars.

At 31 December 2007, the net effect on equity of the changes described above would have been to increase it by Euro 2.36 million, or to decrease it by Euro 2.38 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 68.0% of the Group's total production costs in 2008 (70.0% in 2007).

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 at the inception of such derivatives 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 price of strategic metals 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 net income and consolidated equity of a 10% increase/decrease in the price of the strategic materials relative to the prices at 31 December 2008 and 31 December 2007, assuming that all other variables remain equal.

(in millions of Euro)

	2008		2007	
	-10%	+10%	-10%	+10%
LME	(6.27)	6.27	(16.62)	16.63
COMEX	(0.07)	0.07	(0.39)	0.39
SFE	(0.49)	0.49	(1.32)	1.32
Totale	**(6.83)**	**6.83**	**(18.33)**	**18.34**

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 associated with 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 commercial counterparties 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 customers with a certain level of reliability, taking account of their financial position, track record and other factors. Credit limits for major customers are based on 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 an insurance policy against part of its trade receivables to cover any losses, net of

10% retention, relating to receivables which become unrecoverable following the effective or legal insolvency of customers, or relating to manufacturing costs 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 2008 almost all the financial and cash resources were with investment grade counterparties (over 90% at 31 December 2007). 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 obtainable from an adequate amount of committed credit lines.

The Group Finance Department monitors the forecasts on use of the Group's liquidity reserves on the basis of expected cash flows.

Total liquidity reserves at the balance sheet date are as follows:

(in millions of Euro)	31 December 2008	31 December 2007
Cash and cash equivalents	492	252
Financial assets held for trading	38	40
Unused committed lines	615	757
Total	**1,145**	**1,049**

Unused committed lines at 31 December 2008 comprise Euro 251 million for the securitization programme and Euro 364 million for the Revolving Credit Facility. Unused committed lines at the end of the previous year comprised Euro 357 million for the Revolving Credit Facility and Euro 400 million for the securitization programme.

The following table includes an analysis, by due date, of the payables, other liabilities, and derivatives settled on a net basis. The various ranges are determined on the basis of the period between the balance sheet date and the contractual due date of the obligations. The values reported in the table have not been discounted.

(in millions of Euro)				31 December 2008
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	132	139	913	1
Finance lease obligations	1	1	2	-
Debts guaranteed by securitized receivables	99	-	-	-
Derivatives	120	17	16	-
Trade and other payables996	-	-	1	29
Total	**1,348**	**157**	**932**	**30**

(in millions of Euro)				31 December 2007
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	116	87	1.070	-
Finance lease obligations	1	1	3	-
Debts guaranteed by securitized receivables	-	-	-	-
Derivatives	29	1	1	-
Trade and other payables	1,094	39	1	3
Total	**1,240**	**128**	**1,075**	**3**

A reconciliation between classes of financial assets and liabilities, as reported in the Group's balance sheet, and the types of financial assets and liabilities identified by IFRS 7, is provided below:

(in millions of Euro)						31 December 2008
	Financial assets at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Other liabilities /assets	Hedging derivatives
Available-for-sale financial assets	-	-	10	-	-	-
Derivatives (assets)	61	-	-	-	-	6
Financial assets held for trading	38	-	-	-	-	-
Cash and cash equivalents	-	492	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,158	-
Trade payables	-	-	-	-	650	-
Other payables	-	-	-	-	376	-
Derivatives (liabilities)	-	-	-	115	-	38
Trade receivables	-	-	-	-	734	-
Other receivables	-	-	-	-	327	-
Total	**99**	**492**	**10**	**115**	**3,245**	**44**

(in millions of Euro)						31 December 2007
	Financial assets at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Other liabilities /assets	Hedging derivatives
Available-for-sale financial assets	-	-	13	-	-	-
Derivatives (assets)	34	-	-	-	-	22
Financial assets held for trading	40	-	-	-	-	-
Cash and cash equivalents	-	252	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,052	-
Trade payables	-	-	-	-	738	-
Other payables	-	-	-	-	399	-
Derivatives (liabilities)	-	-	-	30	-	1
Trade receivables	-	-	-	-	833	-
Other receivables	-	-	-	-	310	-
Tota	**74**	**252**	**13**	**30**	**3,332**	**23**

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 envisaged 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 an analysis 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.

Gearing ratios at 31 December 2008 and 31 December 2007 are shown below:

(in milions of Euro)

	2008	2007
Net financial position	577	716
Equity	463	454
Total	1,040	1,170
Gearing ratio	**55.51%**	**61.21%**

The change in the gearing ratio is largely due to a major improvement in the net financial position, mostly thanks to cash flow generated 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 balance sheet 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 balance sheet 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 balance sheet date.
The fair value of metal derivative contracts is determined by using the prices of the same metals at the balance sheet date.

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 on the basis of the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the balance sheet, income statement, cash flow statement and related disclosures. The final outcome of items reported on the basis of estimates and assumptions may differ from that in the financial statements which records 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 relation to the Prysmian Group, require greater subjectivity of judgement by management when preparing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the consolidated financial statements.

(a) 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 a potential 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 potential 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 added that at the current reporting date the Prysmian Group does not have any goodwill in its balance sheet or any 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.

The positive outcome of impairment tests at 31 December 2008 does not mean that the results will not differ in the future, especially if the business environment deteriorates more than is currently foreseeable.

(b) Depreciation

Depreciation of fixed assets is a significant cost for the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of Group fixed 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 period and therefore also in the

depreciation charge for future years.

(c) 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 balance sheet in relation to 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.

(d) Revenue recognition for construction contracts

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

(e) Taxes

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

(f) Inventory valuation

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

E. BUSINESS COMBINATIONS

On 3 June 2008, the Prysmian Group acquired through its subsidiary Prysmian Kabel und Systeme GmbH 100% of Facab Lynen Gmbh & Co.Kg., a German cables manufacturer (subsequently renamed Prysmian Kabelwerk Lynen GmbH & Co.Kg. and then absorbed by Prysmian Kabel und Systeme Gmbh).

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

(in millions of Euro)	
Cash payment	4
Agreed price adjustment	(2)
Costs directly related to the acquisition	1
Total acquisition cost (A)	**3**
Fair value of net assets acquired (B)	(6)
Badwill (A)-(B)	**(3)**
Financial outlay for acquisition	3
Cash and cash equivalents held by acquired companies	(2)
Cash flow from acquisition	**1**

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

(in millions of Euro)	Pre-acquisition book value	Fair value
Property, plant and equipment	9	14
Inventories	17	17
Trade and other receivables	8	8
Trade and other payables	(4)	(4)
Provisions for risks	(1)	(2)
Employee benefit obligations	(10)	(15)
Borrowings from banks and other lenders	(15)	(15)
Financial assets held for trading	1	1
Cash and cash equivalents	2	2
Net assets acquired (B)	**7**	**6**

The acquisition has given rise to Euro 3 million in badwill at 31 December 2008, booked under "Other income" in the income statement.

The principal financial results from the date of acquisition to 31 December 2008 are as follows:

(in millions of Euro)	3 June 2008 - 31 December 2008
Sales	31
Operating income	(8)
Net income (loss) for the period	**(9)**

Operating income and net income for the period have been affected by Euro 7 million in non-recurring reorganisation costs for the manufacturing activities acquired.

If the acquisition had been made on 1 January 2008, sales would have been Euro 62 million, while operating income would have been a negative Euro 2 million.

F. SEGMENT INFORMATION

The criteria used to identify the business segments through which the Group operates have been based, among other things, on the means by which management runs the Group and allocates managerial responsibilities. In particular, the following primary business segments have been identified:

- Energy Cables and Systems: this segment refers to the production, installation and sale of cables and systems used for the transmission and distribution of low, medium and high voltage power for underground and submarine applications, as well as within residential and non-residential buildings;
- Telecom Cables and Systems: this segment refers to the production, installation and sale of copper or optical fibre cables, used for the transmission of video, data and voice, control applications, as well as components and accessories for broadband connection.

All Corporate fixed costs are allocated to the Energy and Telecom segments. The methodology adopted to identify the revenue and cost components attributable to each business segment is based on identifying each cost and revenue component directly attributable to each segment and on allocating overheads on the basis of Corporate resources (personnel, space used, etc.) absorbed by the operating segments.

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.
Secondary reporting is by geographical segment. Group operating activities are organised and managed separately based on the nature of the products and services provided. Each segment offers different products and services to different markets and is controlled by different legal entities. Sales of goods and services are analysed geographically on the basis of the location of the registered office of the company that issues the invoices, regardless of the geographic

destination of the products sold.
This type of reporting does not significantly differ from the breakdown of sales of goods and services by destination of the products being sold.

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

F.1 BUSINESS SEGMENTS

Business segment information is provided in the tables below.

(in millions of Euro)					2008
	Energy Cables and Systems	Telecom Cables and Systems	Corporate	Eliminations	Total Group
Sales of goods and services:					
- third parties	4,608	536	-	-	5,144
- Group companies	15	11	33	(59)	-
Total sales of goods and services	**4,623**	**547**	**33**	**(59)**	**5,144**
Amortisation and depreciation	(58)	(4)	(3)	-	**(65)**
Impairment	(5)				**(5)**
Operating income	**407**	**45**	**(4)**	**-**	**448**
Share of income from investments in associates and dividends from other companies	3		-	-	3
Finance costs					(543)
Finance income					378
Taxes					(51)
Net income / (loss) for the year					**235**
Attributable to:					
Equity holders of the parent					237
Minority interests					(2)

(in millions of Euro)				31 December 2008
	Energy Cables and Systems	Telecom Cables and Systems	Unallocated	Total Group
Assets	2,018	290	781	3,089
Investments in associates	9	-	-	9
Equity	-	-	-	463
Liabilities	1,089	107	1,439	2,635
Investment in property, plant and equipment	96	7	-	103
Investment in intangible assets	12	1	-	13
Total investments	**108**	**8**	**-**	**116**

(in millions of Euro)					2007
	Energy Cables and Systems	Telecom Cables and Systems	Corporate	Eliminations	Total Group
Sales of goods and services:					
- third parties	4,583	535	-	-	5,118
- Group companies	35	13	38	(86)	-
Total sales of goods and services	**4,618**	**548**	**38**	**(86)**	**5,118**
Amortisation and depreciation	(61)	(4)			(65)
Operating income	**414**	**43**	**51**	**-**	**508**
Share of income from investments in associates and dividends from other companies	2	-	-	-	2
Finance costs					(230)
Finance income					107
Taxes					(85)
Net income / (loss) for the year					**302**
Attributable to:					
Equity holders of the parent					300
Minority interests					2

(in millions of Euro)				31 December 2007
	Energy Cables and Systems	Telecom Cables and Systems	Unallocated	Total Group
Assets	2,161	357	457	2,975
Investments in associates	9	-	-	9
Equity	-	-	-	454
Liabilities	1,151	134	1.245	2,530
Investment in property, plant and equipment	80	7	-	87
Investment in intangible assets	2	0	-	2
Total investments	**82**	**7**	**-**	**89**

F.2 GEOGRAPHICAL SEGMENTS

Information by geographical area is provided in the tables below.

(in millions of Euro)					2008
	EMEA (*)	North America	Latin America	Asia Pacific	Total
Sales of goods and services	**3,594**	**605**	**478**	**467**	**5,144**
Assets					
Assets	2,029	106	105	68	2,308
Investments in associates	9	-	-	-	9
Unallocated	-	-	-	-	781
Total assets					**3,098**
Investment in property, plant and equipment and intangible assets	**66**	**11**	**20**	**19**	**116**

(in millions of Euro)					2007
	EMEA (*)	North America	Latin America	Asia Pacific	Total
Sales of goods and services	**3,556**	**632**	**461**	**469**	**5,118**
Assets					
Assets	2,299	107	60	52	2,518
Investments in associates	9	-	-	-	9
Unallocated	-	-	-	-	457
Total assets					**2,984**
Investment in property, plant and equipment and intangible assets	**67**	**2**	**6**	**14**	**89**

(*) EMEA: Europe, Middle East and Africa.

1. PROPERTY, PLANT AND EQUIPMENT

Details of these balances and related movements are as follows:

(in millions of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2006	**217**	**348**	**219**	**8**	**9**	**26**	**827**
Movements in 2007:							
- Investments	1	4	56	3	3	20	87
- Disposals	(2)	(1)	(1)	-	(1)	-	(5)
- Business combinations	-	-	1	-	-	-	1
- Depreciation and impairment	-	(11)	(42)	(3)	(4)	-	(60)
- Currency translation differences and others	(10)	(7)	10	1	11	(17)	(12)
Total movements	**(11)**	**(15)**	**24**	**1**	**9**	**3**	**11**
Balance at 31 December 2007	**206**	**333**	**243**	**9**	**18**	**29**	**838**
Of which:							
- Historical cost	206	361	347	15	28	29	986
- Accumulated depreciation and impairment	-	(28)	(104)	(6)	(10)	-	(148)
Net book value	**206**	**333**	**243**	**9**	**18**	**29**	**838**
Balance at 31 December 2007	**206**	**333**	**243**	**9**	**18**	**29**	**838**
Movements in 2008:							
- Investments	1	8	36	3	2	53	103
- Disposals	-	(1)	(1)	-	-	-	(2)
- Business combinations	-	6	7	1	-	-	14
- Depreciation and impairment	(2)	(14)	(43)	(3)	(4)	-	(66)
- Reclassification to held for sale	(21)	(5)	-	-	-	-	(26)
- Currency translation differences and others	(19)	(8)	5	-	(8)	(25)	(55)
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**

Property, plant and equipment includes an increase of Euro 14 million after consolidating Facab Lynen Gmbh & Co.Kg. for the first time (this company has now been absorbed into Prysmian Kabel und Systeme GmbH). Depreciation and impairment includes Euro 5 million in impairment of the plant and machinery at the factory in

Eastleigh (United Kingdom), whose closure was announced in July 2008.

Gross investments in property, plant and equipment amount to Euro 103 million at the end of 2008.
The majority of the investments, representing around 46% of their total value, relate to projects for increasing production capacity. Around 12% of investments were for projects to improve industrial efficiency. An equally significant proportion (around 27%) consists of structural work on buildings or entire production lines to bring them into line with current regulations or to relocate production.
The most important projects were as follows:

- 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;
- construction of 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).

Buildings include assets under finance lease with a net value of Euro 9 million at 31 December 2008, largely unchanged since 31 December 2007.
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 book value of the assets located in Prescott and Eastleigh (United Kingdom) as "assets held for sale". More details can be found in Note 10.

2. INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2006	**13**	**6**	**-**	**2**	**4**	**1**	**26**
Movements in 2007:							
- Investments	-	-	-	1	-	1	2
- Disposals	-	-	-	-	(1)	-	(1)
- Business combinations	-	-	-	-	-	-	-
- Amortisation	(1)	(1)	-	(2)	(2)	-	(6)
- Currency translation differences and others	-	-		1	-	(1)	-
Total movements	**(1)**	**(1)**	**-**	**-**	**(3)**	**-**	**(5)**
Balance at 31 December 2007	**12**	**5**	**-**	**2**	**1**	**1**	**21**
Of which:							
- Historical cost	15	47	5	8	22	1	98
- Accumulated amortisation and impairment	(3)	(42)	(5)	(6)	(21)		(77)
Net book value	**12**	**5**	**-**	**2**	**1**	**1**	**21**

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2007	**12**	**5**	**-**	**2**	**1**	**1**	**21**
Movements in 2008:							
- Investments	-	-	-	1	-	12	13
- Disposals	-	-	-	-	-	-	-
- Business combinations	-	-	-	-	-	-	-
- Amortisation	(1)	(1)	-	(2)	-	-	(4)
- Currency translation differences and others	-	-		-	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**

Gross investments in intangible assets amount to Euro 13 million at the end of 2008, and principally relate to the start of the "SAP Consolidation" project, designed to harmonise the information system of all the Group's units in the next five years.

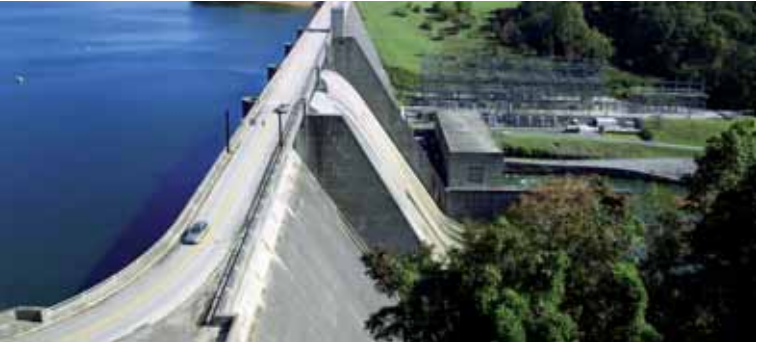
3. INVESTMENTS IN ASSOCIATES

These are detailed as follows:

(in millions of Euro)

	2008	2007
Opening balance	**9**	**10**
Movements:		
- Currency translation differences	(1)	-
- Share of net income/(loss)	3	2
- Dividends and other movements	(2)	(3)
Total movements	**-**	**(1)**
Closing balance	**9**	**9**

"Dividends and other movements", which are a negative Euro 2 million at 31 December 2008, largely refer to dividends distributed by associates.



Details of investments in associates:

(in millions of Euro)

	31 December 2008	31 December 2007
Rodco Ltd	2.10	2.73
Kabeltrommel Gmbh & Co.K.G.	5.70	5.49
Eksa Sp.Zo.o	1.31	1.14
Sikonec Gmbh	0.15	-
Total investments in associates	**9.26**	**9.36**

(in millions of Euro)

	Rodco Ltd	Kabeltrommel Gmbh & Co.K.G.[2]		Sikonec Gmbh	Eksa Sp.Zo.o
Country	UK		Germany	Germany	Poland
% owned	40.00%	28.68%	1.00%	50.00%	20.05%
Direct owner	Prysmian Cables & Systems Limited	Prysmian Kabel und Systeme GmbH	Bergmann Kabel und Leitungen Gmbh	Bergmann Kabel und Leitungen Gmbh	Prysmian Energia Holding S.r.l.
Financial information at 31 December 2008 (in millions of Euro)[1]:					
Assets	5		36	n.a.	10
Liabilities	-		16	n.a.	3
Equity	5		20	n.a.	7
Sales	-		n.a.	n.a.	n.a.
Net income (loss)	-		-	n.a.	2
Financial information at 31 December 2007 (in millions of Euro):					
Assets	7		30	n.a.	10
Liabilities	-		16	n.a.	3
Equity	7		14	n.a.	7
Sales	-		23	n.a.	27
Net income (loss)	-		-	n.a.	2

[1] Financial information at 31 December 2008 is based on provisional figures as associates publish their annual financial statements after the Group consolidated financial statements are published.

[2] During 2008, the interest of Prysmian Kabel und Systeme GmbH increased by 1.2% after acquiring Prysmian Kabelwerke Lynen GmbH & Co.Kg. in June 2008.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Movements in this balance are detailed as follows:

(in millions of Euro)

	31 December 2008	31 December 2007
Opening balance	**13**	**11**
- Currency translation differences	-	-
- Fair value gains	-	2
- Fair value losses	(1)	-
- Acquisitions	-	-
- Disposals	(2)	-
Total movements	**(3)**	**2**
Closing balance	**10**	**13**

Available-for-sale financial assets comprise:

(in millions of Euro)

	Type of financial asset	% owned by Group	31 December 2008	31 December 2007
Essex Italy S.p.A. (ex Invex S.p.A.)	convertible bond	n.a.	5,89	6,04
Entek Elektrik Uretemi A.S.	unlisted shares	-	-	1,75
Tunisie Cables S.A.	unlisted shares	7.55%	0,91	0,91
American Superconductor	listed shares	0.44%	1,69	2,67
Cesi Motta S.p.A.	unlisted shares	6.48%	0,59	0,9
Líneas de Transmisión del Litoral S.A.	unlisted shares	5.50%	0,43	-
Voltimum S.A.	unlisted shares	13.71%	0,27	0,27
Other securities			0,43	0,49
Total			**10,21**	**12,52**

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

(in millions of Euro)

	31 December 2008	31 December 2007
Euro	7	7
Turkish Lira	-	2
US Dollar	2	3
Tunisian Dinar	1	1
Total	**10**	**13**

The Essex Italy S.p.A. (formerly Invex S.p.A.) securities are convertible bonds issued by Essex Italy S.p.A. on 18 March 2003. These bonds, which have a 2% annual coupon and expire on 1 January 2010, are measured at fair value, using appropriate valuation techniques.

During the year, the shares in Entek Elektrik Uretimi Otoprduktor Grubu A.S. owned by Turk Prysmian Kablo Ve Sistemleri A.S. were sold for Euro 4 million, realising a capital gain of Euro 2 million, which has been reported in "Finance income".

The American Superconductor shares are measured at fair value, based on the relevant 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 balance sheet dates.

Apart from the above disposal, the movements in available-for-sale financial assets at 31 December 2008 reflect the negative change of Euro 1 million in the fair value of the American Superconductor shares, which had reported a fair value increase of Euro 2 million at 31 December 2007.

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

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

(in millions of Euro)			31 December 2007
	Non-current	Current	Total
Trade receivables	2	872	874
Allowance for doubtful accounts	-	(41)	(41)
Total trade receivables	**2**	**831**	**833**
Other receivables:			
Tax receivables	11	43	54
Financial receivables	1	15	16
Prepaid finance costs	10	3	13
Receivables from employees	3	1	4
Receivables for pension funds	-	2	2
Long-term contracts	-	147	147
Others	9	65	74
Total other receivables	**34**	**276**	**310**
Total	**36**	**1,107**	**1,143**

The Prysmian Group transfers a significant part of its trade receivables through the securitization programme started in 2007, as described in Note B.2. Securitized receivables amount to Euro 256 million gross at 31 December 2008 compared with Euro 302 million at 31 December 2007, and have resulted in the use of Euro 99 million in credit lines by Prysmian Financial Services Ireland Ltd.

Bank current accounts used for collecting these receivables are under a lien in favour of third-party lenders.

The gross amount of impaired receivables is Euro 338 million at 31 December 2008 (Euro 393 million at 31 December 2007). The allowance for doubtful accounts amounts to Euro 39 million at 31 December 2008 (Euro 41 million at the end of 2007).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)	31 December 2008	31 December 2007
past due between 1 and 30 days	261	316
past due between 31 and 90 days	38	27
past due between 91and 180 days	11	12
past due between 181 and 365 days	10	7
past due more than 365 days	18	31
Total	**338**	**393**

The value of trade receivables past due but not impaired is Euro 20 million at 31 December 2008 (Euro 18 million at 31 December 2007). These receivables mainly relate to customers in the Energy segment, for whom an insurance policy has been taken out which covers any losses for receivables which are no longer

recoverable owing to the effective or legal insolvency of such customers.
The value of trade receivables not past due is Euro 413 million at 31 December 2008 (Euro 469 million at 31 December 2007). 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 terms had not been renegotiated.

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

(in millions of Euro)	31 December 2008	31 December 2007
Euro	566	659
US Dollar	187	141
British Pound	45	78
Brazilian Real	65	84
Chinese Renminbi (Yuan)	47	39
Turkish Lira	38	38
Australian Dollar	14	12
Argentine Peso	17	12
Romanian Leu	12	10
Hungarian Forint	8	9
Other currencies	62	61
Total	**1,061**	**1,143**

Movements in the allowance for doubtful accounts are shown in the following table:

(in millions of Euro)	31 December 2008	31 December 2007
Opening balance	**41**	**46**
- Increases in allowance	4	7
- Write offs	(5)	(9)
- Releases/Utilisations	-	(3)
- Currency translation differences	(1)	-
Total movements	**(2)**	**(5)**
Closing balance	**39**	**41**

Increases in and releases from the allowance for doubtful accounts have been included in "Other expenses" in the income statement. Receivables are written off through the allowance for doubtful accounts when they are deemed unrecoverable.

"Prepaid finance costs" are costs relating to the Revolving Credit Facility and Bonding Facility, whose non-current portion at 31 December 2008 is Euro 3 million (Euro 5 million at 31 December 2007) and current portion Euro 1 million (Euro 1 million at

31 December 2007). This amount also includes prepaid costs relating to the securitization programme, whose non-current portion is Euro 4 million at the end of 2008 (Euro 5 million at 31 December 2007) and current portion Euro 2 million (Euro 2 million at 31 December 2007).

"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.

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

(in millions of Euro)

	31 December 2008	31 December 2007
Construction contracts revenues to date	954	562
Amounts invoiced	(866)	(441)
Net amount receivable from customers for construction contracts	**88**	**121**
of which:		
Other receivables for construction contracts	140	147
Other payables for construction contracts	(52)	(26)

The following table shows the revenues, costs and related profit margins recognised in 2008 and 2007:

(in millions of Euro)

	2008	2007
Revenues	389	255
Costs	(273)	(193)
Gross margin	**116**	**62**

6. INVENTORIES

These are detailed as follows:

(in millions of Euro)

	31 December 2008	31 December 2007
Raw materials	151	159
Work in progress and semi-finished goods	137	148
Finished goods	226	275
Total	**514**	**582**

7. FINANCIAL ASSETS HELD FOR TRADING

These are detailed as follows:

(in millions of Euro)	31 December 2008	31 December 2007
Listed securities:		
- Euro/USA/UK area	1	-
- Brazilian Real area	33	29
Unlisted securities	4	11
Total	**38**	**40**

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.

8. DERIVATIVES

These are detailed as follows:

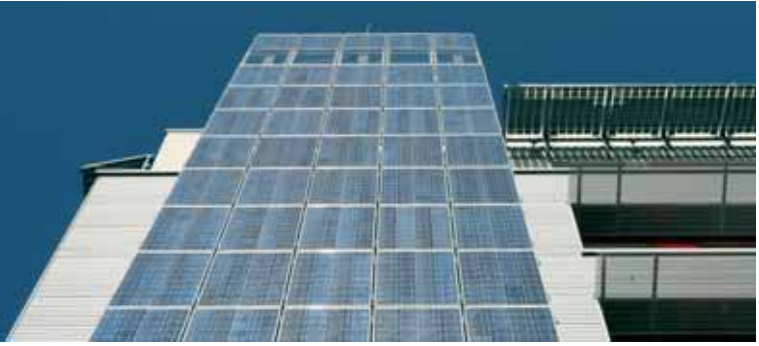
(in millions of Euro)	31 December 2008	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	1	7
Forward currency contracts on commercial transactions (cash flow hedges)	2	9
Forward currency contracts on financial transactions (cash flow hedges)	-	13
Total hedging derivatives	**3**	**29**
Forward currency contracts on commercial transactions	6	1
Forward currency contracts on financial transactions	12	3
Total other derivatives	**18**	**4**
Total non-current	**21**	**33**
Current		
Forward currency contracts on financial transactions (cash flow hedges)	-	1
Forward currency contracts on commercial transactions (cash flow hedges)	4	8
Total hedging derivatives	**4**	**9**
Forward currency contracts on commercial transactions	24	21
Forward currency contracts on financial transactions	15	9
Commodity futures	3	81
Total other derivatives	**42**	**111**
Total current	**46**	**120**
Total	**67**	**153**

(in millions of Euro)	31 December 2007	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	20	1
Forward currency contracts on commercial transactions (cash flow hedges)	2	-
Total hedging derivatives	**22**	**1**
Forward currency contracts on commercial transactions	9	-
Forward currency contracts on financial transactions	1	1
Total other derivatives	**10**	**1**
Total non-current	**32**	**2**
Current		
Forward currency contracts on commercial transactions (cash flow hedges)	1	-
Total hedging derivatives	**1**	-
Forward currency contracts on commercial transactions	20	10
Forward currency contracts on financial transactions	3	7
Commodity futures	1	12
Total other derivatives	**24**	**29**
Total current	**25**	**29**
Total	**57**	**31**

Given the highly volatile state of market interest rates, the Group entered into new interest rates swaps in October 2008 for a notional value of Euro 100 million. The notional value of interest rate swaps is Euro 780 million at 31 December 2008 and refers to derivatives designated as hedges as part of cash flow hedge transactions; the notional value of such swaps at 31 December 2007 was Euro 704 million. 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 notional value of forward currency contracts is Euro 1,992 million at 31 December 2008 (Euro 1,146 million at 31 December 2007); this total notional amount at 31 December 2008 includes Euro 670 million in derivatives designated as cash flow hedges (Euro 100 million at 31 December 2007).

The notional value of commodity futures is Euro 277 million at 31 December 2008 (Euro 393 million at 31 December 2007).



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

(in millions of Euro)

	2008		2007	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**(7)**	**2**	**4**	**(2)**
Changes in fair value	(44)	12	(3)	2
Releases to other finance income	(10)	3	(4)	-
Releases to exchange gains	(7)	(2)	-	-
Releases to sales revenue	(1)	-	-	-
Releases to finance expense/(income)	3	-	(4)	2
Closing balance	**(52)**	**15**	**(7)**	**2**

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2008	31 December 2007
Cash and cheques	7	17
Bank and postal deposits	485	235
Total	**492**	**252**

Cash and cash equivalents are centrally managed by Group treasury companies or by subsidiaries under the supervision of the Finance Department of Prysmian S.p.A.. Cash is invested with leading financial institutions, mostly in short-term deposits (no more than three months).

Cash and cash equivalents managed by Group treasury companies amount to Euro 272 million at 31 December 2008 compared with Euro 96 million at 31 December 2007.

For further details on the increase of Euro 240 million in cash and cash equivalents, please refer to Note 37.

10. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2008	31 December 2007
Land	21	-
Buildings	5	-
Total	**26**	**-**

After reorganising Energy segment production activities in the United Kingdom, "Assets held for sale" at 31 December 2008 report the land and buildings relating to the factories in Prescott and Eastleigh.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has increased by Euro 9 million since 31 December 2007, mainly reflecting the net effect of:

- net income for the year of Euro 235 million;
- the dividend of Euro 75 million paid by Prysmian S.p.A.;
- the buy-back of Euro 30 million in shares by Prysmian S.p.A.;
- the negative post-tax adjustment of Euro 32 million to the fair value of derivatives designated as cash flow hedges;
- the negative translation difference of Euro 89 million.

Following the exercise of options under the first tranche of the Stock Option Plan, share capital amounts to Euro 18,054,622.70 at 31 December 2008, corresponding to 180,546,227 shares.

The following table provides details of the movement in share capital and reserves during the year:

(in millions of Euro)

	Share capital	Fair value gains and losses on available-for-sale financial assets	Actuarial gains/ (losses) employee benefits	Cash flow hedges	Currency translation reserve	Other reserve	Net income for the year	Minority interests	Total
Balance at 31 December 2007	**18**	**2**	**11**	**(5)**	**(26)**	**133**	**300**	**21**	**454**
Allocation of net income	-	-	-	-	-	300	(300)	-	-
Capital contribution	-	-	-	-	-	2	-	-	2
Dividend payment	-	-	-	-	-	(75)	-	(1)	(76)
Buy-back of shares	-	-	-	-	-	(30)	-	-	(30)
Share-based compensation	-	-	-	-	-	2	-	-	2
Fair value gains and losses on available-for-sale financial assets	-	(1)	-	-	-	-	-	-	(1)
Fair value gains and losses on ash flow hedges, net of tax effect	-	-	-	(32)	-	-	-	-	(32)
Currency translation differences	-	-	-	-	(88)	-	-	(1)	(89)
Change in scope of consolidation	-	-	-	-	-	-	-	(1)	(1)
Actuarial gains (losses) on employee benefits	-	-	(1)	-	-	-	-	-	(1)
Net income (loss) for the year	-	-	-	-	-	-	237	(2)	235
Balance at 31 December 2008	**18**	**1**	**10**	**(37)**	**(114)**	**332**	**237**	**16**	**463**

(in millions of Euro)

	Share capital	Fair value gains and losses on available-for-sale financial assets	Actuarial gains/ (losses) employee benefits	Cash flow hedges	Currency translation reserve	Other reserve	Net income for the year	Minority interests	Total
Balance at 31 December 2006	**18**	**-**	**3**	**2**	**(20)**	**58**	**90**	**19**	**170**
Allocation of net income	-	-	-	-	-	90	(90)	-	-
Dividend payment	-	-	-	-	-	-	-	-	-
Repayment of shareholders' loan	-	-	-	-	-	(20)	-	-	(20)
Share-based compensation	-	-	-	-	-	6	-	-	6
Fair value gains and losses on available-for-sale financial assets	-	2	-	-	-	-	-	-	2
Fair value gains and losses on cash flow hedges, net of tax effect	-	-	-	(7)	-	-	-	-	(7)
Currency translation differences	-	-	-	-	(6)	-	-	1	(5)
Change in scope of consolidation	-	-	-	-	-	(1)	-	(1)	(2)
Actuarial gains (losses) on employee benefits	-	-	8	-	-	-	-	-	8
Net income (loss) for the year	-	-	-	-	-	-	300	2	302
Balance at 31 December 2007	**18**	**2**	**11**	**(5)**	**(26)**	**133**	**300**	**21**	**454**

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

	31 December 2008 Number of ordinary shares	31 December 2007 Number of ordinary shares
Number of shares outstanding at beginning of year	180,000,000	180,000,000
Capital increase (*)	546,227	-
Number of ordinary shares issued	**180,546,227**	**180,000,000**
Treasury shares	(3,028,500)	-
Number of shares outstanding at end of year	**177,517,727**	**180,000,000**

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 may 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)

(*) Resulting from the exercise of part of the options under the first tranche of the Stock Option Plan.

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.

Movements in treasury shares are shown in the following table:

	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**

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)			31 December 2008
	Non-current	Current	Total
Borrowings from banks and other lenders	966	188	1.154
Finance lease obligations	3	1	4
Total	**969**	**189**	**1,158**

(in millions of Euro)			31 December 2007
	Non-current	Current	Total
Borrowings from banks and other lenders	987	60	1,047
Finance lease obligations	4	1	5
Total	**991**	**61**	**1,052**

Borrowings from banks and other lenders are analysed as follows:

(in millions of Euro)	31 December 2008	31 December 2007
Credit Agreement	995	987
Other borrowings	159	60
Total	**1,154**	**1,047**

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 deepening of the financial crisis and the consequent deterioration in the cost of funding, the fair value of the New Credit Agreement at 31 December 2008, corresponding to Euro 978 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 2008 and 2007:

(in millions of Euro)						31 December 2008
				Variable interest rate	Fixed interest rate	
	Euro	US Dollar	British Pound	Other currencies	Other currencies	Total
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%

[a] There are interest rate swaps to hedge interest rate risk on the variable rate loans in Euro and USD. The total hedged amount at 31 December 2008 amounts to 75.5% of the debt in Euro and 36.2% of the debt in USD at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (6-month Euribor for loans in Euro and 6-month USD Libor for those in USD) with an average fixed rate (fixed rate + spread) of 3.7% for Euro and 5.3% for USD. The percentages representing the average fixed rate are applicable at 31 December 2008.

(in millions of Euro)						31 December 2007
				Variable interest rate	Fixed interest rate	
	Euro	US Dollar	British Pound	Other currencies	Other currencies	Total
Due within one year	20	8	-	29	4	61
Due between one and two years	24	3	-	-	2	29
Due between two and three years	86	12	-	-	2	100
Due between three and four years	173	23	-	-	2	198
Due between four and five years	585	77	-	-	2	664
Due after more than five years	-	-	-	-	-	-
Total	**888**	**123**	**0**	**29**	**12**	**1.052**
Average interest rate in period, as per contract	5.6%	5.3%	0.0%	6.8%	4.0%	5.6%
Average interest rate in period, including IRS effect [a]	4.8%	5.7%	0.0%	6.8%	4.0%	5.0%

[a] There are interest rate swaps to hedge interest rate risk on the variable rate loans in Euro and USD. The total hedged amount at 31 December 2007 amounted to 73.3% of the debt in Euro and 40.8% of the debt in USD at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (6-month Euribor for loans in Euro and 6-month USD Libor for those in USD) with an average fixed rate (fixed rate + spread) of 4.6% for Euro and 6.2% for USD. The percentages representing the average fixed rate are applicable at 31 December 2007.

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, analysed as follows:

(in millions of Euro)	
Term Loan Facility [*]	1,000
Revolving Credit Facility	400
Bonding Facility	300
Total	**1,700**

The Bonding Facility is used to finance endorsement credits relating to bid bonds, performance bonds and warranty bonds.
The Revolving Credit Facility is used to finance ordinary working capital requirements, as well as part of the endorsement credits relating to other types of bonds not covered by the Bonding Facility.

The unused credit facilities available to the Group under the New Credit Agreement are as follows:

(in millions of Euro)	31 December 2008	31 December 2007
Revolving Credit Facility	364	357
Bonding Facility	129	157
Total	**493**	**514**

[*] Amount at exchange rates at which the New Credit Agreement was granted.

The New Credit Agreement has a 5-year term and expires on 3 May 2012. The loan's amortisation period is structured as follows:

(in millions of Euro)	
30 November 2009	30
31 May 2010	50
30 November 2010	50
31 May 2011	100
30 November 2011	100
3 May 2012	670
Total (*)	**1,000**

The first tranche repayable under the loan's amortisation plan falls due on 30 November 2009 and amounts to Euro 30 million. The New Credit Agreement calls for compliance with non-financial covenants and two financial covenants, 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.

The following table reports the movement in borrowings from banks and other lenders:

(in millions of Euro)	Credit Agreement	Other borrowings	Total
Balance at 31 December 2007	**987**	**60**	**1,047**
Currency translation differences	7	9	16
Drawings	-	99	99
Repayments	-	-	-
Amortisation of bank and financial fees and other expenses	2	-	2
Others	(1)	(9)	(10)
Total movements	8	99	107
Balance at 31 December 2008	**995**	**159**	**1,154**

The drawings of Euro 99 million in 2008 refer to the drawdown of the credit facilities relating to the trade receivables securitization programme.

(in millions of Euro)	Credit Agreement	Other borrowings	Total
Balance at 31 December 2006	**1,243**	**63**	**1,306**
Currency translation differences	(13)	7	(6)
Drawings	991	200	1,191
Repayments	(1,282)	(200)	(1,482)
Amortisation of bank and financial fees and other expenses	43	-	43
Others	5	(10)	(5)
Total movements	(256)	(3)	(259)
Balance at 31 December 2007	**987**	**60**	**1,047**

(*) Amount at exchange rates at which the New Credit Agreement was disbursed.

following table summarises the Committed Lines available to the Group at 31 December 2008 and 31 December 2007:

(in millions of Euro)			31 December 2008
	Total lines	Used	Unused
Term Loan Facility	1,000	(1,000)	-
Revolving Credit Facility	400	(36)	364
Bonding Facility	300	(171)	129
Securitization	350	(99)	251
Total	**2,050**	**(1,306)**	**744**

(in millions of Euro)			31 December 2007
	Total lines	Used	Unused
Term Loan Facility	1,000	(1,000)	-
Revolving Credit Facility	400	(43)	357
Bonding Facility	300	(143)	157
Securitization	400	-	400
Total	**2,100**	**(1,186)**	**914**

Unused Committed Lines at 31 December 2008 of Euro 744 million comprise Euro 129 million in credit lines relating to guarantees (Bonding Facility) and Euro 615 million in cash facilities.
Unused Committed Lines at 31 December 2007 of Euro 914 million comprise Euro 157 million in credit lines relating to guarantees (Bonding Facility) and Euro 757 million in cash facilities.

The Securitization programme, started up in the previous year, was renegotiated in February 2008, with the interest rate spread optimised and the amount of the programme reduced to Euro 350 million (Euro 400 million in 2007).

Finance lease obligations represent the payable arising after entering into finance leases. Finance lease obligations are reconciled with outstanding instalments as follows:

(in millions of Euro)		
	31 December 2008	31 December 2007
Due within 1 year	1	1
Due between 1 and 5 years	3	4
Due after more than 5 years	-	-
Minimun finance lease payments	**4**	**5**
Future interest costs	-	-
Finance lease obligations	**4**	**5**

Finance lease obligations are analysed by maturity as follows:

(in millions of Euro)

	31 December 2008	31 December 2007
Due within 1 year	1	1
Due between 1 and 5 years	3	4
Due after more than 5 years	-	-
Total	**4**	**5**

NET FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2008	Related parties (Note 33)	31 December 2007	Related parties (Note 33)
Long-term financial payables					
New Credit Agreement		967		990	
Bank fees		(6)		(8)	
New Credit Agreement	12	**961**		**982**	
Finance leases	12	3		4	
Forward currency contracts on financial transactions	8	16	1	1	
Interest rate swaps	8	7		1	
Other payables	12	5		5	
Total long-term financial payables		**992**		**993**	
Short-term financial payables					
New Credit Agreement	12	34		5	
Finance leases	12	1		1	
Securitization	12	99		-	
Forward currency contracts on financial transactions	8	10		7	
Other payables	12	55		55	
Total short-term financial payables		**199**		**68**	
Total financial liabilities		**1,191**		**1,061**	
Long-term financial receivables	5	1		1	
Long-term bank fees	5	7		10	
Interest rate swaps	8	1		20	10
Forward currency contracts on financial transactions (non-current)	8	12		1	
Forward currency contracts on financial transactions (current)	8	15		3	
Short-term financial receivables	5	45		15	
Short-term bank fees	5	3		3	
Financial assets held for trading	7	38		40	
Cash and cash equivalents	9	492		252	
Net financial position		**577**		**716**	

The increase in cash and cash equivalents at the same time as an increase in gross debt is basically due to the draw-down of the securitization credit facility (Euro 99 million at 31 December 2008 compared with zero at 31 December 2007).

The Group's net financial position is reconciled to the amount that must be reported under Consob Communication DEM/6064293 issued on 28 July 2006 and under the CESR recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(in millions of Euro)

	Note	31 December 2008	Related parties (Note 33)	31 December 2007	Related parties (Note 33)
Net financial position - as reported above		**577**		**716**	
Long-term financial receivables	5	1		1	
Long-term bank fees	5	7		10	
Net forward currency contracts on commercial transactions	8	3		(22)	
Net commodity futures	8	78		11	
Recalculated Net financial position		**666**		**716**	

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)			31 December 2008
	Non-current	Current	Total
Trade payables	-	650	650
Total trade payables	**-**	**650**	**650**
Other payables:			
Tax and social security payables	26	55	81
Advances	-	114	114
Payables to employees	-	42	42
Accrued expenses	-	79	79
Others	4	56	60
Total other payables	**30**	**346**	**376**
Total	**30**	**996**	**1,026**

(in millions of Euro)			31 December 2007
	Non-current	Current	Total
Trade payables	-	738	738
Total trade payables	**-**	**738**	**738**
Other payables:			
Tax and social security payables	33	61	94
Advances	-	81	81
Payables to employees	-	42	42
Accrued expenses	2	103	105
Others	8	69	77
Total other payables	**43**	**356**	**399**
Total	**43**	**1,094**	**1,137**

Advances include amounts due to customers for construction contracts of Euro 52 million at 31 December 2008 and Euro 26 million at 31 December 2007. 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.

Accumulated costs incurred and revenues accrued for contracts in progress at the balance sheet date are shown in Note 5.

During 2008, following the change in Italian law on the taxation of stock options, the payable relating to social security contributions of Euro 3 million has been released to "Personnel costs" in the income statement.

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

(in millions of Euro)	31 December 2008	31 December 2007
Euro	480	623
US Dollar	212	142
Brazilian Real	82	99
British Pound	54	81
Chinese Renminbi (Yuan)	56	40
Romanian Leu	27	38
Australian Dollar	27	34
Canadian Dollar	25	25
Turkish Lira	20	18
Other currencies	43	37
Total	**1,026**	**1,137**

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)			31 December 2008
	Non-current	Current	Total
Restructuring costs	-	10	10
Contractual and legal risks	31	29	60
Environmental risks	-	2	2
Tax inspections	3	17	20
Other risks and charges	-	9	9
Total	**34**	**67**	**101**

(in millions of Euro)			31 December 2007
	Non-current	Current	Total
Restructuring costs	-	9	9
Contractual and legal risks	27	49	76
Environmental risks	-	2	2
Tax inspections	-	8	8
Other risks and charges	-	7	7
Total	**27**	**75**	**102**

The following table reports the movements in these provisions during the period:

(in millions of Euro)

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Other risks and charges	Total
Balance at 31 December 2007	**9**	**76**	**2**	**8**	**7**	**102**
Currency translation differences	-	(7)	-	(2)	(1)	(10)
Increases	7	17	-	12	5	41
Utilisations/Releases	(6)	(26)	-	(2)	(3)	(37)
Other	-	-	-	4	1	5
Total movements	**1**	**(16)**	**-**	**12**	**2**	**(1)**
Balance at 31 December 2008	**10**	**60**	**2**	**20**	**9**	**101**

The decrease of Euro 6 million in the provision for restructuring costs in 2008 largely refers to projects to rationalise production in France and Germany.

The increase of Euro 17 million in the provision for contractual and legal risks refers to:

- contractual risks (Euro 12 million), mainly relating to the businesses of submarine and high voltage cables;
- legal risks (Euro 5 million) largely refers to Prysmian Energia Cabos e Sistemas do Brasil S.A. for employment-related disputes.

The decrease of Euro 26 million in the provision for contractual and legal risks refers to the utilisation (Euro 7 million) and release (Euro 19 million) of the provision for contractual indemnities.

The increase of Euro 12 million in the provision for tax inspections refers to the risk emerging during an inspection relating to alleged VAT avoidance. This inspection indirectly involves one of the Group's foreign companies.

Although management believes that the foreign company has no involvement in the matter concerned, the amount provided has been determined on the basis of the level of risk currently thought most likely.

The amounts shown have not been discounted because it is not possible to make a sufficiently reliable prediction of when the outlay will occur.

15. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	31 December 2008	31 December 2007
Pension funds	77	59
Employee indemnity liability (Italian TFR)	22	25
Medical benefit plans	14	14
Termination benefits and others	12	14
Total	**125**	**112**

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

(in millions of Euro)			2008
	Pension funds	Medical benefit plans	Employee indemnity liability
Current service costs	5	-	-
Interest costs	7	1	1
Expected return on plan assets	(3)	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total	**9**	**1**	**1**

(in millions of Euro)			2007
	Pension funds	Medical benefit plans	Employee indemnity liability
Current service costs	8	-	1
Interest costs	6	1	1
Expected return on plan assets	(3)	-	-
Losses/(gains) on curtailments and settlements	(3)	-	(1)
Total	**8**	**1**	**1**

Pension funds

These are detailed as follows:

(in millions of Euro)									31 December 2008
	Germany	France	Turkey	Indonesia	UK	Netherlands	USA	Canada	Total
Funded pension plans:									
Present value of obligation	-	-	-	-	14	-	18	15	47
Fair value of plan	-	-	-	-	(14)	-	(12)	(15)	(41)
Unrecognised assets	-	-	-	-	-	-	-	2	2
Unfunded pension plans:									
Present value of obligation	60	6	3	-	-	-	-	-	69
Total	**60**	**6**	**3**	**-**	**-**	**-**	**6**	**2**	**77**

(in millions of Euro)									31 December 2007
	Germany	France	Turkey	Indonesia	UK	Netherlands	USA	Canada	Total
Funded pension plans:									
Present value of obligation	-	-	-	-	15	9	16	20	60
Fair value of plan	-	-	-	-	(17)	(8)	(13)	(20)	(58)
Unfunded pension plans:									
Present value of obligation	46	7	4	-	-	-	-	-	57
Total	**46**	**7**	**4**	**-**	**(2)**	**1**	**3**	**-**	**59**

Pension funds have increased by Euro 18 million, most of which refers to the acquisition of 100% of Facab Lynen Gmbh & Co.Kg. (subsequently renamed Prysmian Kabelwerk Lynen GmbH & C.Kg. and absorbed into Prysmian Kabel und Systeme Gmbh) whose pension fund amounted to Euro 15 million at 31 December 2008.

The changes in obligations relating to pension funds are as follows:

(in millions of Euro)

	2008	2007
Opening obligations	**117**	**122**
Current service costs	5	8
Interest costs	7	6
Actuarial gains/(losses) recognised in equity	(7)	(12)
Gains/(losses) recognised in equity for unrecognised assets	2	-
Currency translation differences	(6)	(2)
Contributions paid in by plan participants	1	2
Utilisations for restructuring (curtailment)	-	(3)
Settlement of Dutch plan	(9)	-
Business combinations	15	-
Reclassifications from other benefits	-	1
Utilisations	(7)	(5)
Total movements	**1**	**(5)**
Closing obligations	**118**	**117**

The changes in pension fund assets are as follows:

(in millions of Euro)

	2008	2007
Opening assets	**58**	**48**
Interest income	3	3
Actuarial gains/(losses) recognised in equity	(8)	-
Currency translation differences	(6)	(2)
Employer contributions	(6)	(5)
Contributions paid in by plan participants	9	14
Settlement of Dutch plan	(9)	-
Total movements	**(17)**	**10**
Closing assets	**41**	**58**

At 31 December 2008, pension fund assets were made up of shares (43.81%), bonds (56.08%) and other assets (0.11%), whose expected yields were 8.31%, 4.79% and - 1.72% respectively.

At 31 December 2007, pension fund assets were made up of shares (42.43%), bonds (41.62%) and other assets (15.95%).

Employee indemnity liability

This is detailed as follows:

(in millions of Euro)	2008	2007
Opening balance	**25**	**25**
Current service costs	-	1
Interest costs	1	1
Actuarial gains/(losses) recognised in equity	(1)	2
Curtailments	-	(1)
Utilisations	(3)	(3)
Total movements	**(3)**	**-**
Closing balance	**22**	**25**

Medical benefit plans

These are detailed as follows:

(in millions of Euro)	2008	2007
Opening balance	**14**	**13**
Current service costs	-	-
Interest costs	1	1
Currency translation differences	-	(1)
Actuarial gains/(losses) recognised in equity	-	-
Reclassifications from other benefits	-	2
Utilisations	(1)	(1)
Total movements	**-**	**1**
Closing balance	**14**	**14**

Other information

The main actuarial assumptions used to determine pension obligations are as follows:

			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%

			31 December 2007
	Pension funds	Medical benefit plans	Employee indemnity liability
Discount rate	5.64%	7.67%	5.45%
Future salary increase	3.05%	4.10%	2.14%
Inflation rate/growth in medical benefit costs	2.53%	5.00%-9.00%	2.00%

Contributions and payments for employee benefit obligations are estimated at Euro 11 million for 2009.

The average headcount in the period is reported below, compared with the closing headcounts at the end of each period:

				2008
	Average	%	Closing	%
Blue collar	9,575	75%	9,206	74%
White collar and management	3,151	25%	3,166	26%
Total	**12,726**	**100%**	**12,372**	**100%**

				2007
	Average	%	Closing	%
Blue collar	9,293	75%	9,126	75%
White collar and management	3,154	25%	3,117	25%
Total	**12,447**	**100%**	**12,243**	**100%**

16. DEFERRED TAXES

These are detailed as follows:

(in millions of Euro)		
	31 December 2008	31 December 2007
Deferred tax assets:		
- Deferred tax assets recoverable after more than 12 months	30	17
- Deferred tax assets recoverable within 12 months	14	12
Total deferred tax assets	**44**	**29**
Deferred tax liabilities:		
- Deferred tax liabilities reversing after more than 12 months	(20)	(26)
- Due tax liabilities reversing within 12 months	(10)	(36)
Total deferred tax liabilities	**(30)**	**(62)**
Total net deferred tax assets (liabilities)	**14**	**(33)**

Movements in deferred taxes are detailed as follows:

(in millions of Euro)

	Accumulated depreciation	Provisions	Tax losses	Other	Total
Balance at 31 December 2006	**(50)**	**40**	**1**	**(26)**	**(35)**
Currency translation differences	-	-	-	3	3
Impact on income statement	7	(6)	(1)	(10)	(10)
Impact on balance sheet	-	-	-	9	9
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 balance sheet	-	-	-	15	15
Balance at 31 December 2008	**(44)**	**30**	**9**	**19**	**14**

The Group has not recognised any deferred tax assets for carry-forward tax losses of Euro 197 million and Euro 490 million at 31 December 2008 and 31 December 2007 respectively, or for temporary differences deductible in future years of Euro 82 million and Euro 77 million at 31 December 2008 and 31 December 2007 respectively. Unrecognised deferred tax assets relating to these carry-forward tax losses and deductible temporary differences amount to Euro 76 million and Euro 162 million at 31 December 2008 and 31 December 2007 respectively.

No deferred taxes have been recognised on subsidiaries' reserves of undistributed profits because the Group is able to control the timing of distribution of such reserves and it is likely that they will not be distributed in the foreseeable future.

The following table shows details of carry-forward tax losses at 31 December 2008:

(in millions of Euro)	31 December 2008
Carryforward tax losses	228
of which recognised in balance sheet	31
Carryforward expires in 2009	6
Carryforward expires between 2010 and 2015	119
No limit on carryforward	103

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)	2008	2007
Finished goods	4,721	4,784
Services	305	229
Other	118	105
Total	**5,144**	**5,118**

18. OTHER INCOME

This is detailed as follows:

(in millions of Euro)	2008	2007
Rental income	5	6
Insurance reimbursements and indemnities	1	12
Government grants	-	2
Gains on disposal of property	1	3
Other income	29	28
Non-recurring other income:		
Badwill from Facab Lynen acquisition	3	-
Acquisition price adjustment	-	39
Other indemnification from Pirelli & C. S.p.A.	-	21
Total non-recurring other income	**3**	**60**
Total	**39**	**111**

The acquisition of Facab Lynen Gmbh & Co.Kg., subsequently renamed Prysmian Kabelwerk Lynen GmbH & Co.Kg. and then absorbed by Prysmian Kabel und Systeme GmbH, has given rise to Euro 3 million in badwill at 31 December 2008. See Note E for more details.

19. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED GOODS

This is detailed as follows:

(in millions of Euro)	2008	2007
Finished goods	(46)	21
Work-in-progress and semi-finished goods	(5)	6
Total	**(51)**	**27**

20. RAW MATERIALS AND CONSUMABLES USED

These are detailed as follows:

(in millions of Euro)	2008	2007
Raw materials	2,938	3,033
Other materials	185	185
Change in inventories	4	(20)
Total	**3,127**	**3,198**

21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)	2008	2007
Wages and salaries	415	415
Social security	90	95
Retirement pension costs	5	8
Employee indemnity costs	-	1
Medical benefit costs	-	-
Other personnel costs	30	25
Non-recurring personnel costs:		
Shutdown of production facilities and reorganisation	*11*	*4*
Total non-recurring personnel costs	11	4
Total	**551**	**548**

The amount of Euro 11 million relating to "Shutdown of production facilities and reorganisation" mostly refers to the costs of closing the factory in Eastleigh (United Kingdom), announced in July 2008, and of reorganising Facab Lynen Gmbh & Co.Kg., now absorbed by Prysmian Kabel und Systeme GmbH.

Share-based payments

At 31 December 2008 and 31 December 2007, 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 the parent company Prysmian (Lux) S.à r.l. were subscribed at the prices established by the contract and reported above.

The main features of the agreement were as follows:

(Euro)	Fair value
Ordinary shares	2,001.83
nPEC	Not less than 1.00
iPEC	1.12

The fair value of the Co-investment plan at the grant date was Euro 10.5 million.

The overall cost recognised in the income statement in the year ended 31 December 2008 is Euro 0.4 million compared with Euro 4 million at 31 December 2007. 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 2008 is Euro 0.3 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.

Lastly, it is reported that the remaining Euro 1.5 million of the loan given to certain directors and managers of the Prysmian Group to allow them to buy shares in Prysmian (Lux) II S.à r.l. was repaid on 8 January 2008. This loan had carried an annual interest rate corresponding to the European Central Bank's refinancing rate.

Stock option plans

On 30 November 2006, the Company's shareholders' meeting 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 is for employees of companies belonging to the Prysmian Group.

At 31 December 2008 a total of 2,319 thousand options to subscribe to the Company's ordinary shares were outstanding, with a par value of Euro 0.10 each and representing around 1.3% 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 follow:

(in Euro)	31 December 2008		31 December 2007	
	Number of options	Strike price	Number of options	Strike price
Options at start of year	2,884,812	4.65	2,571,047	4.65
Granted	-	4.65	392,203	4.65
Cancelled	(19,611)	-	(78,438)	-
Exercised	(546,227)	4.65	-	-
Options at end of year	2,318,974	4.65	2,884,812	4.65
of which vested at end of year	890,593	4.65	721,145	4.65
of which exercisable [1]	-	-	-	-
of which not vested at end of year	1,428,381	4.65	2,163,667	4.65

The weighted average price of Prysmian S.p.A. shares during the two possible stock option exercise periods in 2008 was Euro 14.01.

The outstanding 1,428,381 options will vest in three annual instalments, each on the anniversary of their grant date.

As for the timeframes for subscribing the options, 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 draft 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 2008 is 2.3 years.

The overall cost for the stock option plan recognised under "Personnel costs" in the income statement is Euro 0.9 million in 2008, compared with Euro 1.5 million in 2007.

[1] Option exercise is limited to the periods reported below.

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in millions of Euro)	2008	2007
Depreciation of buildings, plant, machinery and equipment	51	55
Depreciation of other property, plant and equipment	10	5
Amortisation of intangible assets	4	5
Non-recurring amortisation, depreciation and impairment:		
Shutdown of production facilities	5	-
Total non-recurring amortisation, depreciation and impairment	**5**	**-**
Total	**70**	**65**

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)	2008	2007
Professional services	25	21
Insurance	22	23
Maintenance costs	40	37
Sales costs	185	182
Utilities	90	85
Services for installations	63	75
Travel costs	22	20
Rental costs	41	17
Increases in provisions for risks	4	22
Operating costs	204	250
Other expenses	224	193
Non-recurring other expenses:		
Unsuccessful acquisition projects	3	-
Shutdown of production facilities	-	2
IPO costs	-	8
Provision for tax inspections	12	-
Disposal of submarine telecoms business	-	1
IT system segregation	1	1
Total non-recurring other expenses	**16**	**12**
Total	**936**	**937**

The Group incurred Euro 45 million in research and development costs in both 2008 and 2007, all of which have been expensed to the income statement as operating costs in both years.

24. FINANCE COSTS

This is detailed as follows:

(in millions of Euro)	2008	2007
Interest on borrowings	51	63
Amortisation of bank and financial fees and other expenses	5	7
Interest costs on employee benefits	6	6
Other bank interest	13	19
Costs for undrawn credit lines	1	2
Sundry bank fees	6	5
Other	12	9
Non-recurring finance costs:		
Amortisation of bank fees	-	59
Total non-recurring finance costs	**-**	**59**
Finance costs	**94**	**170**
Net losses on commodity futures	68	7
Losses on derivatives	**68**	**7**
Foreign currency exchange losses	378	53
Non-recurring foreign currency exchange losses:		
Unsuccessful acquisition projects	3	-
Total non-recurring foreign currency exchange losses	**3**	**-**
Total finance costs	**543**	**230**

25. FINANCE INCOME

These are detailed as follows:

(in millions of Euro)	2008	2007
Interest income from banks and other financial institutions	9	10
Other finance income	15	22
Non-recurring finance income:		
Release of cash flow hedge reserve	-	4
Total non-recurring finance income	**-**	**4**
Finance income	**24**	**36**
Net gains on interest rate swaps	-	8
Net gains on forward currency contracts	5	7
Gains on derivatives	**5**	**15**
Foreign currency exchange gains	349	56
Total finance income	**378**	**107**

26. SHARE OF INCOME FROM INVESTMENTS IN ASSOCIATES AND DIVIDENDS FROM OTHER COMPANIES

This is detailed as follows:

(in millions of Euro)

	2008	2007
Kabeltrommel Gmbh & Co.K.G.	2	2
Eksa Sp.Zo.o.	1	-
Other companies	-	-
Total	**3**	**2**

27. TAXES

Taxes are analysed as follows for each of the periods presented:

(in millions of Euro)

	2008	2007
Current income taxes	84	75
Deferred income taxes	(33)	10
Total	**51**	**85**

Taxes charged on income before taxes differ from those calculated using the theoretical tax rate applying to the Parent Company for the following reasons:

(in millions of Euro)

	2008	Tax rate	2007	Tax rate
Income before taxes	286		387	
Theoretic tax expense using Parent Company's nominal tax rate	79	27.5%	128	33.0%
Differences in tax rates of foreign subsidiaries	16	5.7%	(3)	-0.8%
Utilisation of unrecognised carryforward tax losses	(60)	-20.5%	(41)	-10.6%
Unrecognised deferred tax assets	(9)	-3.3%	(6)	-1.7%
Non-deductible costs/ (non-taxable income)	18	6.4%	4	1.1%
IRAP (Italian regional business tax)	10	3.3%	10	2.5%
Decrease in tax rates	-	0.0%	(6)	-1.5%
Deferred tax assets from prior year recognised in the current year	(3)	-1.0%	(1)	-0.2%
Effective taxes	**51**	**18.0%**	**85**	**21.9%**

28. EARNINGS/(LOSS) AND DIVIDENDS PER SHARE

Basic earnings per share has been calculated by dividing net income for the period attributable to the Group by the average number of outstanding shares. With regard to the denominator used for calculating earnings per share, the average number of outstanding shares includes the shares issued following exercise of the first tranche of the Stock Option Plan, of which 463,802 issued during March and April 2008 and 82,425 during August and September 2008.

Diluted earnings per share has been determined by taking into account, when calculating the number of outstanding shares, the potential dilutive effect deriving from options granted under the existing Stock Option Plan.

(in millions of Euro)

	2008	2007
Net income attributable to equity holders of the parent	237	300
Weighted average number of ordinary shares issued (thousands)	179,766	180,000
Basic earnings per share (in Euro)	**1.32**	**1.67**
Net income attributable to equity holders of the parent	237	300
Weighted average number of ordinary shares issued (thousands)	179,766	180,000
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	1,602	2,045
Weighted average number of ordinary shares issued to calculate diluted earnings per share (thousands)	181,368	182,045
Diluted earnings per share (in Euro)	**1.31**	**1.65**

The dividends paid in 2008 were Euro 75 million (Euro 0.417 per share). A dividend in respect of the year ended 31 December 2008 of Euro 0.417 per share, amounting to a total dividend of Euro 74 million, is to be proposed at the annual general meeting on 8 April 2009 (first call) or 9 April 2009 (second call).

These financial statements do not reflect this dividend payable.

29. CONTINGENT LIABILITIES

Different types of legal and fiscal proceedings are in progress, having arisen in the ordinary course of the Group's business.

At the end of January, the European Commission and the Antitrust Authorities of Japan and the United States started an investigation into Prysmian in order to verify the existence of alleged anti-competitive agreements in the High Voltage underground and Submarine cables sector. The investigation is at an initial stage of gathering and selecting the relevant documentation and Prysmian is collaborating with these Authorities.

In the event of proven breach of the relevant legislation, the financial penalties applicable under European law (EC Regulation 1/2003) could reach a maximum of 10% of turnover.

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 2008 and not yet reflected in the financial statements, amount to Euro 27 million.

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)

	31 December 2008	31 December 2007
Due within 1 year	32	15
Due between 1 and 5 years	31	35
Due after more than 5 years	31	28
Total	**94**	**78**

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 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 size and nature. 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 articles of association.

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 loan given under the New Credit Agreement, together with interest payable and any other amount due under the terms and conditions of this Agreement.
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 9.59 at 31 December 2008. The ratio between consolidated net financial position and consolidated EBITDA was 1.03 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 2008, Prysmian (Lux) II S.à r.l., the ultimate parent company, directly owns approximately 30.2% of the 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 1.5% 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:
- business relations involving intercompany purchases and sales of raw materials and finished products;
- 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 fall within the continuing operations of the Group.

The following tables provide a summary of the related party transactions in the year ended 31 December 2008:

(in millions of Euro)				31 December 2008
	Trade and other receivables	Financial receivables and derivatives	Trade and other payables	Financial payables and derivatives
Ultimate parent companies	-	-	-	-
Associates	2	-	3	-
Other related parties:				
The Goldman Sachs Group Inc.	-	-	1	1
Total	**2**	**-**	**4**	**1**

(in millions of Euro)				31 December 2007
	Trade and other receivables	Financial receivables and derivatives	Trade and other payables	Financial payables and derivatives
Ultimate parent companies	-	-	-	-
Associates	1	-	4	-
Other related parties:				
The Goldman Sachs Group Inc.	-	10	1	-
Total	**1**	**10**	**5**	**-**

(in millions of Euro)			2008
	Sales of goods and services	Cost of goods and services	Finance income/(costs)
Ultimate parent companies	-	-	-
Associates	17	3	-
Other related parties:			
The Goldman Sachs Group Inc.	-	1	5
Total	**17**	**4**	**5**

(in millions of Euro)			2007
	Sales of goods and services	Cost of goods and services	Finance income/(costs)
Ultimate parent companies	-	-	(1)
Associates	13	3	-
Other related parties:			
The Goldman Sachs Group Inc.	-	3	6
Total	**13**	**6**	**5**

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 made some 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 during the period was as follows:

(in thousands of Euro)	2008	2007
Salaries and other short-term benefits - fixed part	3,039	3,136
Salaries and other short-term benefits - variable part	5,585	3,384
Other benefits	1,059	752
Share-based payments	547	3,683
Total	**10,230**	**10,955**

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Directors' compensation amounts to Euro 8.7 million in 2008 and 8.4 million in 2007. Statutory auditors' compensation amounts to Euro 0.3 million in 2008 and Euro 0.2 million in 2007. Compensation includes emo-

luments, 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, 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/6064296 dated 28 July 2006, no atypical and/or unusual transactions were carried out during 2008.

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 net costs of Euro 32 million in 2008 and Euro 11 million in 2007.

(in millions of Euro)

	2008	2007
Non-recurring other income:		
Badwill from Facab Lynen acquisition	3	-
Acquisition price adjustment	-	39
Other indemnification from Pirelli & C. S.p.A.	-	21
Total non-recurring other income	**3**	**60**
Non-recurring personnel costs:		
Shutdown of production facilities and reorganisation	(11)	(4)
Total non-recurring personnel costs	**(11)**	**(4)**
Non-recurring amortisation, depreciation and impairment:		
Shutdown of production facilities	(5)	-
Total non-recurring amortisation, depreciation and impairment	**(5)**	**-**
Non-recurring other expenses:		
Unsuccessful acquisition projects	(3)	-
Shutdown of production facilities	-	(2)
IPO costs	-	(8)
Provision for tax inspections	(12)	-
Disposal of submarine telecoms business	-	(1)
IT system segregation	(1)	(1)
Total non-recurring other expenses	**(16)**	**(12)**
Non-recurring finance costs:		
Unsuccessful acquisition projects	(3)	-
Amortisation of bank fees	-	(59)
Total non-recurring finance costs	**(3)**	**(59)**
Non-recurring finance income:		
Release of cash flow hedge reserve	-	4
Total non-recurring finance income	**-**	**4**
Total	**(32)**	**(11)**

37. CASH FLOW STATEMENT

Net cash flow generated by operating activities was Euro 136 million higher than in 2007, mainly because of the change in net working capital consequent upon trends in strategic metal prices and the reduction in working capital employed in long-term projects.

Investing activities absorbed Euro 100 million in cash flow in 2008, Euro 47 million more than in 2007.

This increase was primarily due to an expansion in production capacity at the plants working on high voltage and submarine products in order to satisfy growing demand, and to investments in improving industrial efficiency.

Net finance costs were Euro 165 million for the period and included significant non-cash items, mainly relating to adjustments in the fair value of derivatives. Consequently, excluding these effects, net cash finance costs reflected in the cash flow statement amounted to Euro 88 million.

Net cash flow for the period also benefited from Euro 16 million in indemnification received from Pirelli & C. S.p.A.

In addition, Prysmian S.p.A. paid Euro 75 million in dividends in April 2008 and bought back its own shares in the last quarter of 2008 for Euro 30 million.

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 2008 and 2007 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and companies of PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Recipient	Fees relating to 2008	Fees relating to 2007
Audit services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	368	1,687
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	643	594
	Rete PricewaterhouseCoopers	Foreign subsidiaries	2,202	2,478
Certification services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	47	-
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	186	39
	Rete PricewaterhouseCoopers	Foreign subsidiaries	14	47
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. [1]	315	1,491
	Rete PricewaterhouseCoopers	Parent Company - Prysmian S.p.A.	-	15
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	167	57
	Rete PricewaterhouseCoopers	Foreign subsidiaries [2]	1,110	836
Total			**5,052**	**7,244**

[1] Due diligence, audit support, IPO support and other services.
[2] Tax and other services.

39. SUBSEQUENT EVENTS

At the end of January, the European Commission and the Antitrust Authorities of Japan and the United States started an investigation into Prysmian in order to verify the existence of alleged anti-competitive agreements in the High Voltage underground and Submarine cables sector. The investigation is at an initial stage of gathering and selecting the relevant documentation and Prysmian is collaborating with these Authorities. In the event of proven breach of the relevant legislation, the financial penalties applicable under European law (EC Regulation 1/2003) could reach a maximum of 10% of turnover.

Milan, 4 March 2009

On behalf of the board of directors
The Chairman
(Paolo Zannoni)

ATTACHMENT A - CONSOLIDATION AREA

The following companies have been consolidated on a line-by-line basis:

Legal name	Office			% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,071,176	100.00%	Prysmian Energia Holding S.r.l.
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
Prysmian Geschaeftsfuehrungsgesellaschaft mbH	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	8,000,000	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	100,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Telecom Cables and Systems Uk Ltd.	Eastleigh	British Pound	100,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Metals Limited	Eastleigh	British Pound	100,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Focom Limited	Eastleigh	British Pound	6.447,000	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.
GSCP Athena (UK) Holdings Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.

Legal name	Office			% ownership	Direct parent company
Aberdare Cables	Eastleigh	British Pound	609,654	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) Holding 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 Energia Italia S.r.l.
Prysmian Cavi e Sistemi Energia Italia S.r.l.	Milan	Euro	59,749,502	100.00%	Prysmian Cavi e Sistemi Energia 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 Cavi e Sistemi Telecom Italia S.r.l.	Milan	Euro	20,000,000	100.00%	Prysmian Cavi e Sistemi Telecom 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 Energia 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	50,000	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.
Prysmian Cable Overseas B.V.	Delft	Euro	10,000,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Special Cables B.V.	Delft	Euro	2,400,000	100.00%	Prysmian (Dutch) Holdings B.V.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian New Lei	21,367,920	97.78%	Prysmian Cabluri Si Sisteme S.A.
				2.22%	Prysmian (Dutch) Holdings B.V.
Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Slovak Koruna	640,057,000	99.995%	Prysmian Energia Holding S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables y Sistemas S.L.	Villanova i la Geltru	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 Vicent 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	39,312,000	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
Nord 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

Legal name	Office			% ownership	Direct parent company
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
Pirelli Telecomunicaciones Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	12,000	99.99%	Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.
				0.01%	Azionista Fiduciario
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	106,824,993	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	58,309.129	100.00%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
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	1,456,724	100.00%	Prysmian Consultora Conductores e Instalaciones SAIC
Prysmian EYT S.A.	Santiago	Chilean Peso	3,900,910	99.82%	Prysmian Instalaciones Chile S.A.
				0.18%	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	13,100,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	500,000	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%	Prysmain Cable Overseas B.V.
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	26,200,000	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	25,800,000	100.00%	Prysmian Hong Kong Holding Ltd.
India					
Pirelli Cables (India) Private Limited	Nuova Delhi	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	Jakarta	US Dollar	67,300,000	99.48%	Prysmian (Dutch) Holdings B.V.
				0.52%	Prysmian Cavi e Sistemi Energia S.r.l.

Legal name	Office			% ownership	Direct parent company
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.
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			% ownership	Direct parent company
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Prysmian Cables Asia-Pacific Pte Ltd.
				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			% ownership	Direct parent company
Germany					
Kabeltrommel Gesellschaft mbH & CO.KG	Column	Euro	10,225,838	1.00%	Bergmann Kabel und Leitungen GmbH
				28.68%	Prysmian Kabel und Systeme GmbH
				70.32%	Third parties
Sykonec GMBH	Neustadt bei Coburg	Euro	300,000	50.00%	Bergmann Kabel und Leitungen GmbH
				50.00%	Third parties
UK					
Rodco Ltd.	Weybridge	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
Poland					
Eksa Sp.Zo.o	Varsavia	Polish Zloty	394,000	20.05%	Prysmian Energia Holding S.r.l.
				79.95%	Third parties
Arabian Emirates					
Cuomo Cable Company L.L.C.	Abu Dhabi	AED	150,000	49.00%	Prysmian (Dutch) Holdings B.V.
				51.00%	Third parties

LIST OF INVESTMENT PURSUANT TO ART.126 OF CONSOB REGULATION NO. 11971

Legal name	% ownership	Direct parent company
Europe		
Austria		
Prysmian Kabelwerke und Systeme GmbH	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. 154-BIS OF ITALIAN DECREE 58/98

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 2008 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 2008 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 internationally generally accepted standard model.

3. They also certify that:

   3.1 the consolidated financial statements at 31 December 2008:

   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) have been prepared in accordance with the measures implementing art. 9 of Italian Decree 38/2005, and are able to provide a true and fair view of the issuer's balance sheet, results of operations and financial position 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.

4 March 2009

Chief Executive Officer
Valerio Battista

Manager responsible for preparing corporate accounting documents
Pier Francesco Facchini

AUDIT REPORT

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Prysmian SpA

1 We have audited the consolidated financial statements of Prysmian SpA and its subsidiaries (Prysmian Group) as of 31 December 2008, which comprise the balance sheet, income statement, statement of recognised income and expense, cash flow statement and the related 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 consolidated 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, reference is made to our report dated 26 March 2008.

3 In our opinion, the consolidated financial statements of Prysmian SpA as of 31 December 2008 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, income and expense recognised in equity and the cash flows of Prysmian Group for the year then ended.

4 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report in accordance with the applicable laws and regulations.

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** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **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 Manzoni 16 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

PRICEWATERHOUSECOOPERS

Our responsibility is to express an opinion on the consistency of the Directors' report with the financial statements, as required by article 156, paragraph 4-bis, letter d), of Legislative Decree No.58/98. 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 is consistent with the consolidated financial statements of Prysmian SpA as of 31 December 2008.

Milan, 20 March 2009

PricewaterhouseCoopers SpA

Signed by

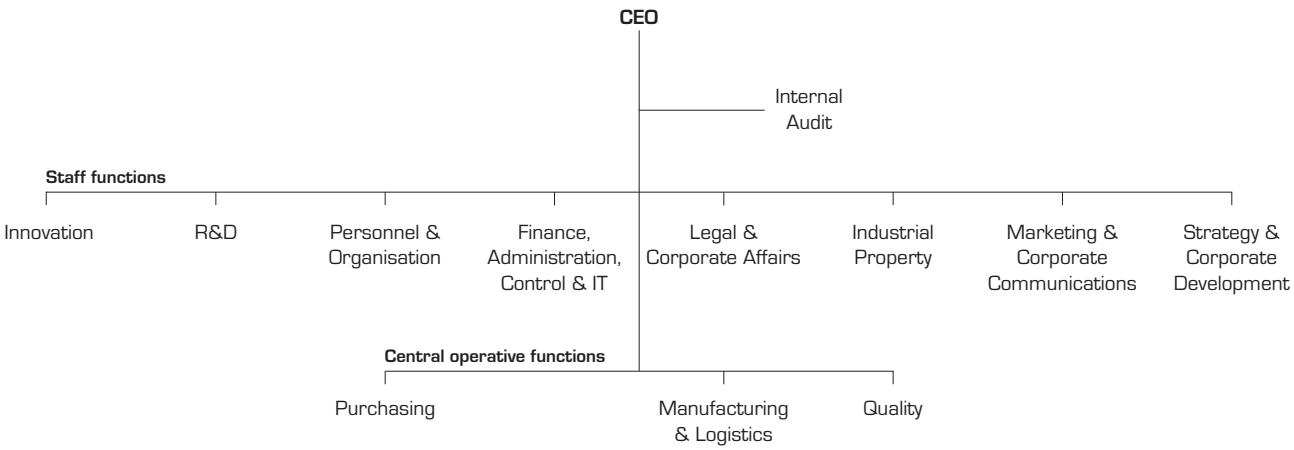
Fabio Facchini
(Partner)

(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.)

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY DIRECTORS' REPORT

ORGANISATIONAL STRUCTURE



SIGNIFICANT EVENTS DURING THE YEAR

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 may 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. 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 31 December 2008 a total of 3,028,500 shares ("treasury shares") had been bought back for an amount of Euro 30 million.

The share capital of Prysmian S.p.A. increased during 2008 after 546,227 options were exercised under the existing stock option plan.

The total number of shares at 31 December 2008 was 180,546,227, of which 177,517,727 with voting rights and 3,028,500 treasury shares with a total nominal value of Euro 302,850.
More details can be found in Note 6 to the Parent Company financial statements.

On 11 July 2008, the patents owned by the subsidiary Prysmian Cavi e Sistemi Energia S.r.l. were transferred to Prysmian S.p.A. under a partial spin-off operation.
The purpose of this transfer, whose effective date was 1 January 2008, is to enhance the value of the assets comprising the patent portfolio, by centralising their management under the Parent Company.

FINANCIAL PERFORMANCE AND BALANCE SHEET OF PRYSMIAN S.P.A.

The tables presented and discussed below have been prepared by reclassifying the financial statements at 31 December 2008, which in turn have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and with the provisions implementing art. 9 of Legislative Decree 38/2005.

The results of Prysmian S.p.A., the Group's investment holding company, mainly reflect dividends received from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l., revenues for services provided to subsidiaries and royalties for the use of patents and know-how by subsidiaries and even third parties.

INCOME STATEMENT

The Parent Company's income statement reports Euro 129,964 thousand in net income for the year, reporting an improvement of Euro 69,345 thousand on the prior year.

This result basically reflects:

(in thousands of Euro)

	2008	2007
Income from investments:	118,173	116,994
- of which: Dividends	*118,173*	*116,994*
Personnel and operating costs net of revenue and other income	(17,086)	(45,161)
Non-recurring costs of significant transactions	(4,181)	(8,105)
Net finance costs	(4,646)	(7,146)
Taxes	37,704	4,037
Net income for the year	**129,964**	**60,619**

Income from investments of Euro 118,173 thousand compares with Euro 116,994 thousand in the prior year, all of which relating to dividends paid by the subsidiary Prysmian Cavi e Sistemi Energia S.r.l..

Personnel and operating costs net of revenue and other income of Euro 17,086 thousand compare with Euro 45,161 thousand in 2007.

In detail:

- **Personnel and operating costs** of Euro 92,701 thousand comprise Euro 32,010 thousand in personnel costs (Euro 36,184 thousand in 2007), and Euro 60,691 thousand in other operating costs (Euro 51,772 thousand in 2007) which consist of Euro 57,406 thousand for services (see Note 16 to the Parent Company financial statements), Euro 2,416 thousand in amortisation and depreciation (see Note 15 to the Parent Company financial statements) and Euro 869 thousand in raw materials and consumables used (see Note 13 to the Parent Company financial statements). Personnel and operating costs are Euro 4,745 thousand higher than in the prior year, mainly because of the costs of transferring the patent portfolio to Prysmian S.p.A., effective from 1 January 2008, through a partial spin-off from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l.;
- **Revenue and other income** of Euro 75,615 thousand

(Euro 42,795 thousand in 2007), mostly refer to recharges by Prysmian S.p.A. to its subsidiaries for coordination activities, services provided by headquarters functions and the use of licences relating to patents and know-how.

Non-recurring costs of significant transactions amount to Euro 4,181 thousand (Euro 8,105 thousand in 2007) and include Euro 829 thousand in costs for segregating the information systems from the outsourcer and Euro 3,352 thousand to write down the book value of plant, machinery, equipment and other assets acquired at fair value from Prysmian Cavi e Sistemi Telecom S.r.l. to the amounts reported in the consolidated financial statements.

Net finance costs amount to Euro 4,646 thousand (Euro 7,146 thousand in 2007), mainly relating to interest costs on the New Credit Agreement, as partially offset by interest income earned on the current account with Prysmian Treasury S.r.l., the Group's cash management company.

Taxes on income are a positive Euro 37,704 thousand (compared with Euro 4,037 thousand in 2007) and represent the net balance of Euro 37,839 thousand in income arising under the group tax filing and Euro 135 thousand in IRAP (Italian regional business tax) for the year. More details about Italian companies electing to file for tax on a group basis with Prysmian S.p.A. can be found in Note 19 to the Parent Company financial statements.

BALANCE SHEET AND FINANCIAL POSITION

The Parent Company's balance sheet is summarised as follows:

(in thousands of Euro)	31 December 2008	31 December 2007
Fixed assets	291,051	259,135
- of which: Equity investments	*262,361*	*252,211*
Working capital	59,772	3,290
Net capital employed	**350,823**	**262,425**
Equity	**249,192**	**220,884**
Net financial position	**98,225**	**36,715**

Fixed assets basically comprise the controlling interests in the holding companies for the Group's two businesses (Energy and Telecom).
The increase of Euro 10,150 thousand in investments compared with 31 December 2007 mostly reflects the net effect of a decrease of Euro 11,354 thousand, reflecting the capital repaid to the Company under the partial spin-off from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l. (involving the transfer of net assets for a corresponding figure that represented all this company's patents) and an increase of Euro 21,000 thousand, for capital paid into the subsidiary Prysmian Telecom S.r.l.

A total of Euro 29,743 thousand was spent on investments in 2008 (Euro 2,423 thousand in 2007), most of which relating to:

- the acquisition of plant, machinery, equipment, and

office furniture and equipment used by the Research & Development department from the subsidiaries Prysmian Cavi e Sistemi Energia S.r.l. (for Euro 757 thousand) and Prysmian Cavi e Sistemi Telecom S.r.l. (for Euro 3,480 thousand); more details can be found in Note 1 to the Parent Company financial statements;

- the transfer of the entire patent portfolio of Prysmian Cavi e Sistemi Energia S.r.l. to the Company for Euro 11,354 thousand, through a partial spin-off from this subsidiary (more details can be found in Note 2 to the Parent Company financial statements);
- expenditure of Euro 10,929 thousand on starting the SAP Consolidation project (more details can be found in Note 2 to the Parent Company financial statements);.

Working capital of Euro 59,772 thousand comprises Euro 33,584 thousand in trade receivables/payables (see Notes 4 and 8 to the Parent Company financial statements), Euro 30,731 thousand in other receivables/payables (tax, employees etc) net of financial receivables/payables (see Notes 4 and 8 to the Parent Company financial statements) and Euro 4,543 thousand in provisions (see Notes 9 and 10 to the Parent Company financial statements).
The increase of Euro 56,482 thousand compared with 31 December 2007 basically reflects the increase in receivables from other Group companies for royalties from patent and know-how licences.

Equity amounts to Euro 249,192 thousand at 31 December 2008, reporting a net increase of Euro 28,308 thousand on 31 December 2007, mainly reflecting net income for the year (Euro 129,964 thousand) which more than offsets the dividend distribution (Euro 75,253 thousand) and buy-back of shares (Euro 30,179 thousand).
A more detailed analysis of the changes in equity can be found in the specific table presented in the notes to the Parent Company financial statements.

The Group's equity at 31 December 2008 and net income for 2008 are reconciled with the corresponding figures of the Parent Company Prysmian S.p.A. in a table presented in the Directors' report for the Group.

At 31 December 2008, the **net financial position** reported Euro 98,225 thousand in net debt, compared with Euro 36,715 thousand at 31 December 2007.
The higher level of debt is mainly attributable to Euro 30,179 thousand in payments for buying back shares, and to the increase in working capital described above. More details about the share buy-back can be found in the specific notes to the Parent Company financial statements.

The composition of the net financial position is presented in detail in the following table.

NET FINANCIAL POSITION

(in thousands of Euro)

	Note	31 December 2008	31 December 2007
Long-term financial payables			
- New Credit Agreement	7	97,000	100,000
- Bank fees	7	(629)	(822)
Total long-term financial payables		**96,371**	**99,178**
Short-term financial payables			
- Borrowings from Group companies	7	6,120	-
- Borrowings from banks and other lenders	7	3,579	705
Total short-term financial payables		**9,699**	**705**
Total financial liabilities		**106,070**	**99,883**
Long-term financial receivables	4	339	441
Long-term bank fees	4	3,067	4,385
Short-term financial receivables	4	240	56,610
Short-term bank fees	4	1,312	1,312
Cash and cash equivalents	5	2,887	420
Total financial assets		**7,845**	**63,168**
Net financial position		**98,225**	**36,715**

A more detailed analysis of cash flows is presented in the cash flow statement, forming part of the Parent Company financial statements presented in the following pages.

Note 7 to the Parent Company financial statements presents the reconciliation of the Company's net financial position to the amount that must be reported under CONSOB Communication DEM/6064293 issued on 28 July 2006 in compliance with the CESR recommendation issued on 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses".

KEY RESULTS OF THE PRINCIPAL SUBSIDIARIES

The Company holds directly or indirectly, through other sub-holding companies, the equity interests in the companies through which the Group operates. The principal subsidiaries are:

- **Prysmian Cavi e Sistemi Energia S.r.l.:** this company is the operational holding company for the Energy Cables and Systems business, with direct and indirect interests in most of the Italian and foreign companies in the Energy Cables and Systems business, and also manages and installs submarine and high voltage systems, through until completion of the contracts in

progress at 31 December 2008. Prysmian Cavi e Sistemi Energia S.r.l. reported Euro 84,967 thousand in sales for 2008 and Euro 42,396 thousand in net income.

- **Prysmian Telecom S.r.l.:** this company holds the equity interest in Prysmian Cavi e Sistemi Telecom S.r.l., the operational holding company for the Telecom business. Prysmian Telecom S.r.l. reported a loss of Euro 4,940 thousand for the year, mainly in relation to interest expense on its current account with Prysmian Treasury S.r.l., the Group's cash management company.

RESEARCH AND DEVELOPMENT

The Group's research and development activities are mostly concentrated in Prysmian S.p.A.

The central team, in coordination with R&D and engineering centres in the various countries, developed numerous projects over the year in the field of both energy and telecom cables; significant advances were also made in terms of materials and optical fibre technology.
R&D costs incurred in 2008 and expensed to income amount to Euro 15.3 million.

More details can be found in the Directors' report for the Group.

ENVIRONMENT AND SAFETY

In keeping with the contents of the specific policy document, approved and supported by the Chief Executive Officer in 2007, over the course of 2008 Prysmian systematically and continuously pursued all the fundamental activities for managing issues relating to the environment and the health and safety of its employees, introducing a few improvements to the instruments used for fulfilling these tasks.

Prysmian has set up a special committee, the Environmental and Safety Committee (ESC), which acts at management level by deciding objectives for improvement on the basis of information provided by the Health Safety Environment (HSE) department.

In addition to protecting its workers in the conduct of their duties, Prysmian has also undertaken initiatives in the field of health. In detail:

- it has made an agreement with a clinic at which employees of Prysmian's Milan office can enjoy services at particularly advantageous rates;
- it offers all employees the opportunity of having a flu vaccination free of charge in their workplace.

More details can be found in the Directors' report for the Group.

HUMAN RESOURCES

The quality of human resources is a constituent of excellence and a key success factor for Prysmian. Prysmian believes that the present and future of its Group depend on the personal and professional development of its employees. For this reason, its Human Resources strategy is designed to promote ongoing training and the spread of best practices throughout the Group, with particular attention to key people in possession of talent and critical know-how.

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

Prysmian S.p.A. had a total of 280 employees at 31 December 2008, comprising 241 management/white collar staff and 39 blue collar staff.

More details can be found in the Directors' report for the Group.

DIRECTION AND COORDINATION

Prysmian S.p.A. is not under the direction and coordination of other companies or entities and decides its general and operational strategy in complete autonomy. Pursuant to art. 2497-bis of the Italian Civil Code, the direct and indirect subsidiaries of Prysmian S.p.A. have identified it as the entity which exercises direction and coordination for them. Such direction and coordination involves identifying general and operational strategies for the Group as a whole and defining and implementing internal control systems, models of governance and corporate structure.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With reference to the disclosures required by art. 2428 of the Italian Civil Code concerning transactions between the Company and its subsidiaries, associates, parents and companies controlled by parents, the following table presents the impact of such transactions on the balance sheet and income statement at 31 December 2008.

(in thousands of Euro)

	Receivables	Payables	Costs	Income			
			Goods and services	Goods and services	Financial income	Dividends	Income from group tax filing
Related parties:							
The Goldman Sachs Group Inc.	-	(500)	(1,083)	-	-	-	-
Subsidiaries:							
Prysmian Treasury S.r.l.	3,781	(7,215)	-	59	2,884	-	3,690
Prysmian Cable Systems PTE Ltd.	8	(30)	(60)	-	8	-	-
Prysmian Cables & Systems Limited	28	(268)	(1,394)	2	16	-	-
Prysmian Energia Cables y Sistemas de Argentina S.A.	1	(42)	(80)	1	-	-	-
Prysmian Energia Cabos e Sistemas do Brasil S.A.	249	(158)	(127)	251	-	-	-
Prysmian Power Cables and Systems Canada Ltd.	-	-	-	-	1	-	-
Prysmian Cables et Systemes France S.A.S.	298	(111)	(695)	286	-	-	-
Prysmian Cables y Sistemas S.L.	20	(68)	(517)	129	-	-	-
P.T. Prysmian Cables Indonesia	1	-	-	2	9	-	-
Comergy Ltd	1	-	-	-	17	-	-
Prysmian - OEKW GmbH	113	(6)	(6)	140	-	-	-
Prysmian Kabel und Systeme GmbH	8	(125)	(422)	38	-	-	-
Prysmian MKM Magyar Kabel Muvek Kft	-	(12)	(2)	1	-	-	-
Prysmian Kablo SRO	-	-	(6)	-	-	-	-
Prysmian Cables and Systems OY	17	(1)	(14)	110	-	-	-
Prysmian Cables and Systems B.V.	32	(21)	(30)	39	164	-	-
Prysmian Baosheng Cable Co. Ltd	3	-	-	3	-	-	-
Prysmian Cavi e Sistemi Energia Italia S.r.l.	656	(180)	(314)	1,217	79	-	181
Prysmian Power Cables & Systems Australia PTY Limited	20	(23)	(31)	145	3	-	-
Prysmian Power Cables and Systems USA LLC	122	(19)	(60)	9	80	-	-
Prysmian Cavi e Sistemi Energia S.r.l.	58,417	(2,223)	(4,579)	62,675	413	118,173	11,388
Prysmian (US) Energia Italia S.r.l. in liquidazione	-	-	-	-	-	-	5,882
Prysmian Powerlink S.r.l.	17,374	(11)	(4)	1,378	178	-	16,451
Prysmian (Dutch) Holdings B.V.	214	-	-	214	-	-	-
Fibre Ottiche Sud - F.O.S. S.r.l.	41	(47)	(63)	138	-	-	-
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	37	(4)	(49)	123	-	-	-
Prysmian Cavi e Sistemi Telecom S.r.l.	10,012	(786)	(782)	5,907	-	-	-
Prysmian Telecom Cables and Systems UK Ltd	-	(2)	(10)	-	-	-	-
Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.	105	-	-	105	-	-	-
Turk Prysmian Kablo Ve Sistemleri A.S.	-	(10)	(26)	22	-	-	-
Prysmian Wuxi Cable Company Ltd	-	(50)	(50)	-	-	-	-
Prysmian Communications Cables and Systems Usa LLC	-	(36)	(105)	-	-	-	-
Prysmian (Us) Telecom Italia S.r.l. in liquidazione	-	-	-	-	-	-	246
Prysmian Financial Services Ireland Limited	347	-	-	1,519	-	-	-
Power Cables Malaysia SND - BHD	-	-	-	2	-	-	-
Total	**91,905**	**(11,964)**	**(10,513)**	**74,516**	**3,852**	**118,173**	**37,839**

Information on related party transactions, including that required by the CONSOB Communication dated 28 July 2006,

is presented in Note 22 to the Parent Company financial statements.

The patents received under a partial spin-off from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l. and the acquisition of plant and machinery from the subsidiaries Prysmian Cavi e Sistemi Energia S.r.l. and Prysmian Cavi e Sistemi Telecom S.r.l. are discussed in Notes 1 and 2 to the Parent Company financial statements.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by CONSOB Communication DEM/6064296 dated 28 July 2006, no atypical and/or unusual transactions were carried out during 2008.

SECONDARY OFFICES

For the list of secondary offices, see the list of equity investments in subsidiaries contained in the Notes to the financial statements.

CORPORATE GOVERNANCE

Information on corporate governance can be found in the Directors' report for the Group.

OWNERSHIP STRUCTURE

At 31 December 2008, the share capital of Prysmian S.p.A. consisted of 180,546 thousand shares with a nominal value of euro 0.10 each, of which 3,028 thousand were treasury shares and 177,518 thousand outstanding shares with voting rights.

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

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

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

In addition, it is reported that some directors of Prysmian S.p.A. and some managers of Group companies hold shares in Prysmian (Lux) S.à r.l., which indirectly holds 30.2% of the shares in Prysmian S.p.A. through Prysmian (Lux) II S.à r.l..

STOCK OPTION PLANS

Description of options granted

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

In compliance with the terms of the Plan Regulations, options were granted gratis to 99 employees of the Company and other Prysmian Group companies to subscribe to 2,963,250 of the Company's ordinary shares.

Each option carries the right to subscribe to one share of par value Euro 0.10, at a price of Euro 4.65 per share.

The unit price was determined by the Company's Board of Directors on the basis of the market value of the issuer's share capital at the date of the Plan's approval by the Company's Board of Directors. The value was determined on the basis of the issuer's economic and financial results at 30 September 2006 and took account of (i) the dilution produced by the grant of the options themselves, as well as (ii) the illiquidity of the presumed market value of the issuer's share capital at that date.

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

At 31 December 2008, there were 93 Plan beneficia-

(*) Aggregate figure.

ries, all of whom employees of the Company and the Prysmian Group. This figure takes account of those persons identified by the Extraordinary Shareholders' Meeting of 30 November 2006 ("Original Beneficiaries"), those Original Beneficiaries whose options have lapsed and Pier Francesco Facchini, the director and Chief Financial Officer, identified by the Board of Directors on 16 January 2007 as an additional beneficiary of the Plan. At 31 December 2008, a total of 546,227 options had been exercised, involving the issue of a corresponding number of new ordinary shares of the Company, while 2,318,974 options were still outstanding.

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

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

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

For further information regarding the Plan, please refer to the prospectus prepared pursuant to art. 84-bis of the CONSOB Issuer Regulations, which can be found in the Company's website www.prysmian.com in the Investor relations/Corporate governance section. More details about Stock Option Plans can be found in Note 14 to the Parent Company financial statements.

RISK FACTORS

The Company adopts specific procedures to manage the risk factors which may influence the results of its business. These procedures are the result of corporate policy which has always sought to maximise value for shareholders by taking every action needed to avert the risks inherent in the Company's business. The Board of Directors accordingly voted on 24 January 2006 to adopt an integrated organisational model for risk management which duly complies with the requirements of Legislative Decree 231/2001 and the recommendations of the Italian Stock Exchange in its Self-regulatory Code. The Corporate Governance section within the Directors' report for the Group contains information on the structure adopted and related responsibilities.

Based on its financial performance and cash generation in recent years, as well as its available financial

resources at 31 December 2008, the Company believes there are no significant uncertainties, such as to raise substantial doubts as to the business's ability to continue as a going concern.
More details about context risks (External Risks) and process risks (Internal Risks) can be found in the Directors' report for the Group.

FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management policies are discussed in Sections C and C.1 of the Notes to the Parent Company financial statements.

PRIVACY AND PERSONAL DATA PROTECTION

In compliance with Appendix B, par. 26 of Legislative Decree 196 of 30 June 2003, Prysmian S.p.A. has updated its Security Plan for 2008.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

At the end of January, the European Commission and the Antitrust Authorities of Japan and the United States started an investigation into certain companies controlled by Prysmian S.p.A. in order to verify the existence of alleged anti-competitive agreements in the High Voltage underground and Submarine cables sector.
The investigation is at an initial stage of gathering and selecting the relevant documentation and the Prysmian Group is collaborating with these Authorities.
In the event of proven breach of the relevant legislation, the financial penalties applicable under European law (EC Regulation 1/2003) could reach a maximum of 10% of turnover.

As for business outlook, please refer to the Directors' report for the Group.


SCHNELLAUFTOR

PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND TO ALLOCATE NET INCOME FOR 2008

Shareholders,
We are submitting the financial statements for the year ended 31 December 2008 for your approval and propose that you adopt the following:

"RESOLUTION

The shareholders' meeting:

- acknowledges the report by the Board of Directors,
- acknowledges the reports by the Board of Statutory Auditors and by the independent auditors,
- has examined the financial statements at 31 December 2008, which close with net income of Euro 129,963,770.40,

and unanimously

RESOLVES

a) to approve:

- the report on operations by the Board of Directors;
- the financial statements at 31 December 2008 - as presented by the Board of Directors, as a whole and in their individual parts, along with the proposed provisions - which report net income of Euro 129,963,770.40;

b) to allocate net income for the year of Euro 129,963,770.40 as follows:

- Euro 10,925.00 to the Legal Reserve, thereby reaching one-fifth of share capital, as required by art. 2430 of the Italian Civil Code;
- approximately Euro 74 million to pay a gross dividend of Euro 0.417 to each voting share;
- the remainder of Euro 55.9 million to retained earnings.

The dividend will be payable from 23 April 2009, with the shares going ex-div on 20 April 2009, and will be paid to those shares outstanding on the ex-div date".

Milan, 4 March 2009

On Behalf of the Board of Directors
The Chairman
(Paolo Zannoni)

PARENT COMPANY FINANCIAL STATEMENTS AND NOTES

BALANCE SHEET

(in Euro)

	Note	31 December 2008	Related parties (Note 22)	31 December 2007	Related parties (Note 22)
Non-current assets					
Property, plant and equipment	1	2,996,711		1,365,693	
Intangible assets	2	22,268,655		715,667	
Investments in subsidiaries	3	262,360,920		252,211,343	
Other receivables	4	3,424,811		4,842,533	
Total non-current assets		**291,051,097**		**259,135,236**	
Current assets					
Trade receivables	4	53,977,058	53,360,459	31,984,897	31,984,617
Other receivables	4	45,623,564	38,543,537	97,625,060	77,041,816
Cash and cash equivalents	5	2,886,879		420,376	
Total current assets		**102,487,501**		**130,030,333**	
Total assets		**393,538,598**		**389,165,569**	
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	6	18,054,623		18,000,000	
Reserves	6	101,173,397		142,265,413	
Net income (loss) for the year	6	129,963,770		60,618,853	
Total equity		**249,191,790**		**220,884,266**	
Non-current liabilities					
Borrowings from banks and other lenders	7	96,371,509		99,178,129	
Employee benefit obligations	10	4,026,611		4,592,992	
Total non-current liabilities		**100,398,120**		**103,771,121**	
Current liabilities					
Borrowings from banks and other lenders	7	9,698,720	6,120,037	705,330	
Trade payables	8	20,392,696	4,654,771	24,381,849	11,941,740
Other payables	8	13,206,089	1,189,546	39,382,183	26,518,152
Provisions for risks and charges	9	515,820		40,820	
Current tax payables		135,363		-	
Total current liabilities		**43,948,688**		**64,510,182**	
Total liabilities		**144,346,808**		**168,281,303**	
Total equity and liabilities		**393,538,598**		**389,165,569**	

INCOME STATEMENT

(in Euro)

	Note	2008	Related parties (Note 22)	2007	Related parties (Note 22)
Sales	11	32,839,956	32,830,570	37,800,332	37,800,032
Other income	12	42,775,154	41,685,240	4,994,533	4,858,846
Raw materials and consumables used	13	(868,903)	-	(522,869)	(6,692)
Personnel costs	14	(32,010,572)	-	(35,122,964)	1,060,961
of which non-recurring personnel costs		*-*	*-*	*1,060,961*	*1,060,961*
Amortisation, depreciation and impairment	15	(5,768,772)	-	(341,417)	-
of which non-recurring amortisation, depreciation and impairment		*(3,352,705)*	-	-	-
Other expenses	16	(58,234,576)	(10,513,309)	(60,074,233)	(16,827,395)
of which non-recurring other expenses		*(828,529)*	-	*(9,166,321)*	-
Operating income/(loss)		**(21,267,713)**		**(53,266,618)**	
Finance costs	17	(8,563,270)	-	(25,874,131)	(2,880,159)
Finance income	17	3,917,294	3,852,397	18,728,423	18,629,887
Dividends from subsidiaries	18	118,173,494	118,173,494	116,993,728	116,993,728
Income before taxes		**92,259,805**		**56,581,402**	
Taxes	19	37,703,965	37,839,329	4,037,451	4,830,663
Net income/(loss) for the year		**129,963,770**		**60,618,853**	

STATEMENT OF RECOGNISED INCOME AND EXPENSE

(in thousands of Euro)

	2008	2007
Actuarial gains/(losses) - net of tax effect	96	-345
Net income (losses) recognised directly in equity	**96**	**(345)**
Net income/(loss) for the year	129.964	60.619
Total income/(loss) for the year	**130.060**	**60.274**

CASH FLOW STATEMENT

(in thousands of Euro)

	2008	Related parties (Note 22)	2007	Related parties (Note 22)
Income before taxes	92,260	-	56,581	-
Depreciation and impairment of property, plant and equipment	4,035	-	138	-
Amortisation and impairment of intangible assets	1,733	-	203	-
Share-based compensation	636	-	3,293	-
Dividends	(118,173)	(118,173)	(116,994)	(116,994)
Net finance costs (income)	4,646	(3,852)	7,146	(15,747)
Changes in trade receivables/payables	(25,981)	(28,663)	(10,924)	(10,706)
Changes in other receivables/payables	2,919	(86,186)	2,756	9,203
Taxes collected/(paid) [1]	4,379	4,379	1,623	1,623
Utilisation of provisions (including employee benefit obligations)	(802)	-	(523)	-
Increases in provisions (including employee benefit obligations)	770	-	376	-
Transfer of employee benefit obligations from sub-holding company	32	-	4,346	-
A. Net cash flow provided by/(used in) operating activities	**(33,546)**		**(51,979)**	
Investments in property, plant and equipment	(5,930)	(4,237)	(1,504)	-
Disposals of property, plant and equipment	264	-	-	-
Investments in intangible assets [2]	(12,459)	(16)	(919)	-
Disposals of intangible assets	527	-	-	-
Investments in equity investments for recapitalisation of subsidiaries	(21,000)	(21,000)	-	-
Dividends received	118,173	118,173	116,994	116,994
B. Net cash flow provided by/(used in) investing activities	**79,575**		**114,571**	
Finance costs paid	(6,336)	-	(21,065)	2,966
Finance income received	1,095	1,030	3,438	(6,315)
Changes in net financial payables	64,571	65,433	(44,566)	(44,813)
Capital increases [3]	2,540	-	-	-
Purchase of treasury shares	(30,179)	-	-	-
Dividends paid	(75,253)	-	-	-
C. Net cash flow provided by/(used in) financing activities	**(43,562)**		**(62,193)**	
D. Total cash flow provided/(used) in the year (A+B+C)	**2,467**		**399**	
E. Net cash and cash equivalents at the beginning of the year	**420**		**21**	
F. Net cash and cash equivalents at the end of the year (D+E)	**2,887**		**420**	

(1) Refer to receipts relating to group tax filing receivables from Italian Group companies for the transfer of IRES (Italian corporate income tax) for 2007.
(2) This amount is reported net of the partial spin-off of the patent portfolio from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l., involving the transfer of net assets worth Euro 11,354 thousand.
(3) Refer to increases in share capital, of Euro 55 thousand, and in the share premium reserve, of Euro 2,485 thousand, as a result of the exercise of stock options in 2008.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

A. GENERAL INFORMATION

Prysmian S.p.A. ("the Company") is a joint-stock company organised under the laws of the Republic of Italy. The Company was formed on 12 May 2005 and has its registered office in Viale Sarca, 222 - Milan (Italy).

The Company holds directly or indirectly, through other sub-holding companies, the equity interests in companies which head up the following business segments in which the Prysmian Group operates:

- Energy Segment: the Group designs, develops, produces, distributes and installs a wide range of cables for the transmission and distribution of low, medium, high and extra high voltage electricity for underground and submarine applications, as well as cable accessories such as joints and terminations.

- Telecom Segment: the Group designs, develops, produces and distributes optical fibre and designs, develops, produces, distributes and installs optical cables for video, data and voice transmission and for the transmission of control signals, as well as components and accessories for broadband connection. The Group is able to make optical fibre internally and to produce most of the optical fibre needed for its cable production at its plants in Battipaglia (Italy) and Sorocaba (Brazil).

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

Prysmian (Lux) S.à r.l., with registered office in Luxembourg, has de facto control of the Company through its subsidiary Prysmian (Lux) II S.à r.l., also based in Luxembourg.

The share capital of Prysmian S.p.A. increased during 2008 after 546,227 options were exercised under the stock option plan.

The total number of shares at 31 December 2008 was 180,546,227 (including 3,028,500 treasury shares bought under the programme approved by the shareholders on 15 April 2008 and started by resolution of the Board of Directors on 7 October 2008).

Effective 1 January 2008, Prysmian S.p.A. received the entire patents portfolio of Prysmian Cavi e Sistemi Energia S.r.l. under a spin-off operation from this subsidiary, and the assets used by the Research and Development department from Prysmian Cavi e Sistemi Telecom S.r.l.

All the amounts shown in the tables in the following notes are expressed in thousands of Euro, unless otherwise stated.

The financial statements contained herein were approved by the Board of Directors on 4 March 2009.

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 Company's inability to meet its obligations in the foreseeable future. The risk factors relating to the business are described in the Directors' report. These Notes contain a description of how the Company manages financial and capital risks, including liquidity risks, which can be found in sections C. Financial risk management and C.1 Capital risk management.

Under Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by article 5 of

European Regulation 1606/2002 on international accounting standards", issuers are required to prepare not only consolidated financial statements but also separate financial statements for the Parent Company in accordance with the international accounting and financial reporting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

The term "IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

IFRS have been applied consistently to all the periods presented in this document. The Company's financial statements have, therefore, been prepared in accordance with IFRS and related best practice; any future guidelines and new interpretations will be reflected in subsequent years, in accordance with the recommendations of the relevant accounting standards.

Prysmian S.p.A. has prepared its annual financial statements in accordance with the above requirements as from 31 December 2007. The Company's financial statements and notes for the period 1 January 2008 - 31 December 2008 have therefore been prepared in accordance with the IFRS issued by the IASB and endorsed by the European Union at 31 December 2008. The disclosures required by IFRS 1 - First-time adoption of IFRS, regarding the effects of IFRS transition, were presented in Section E of the financial statements at 31 December 2007, to which the reader should refer.

REPORTING FORMATS AND DISCLOSURES

The Company has opted to present its income statement based on the nature of expenses, while assets and liabilities in the balance sheet are classified as either current or non-current. The cash flow statement has been prepared using the indirect method. The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial assets and liabilities, including derivatives, which must be reported using the fair value method.

The Company has also applied the provisions of CONSOB Resolution 15519 issued on 27 July 2006 concerning financial statement formats and of CONSOB Communication 6064293 issued on 28 July 2006 regarding disclosures.

As required by IAS 1 (paragraph 96) and IAS 19 (paragraph 93 B), the financial statements contain a "Statement of recognised income and expense"; the statement of changes in equity is presented in Note 6.

B. ACCOUNTING POLICIES AND STANDARDS

The accounting policies and standards adopted are the same as those used for preparing the consolidated financial statements, to which reference should be made, except as described below.

B.1 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost, less any impairment losses.
In the event of specific evidence of impairment, the value of investments in subsidiaries, determined on the basis of cost, is tested for impairment. This involves comparing the carrying amount of the investments with their recoverable amount, defined as the higher of fair value less costs to sell, and value in use.

If the recoverable amount of an investment is less than its carrying amount, then the carrying amount is

reduced to the recoverable amount. This reduction represents an impairment loss, which is recognised in the income statement.

For the purposes of impairment testing, the fair value of investments in listed companies is determined with reference to market value regardless of the size of holding. The fair value of investments in unlisted companies is determined using valuation techniques.

Value in use is determined by using one of the following methods, both of which accepted by IFRS:

a) Discounted Cash Flow - asset side approach: this involves calculating the present value of estimated future cash flows generated by the subsidiary, including cash flows from operating activities and the proceeds arising from the investment's ultimate sale.

b) Dividend Discount Model - equity side approach: this involves calculating the present value of estimated future cash flows from dividends and the investment's ultimate sale.

If the reasons for a previously recognised impairment loss cease to apply, the carrying amount of the investment is reinstated but to no more than its original cost, with the related revaluation recognised through the income statement.

B.2 SHARE-BASED PAYMENTS

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

(a) Stock options

Stock options are valued on the basis of the fair value determined on their grant date. This value is recognised on a straight-line basis over the option vesting period in the income statement if relating to options vesting in favour of the Company's employees, or as an addition to the value of investments in subsidiaries if relating to options vesting in favour of subsidiary company employees; in either case, the matching entry is to equity. This recognition is based on an estimate of the stock options which will effectively vest in favour of eligible employees, taking into consideration any vesting conditions that are not based on the market value of the shares. Fair value is determined using the Black & Scholes method.

(b) Equity-settled share-based payment transactions

Co-investment plans include plans in which participants acquire the Company's shares at a fixed price.
The difference between the fair value of the shares, determined on the grant date, and the purchase price is recognised over the vesting period in personnel costs with a matching entry in equity.

B.3 DIVIDENDS

Revenue from dividends is recognised in the income statement when the right to receive the dividends is established, normally coinciding with the shareholders' resolution declaring the same and only if relating to the distribution of post-acquisition earnings.
If they relate to a distribution of reserves created prior to the acquisition, these dividends are deducted from the cost of the investment.

The distribution of dividends to shareholders is recognised as a liability in the Company's balance sheet when the distribution of such dividends is approved.

B.4 TREASURY SHARES

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

C. FINANCIAL RISK MANAGEMENT

Prysmian S.p.A. measures and manages its exposure to financial risks in accordance with the Group's policies.

The main financial risks are centrally coordinated and monitored by the Group Finance Department.
Risk management policies are approved by the Group Finance, Administration and Control Department, which provides the written principles for management of the different kinds of risks and the use of financial instruments.

The principal types of risks to which the Company is exposed are discussed below.

(a) Exchange rate risk
At 31 December 2008 Prysmian S.p.A. does not have any significant positions in receivables or payables or financial derivative instruments that are exposed to exchange rate risk.

(b) Interest rate risk
The interest rate risk to which the Company is exposed is mainly due to long-term financial payables. These payables can carry both fixed and variable rates.

Fixed rate payables expose the Company to a fair value risk. The Company does not operate any particular hedging policies in relation to the risk arising from such contracts, considering the risk to be limited in view of the small amount of fixed rate loans.

Variable rate payables expose the Company to a risk arising from rate volatility (cash flow risk).
The Company 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 Finance, Administration and Control Department, arranging derivative contracts, if necessary.

The Company calculates the pre-tax impact on the income statement of changes in interest rates. The various scenarios are calculated only for those liabilities representing the most significant part of the Company's debt. Based on the simulations carried out, the impact on net income of an increase/decrease of 25 basis points in interest rates, assuming all other variables remain equal, would be a maximum increase of Euro 260 thousand (2007: Euro 109 thousand) or a maximum decrease of Euro 260 thousand (2007: Euro 109 thousand). This simulation is carried out periodically in order to ensure that the maximum potential loss is within the limits set by management.
The above analysis reports marginal variances because a significant part of the variable rate financial liabilities are hedged by interest rate swaps at Group level.

(c) Price risk
The Company is not exposed to price risk as it does not buy or sell goods whose price is subject to market volatility.

(d) Credit risk
The Company does not have significant concentrations of credit risk as almost all its customers are companies belonging to the Group.

(e) Liquidity risk
Prudent management of the liquidity risk arising from the Company's normal operations involves the maintenance of adequate levels of cash and cash equivalents, short-term securities and funds obtainable from an adequate amount of committed credit lines. The Company's Finance Department favours flexible arrangements for sourcing funds in the form of committed credit lines.

Total liquidity reserves at the balance sheet date are as follows:

(in thousands of Euro)	31 December 2008	31 December 2007
Cash and cash equivalents	2,887	420
Unused committed lines	614,703	757,176
Total	**617,590**	**757,596**

The amounts relating to unused credit lines refer to credit lines available to a certain number of Group companies, including Prysmian S.p.A., with no upper limit by individual company.

The following table includes an analysis, by due date, of the payables and liabilities settled on a net basis. The various ranges are determined on the basis of the period between the balance sheet date and the contractual due date of the obligations.

The values reported in the tables have not been discounted.

(in thousands of Euro)				31 December 2008
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	14,104	14,136	91,551	-
Trade and other payables	33,599	-	-	-
Total	**47,703**	**14,136**	**91,551**	**-**

(in thousands of Euro)				31 December 2007
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	6,312	8,560	107,193	-
Trade and other payables	63,764	-	-	-
Total	**70,076**	**8,560**	**107,193**	**-**

A reconciliation between classes of financial assets and liabilities, as reported in the Company's balance sheet, and the types of financial assets and liabilities identified by IFRS7, is provided below:

(in thousands of Euro)	31 December 2008	
	Loans and receivables	Other liabilities
Cash and cash equivalents	2,887	-
Borrowings from banks and other lenders	-	106,070
Trade payables	-	20,393
Other payables	-	13,206
Total	**2,887**	**139,669**

(in thousands of Euro)	31 December 2007	
	Loans and receivables	Other liabilities
Cash and cash equivalents	420	-
Borrowings from banks and other lenders	-	99,883
Trade payables	-	24,382
Other payables	-	39,382
Total	**420**	**163,647**

C.1 CAPITAL RISK MANAGEMENT

The Company's objective in capital risk management is mainly to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Company also sets itself the goal of maintaining an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants envisaged by the New Credit Agreement (Notes 7 and 26).

The Company monitors capital on the basis of the ratio between the net financial position and capital ("gearing ratio"). Note 7 contains an analysis of how the net financial position is determined. Capital is defined as the sum of equity and the net financial position.

Gearing ratios at 31 December 2008 and 31 December 2007 are shown below:

(in thousands of Euro)

	31 December 2008	31 December 2007
Net financial position	98,225	36,715
Equity	249,192	220,884
Total	347,417	257,599
Gearing ratio	**28.27%**	**14.25%**

The change in the gearing ratio is largely due to a deterioration in the net financial position, mostly as a result of buying treasury shares for Euro 30,179 thousand and of expenditure on the SAP Consolidation project (see Note 2).

C.2 FAIR VALUE

The fair value of financial instruments listed on an active market is based on market price at the balance sheet 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 balance sheet 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 balance sheet date.
The fair value of metal derivative contracts is determined by using the prices of the same metals at the balance sheet date.

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 on the basis of the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the balance sheet, income statement, cash flow statement and related disclosures. The final outcome 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 relation to Prysmian S.p.A., require greater subjectivity of judgement by management when preparing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial statements.

(a) Impairment of assets

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

Regardless of whether there are indicators of potential impairment or not, any intangible assets not yet ready for use must be tested for impairment once a year.

(b) Depreciation and amortisation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of the Company's property, plant and equipment and intangible assets is determined by management when the asset is acquired. This is based on past experience for similar assets, market conditions and expectations regarding future events which could have an impact on useful life, including changes in technology.

Therefore, actual economic life may differ from estimated useful life. The Company periodically reviews technological and sector changes to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(c) 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 balance sheet in relation to such risks represents the best estimate by management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, have a significant impact on the current estimates made by management to prepare the Company's financial statements.

1. PROPERTY, PLANT AND EQUIPMENT

The following table presents the movements in 2008 in property, plant and equipment, which amount to Euro 2,997 thousand, net of accumulated depreciation:

(in thousands of Euro)

	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2007	**195**	**60**	**54**	**690**	**367**	**1,366**
Movements in 2008:						
- Investments	185	4,193	558	562	432	5,930
- Disposals	(12)	-	-	-	(252)	(264)
- Depreciation	(47)	(122)	(95)	(419)	-	(683)
- Impairment	-	(3,222)	(26)	(104)	-	(3,352)
Total movements	**126**	**849**	**437**	**39**	**180**	**1,631**
Balance at 31 December 2008	**321**	**909**	**491**	**729**	**547**	**2,997**
Of which:						
- Historical cost	392	4,255	615	1.361	547	7,170
- Accumulated depreciation and impairment	(71)	(3,346)	(124)	(632)	-	(4,173)
Net book value	**321**	**909**	**491**	**729**	**547**	**2,997**

Investments of Euro 5,930 thousand mainly refer to the acquisition of plant, machinery, equipment, and office furniture and equipment used by the Research & Development department from the subsidiaries Prysmian Cavi e Sistemi Energia S.r.l. (for Euro 757 thousand) and Prysmian Cavi e Sistemi Telecom S.r.l. (for Euro 3,480 migliaia).

This acquisition, effective from 1 January 2008, related to:

- Euro 3,841 thousand in plant and machinery, of which Euro 3,285 thousand from Prysmian Cavi e Sistemi Telecom S.r.l. and Euro 556 thousand from Prysmian Cavi e Sistemi Energia S.r.l.;
- Euro 288 thousand in equipment, of which Euro 90 thousand from Prysmian Cavi e Sistemi Telecom S.r.l. and Euro 198 thousand from Prysmian Cavi e Sistemi Energia S.r.l.;
- Euro 108 thousand in office furniture and equipment, of which Euro 105 thousand from Prysmian Cavi e Sistemi Telecom S.r.l. and Euro 3 thousand from Prysmian Cavi e Sistemi Energia S.r.l.

These assets were acquired at fair value, but were subsequently written down by Euro 3,352 thousand in order to bring their book value into line with the amounts reported in the consolidated financial statements.

The amount of Euro 321 thousand for "Buildings" refers to expenditure on leasehold properties.

"Other assets" (Euro 729 thousand) comprise Euro 423 thousand in office furniture and equipment and Euro 306 thousand in motor and other vehicles.

Movements in property, plant and equipment in 2007 were as follows:

(in thousands of Euro)

	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2006	**-**	**-**	**-**	**-**	**-**	**-**
Movements in 2007:						
- Investments	219	62	57	799	367	1,504
- Depreciation	(24)	(2)	(3)	(109)	-	(138)
Total movements	**195**	**60**	**54**	**690**	**367**	**1,366**
Balance at 31 December 2007	**195**	**60**	**54**	**690**	**367**	**1,366**
Of which:						
- Historical cost	219	62	57	799	367	1,504
- Accumulated depreciation and impairment	(24)	(2)	(3)	(109)	-	(138)
Net book value	**195**	**60**	**54**	**690**	**367**	**1,366**

2. INTANGIBLE ASSETS

The following table presents the movements in the year by the principal components of intangible assets:

(in thousands of Euro)

	Patents	Software	Intangibles in progress and advances	Total
Balance at 31 December 2007	**-**	**407**	**309**	**716**
Movements in 2008:				
- Investments	11,354	1,253	11,206	23,813
- Disposals and other changes	-	(218)	(309)	(527)
- Amortisation	(1,185)	(548)	-	(1,733)
Total movements	**10,169**	**487**	**10,897**	**21,553**
Balance at 31 December 2008	**10,169**	**894**	**11,206**	**22,269**
Of which:				
- Historical cost	11,354	1,645	11,206	24,205
- Accumulated amortisation and impairment	(1,185)	(751)	-	(1,936)
Net book value	**10,169**	**894**	**11,206**	**22,269**

"Patents" reflect the patents portfolio transferred from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l. under the spin-off deed dated 11 July 2008.
The spin-off from Prysmian Cavi e Sistemi Energia S.r.l. was effective from 1 January 2008 and involved transferring all of the Company's patents at a value of Euro 11,354 thousand, against a corresponding reduction in "Capital contributions" reported in equity.

"Intangibles in progress and advances" refer to

investments still in progress at year end, which have therefore not been amortised.
The amount at 31 December 2008 includes Euro 10,929 thousand in expenditure on starting the SAP Consolidation project, due to harmonise the information system throughout the Group in the next five years.

Movements in intangible assets in 2007 were as follows:

(in thousands of Euro)

	Software	Intangibles in progress and advances	Total
Balance at 31 December 2006	**-**	**-**	**-**
Movements in 2007:			
- Investments	610	309	919
- Amortisation	(203)	-	(203)
Total movements	**407**	**309**	**716**
Balance at 31 December 2007	**407**	**309**	**716**
Of which:			
- Historical cost	610	309	919
- Accumulated amortisation and impairment	(203)	-	(203)
Net book value	**407**	**309**	**716**

3. INVESTMENTS IN SUBSIDIARIES

These are detailed as follows:

(in thousands of Euro)

	31 December 2008	31 December 2007	Change	Registered office	Share capital	% owned
Prysmian Cavi e Sistemi Energia S.r.l.	158,850	169,788	(10,938)	Milan	Euro 100,000,000	100
Prysmian Telecom S.r.l.	101,357	80,271	21,086	Milan	Euro 10,000	100
Prysmian Kabel Und Systeme GmbH	2,153	2,151	2	Berlin	Euro 15,000,000	6.25
GSCP Athena (UK) Holdings Limited	-	-	-	Hampshire	GBP 1	100
Prysmian Pension Scheme Trustee L.	-	-	-	Hampshire	GBP 1	100
Prysmian (Brazil) Holdings Ltda	-	-	-	San Paolo	Brazilian Real 4,700	0.021
Prysmian Kablo SRO	1	1	-	Bratislava	Czech Koruna 640,057,000	0.005
Total investments in subsidiaries	**262,361**	**252,211**	**10,150**			

The net increase of Euro 10,150 thousand in the value of investments in subsidiaries is attributable to:

- capital payments of Euro 21,000 thousand to Prysmian Telecom S.r.l.;
- a capital repayment, under the partial spin-off by Prysmian Cavi e Sistemi Energia S.r.l. in the Company's favour. This spin-off involved transferring Euro 11,354 thousand in net assets, relating to the Company's entire patents portfolio;
- increases of Euro 504 thousand, as explained in Note 14, for stock options relating to Prysmian S.p.A. shares granted to managers of Group companies. This amount has been treated like a capital contribution to the subsidiaries and therefore reported as an increase in the value of the subsidiaries in which these managers are directly or indirectly employed. These increases are matched by a corresponding movement in the specific equity reserve (see Note 6).

The subsidiary GSCP Athena (U.K.) Holdings Limited was put into liquidation with effect from 21 November 2008.

4. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in thousands of Euro)			31 December 2008
	Non-current	Current	Total
Trade receivables	-	53,977	53,977
Total trade receivables	**-**	**53,977**	**53,977**
Other receivables:			
Tax receivables	-	4,686	4,686
Financial receivables	3,406	1,552	4,958
Receivables from employees	18	15	33
Others	-	39,371	39,371
Total other receivables	**3,424**	**45,624**	**49,048**
Total	**3,424**	**99,601**	**103,025**

(in thousands of Euro)			31 December 2007
	Non-current	Current	Total
Trade receivables	-	31,985	31,985
Total trade receivables	**-**	**31,985**	**31,985**
Other receivables:			
Tax receivables	-	2,843	2,843
Financial receivables	4,826	57,922	62,748
Receivables from employees	17	29	46
Others	-	36,831	36,831
Total other receivables	**4,843**	**97,625**	**102,468**
Total	**4,843**	**129,610**	**134,453**

Trade and other receivables do not include any amounts in currencies other than the Euro in either period.
Trade receivables at 31 December 2008 mainly refer to charges by Prysmian S.p.A. to its subsidiaries for Corporate services and advisory costs incurred in relation to the New Credit Agreement and the charge to Prysmian Financial Services Ireland Ltd. for services rendered in connection with the securitization of receivables.
Trade receivables are significantly higher than at 31 December 2007 due to royalties for the use of patents (Euro 34,941 thousand) recharged by the Company as from 1 January 2008, having taken over the patents of its subsidiary Prysmian Cavi e Sistemi Energia S.r.l. from that date.

The book value of trade receivables approximates their fair value.

Trade receivables are all due within one year and do not include any significant past due balances.

Tax receivables mainly refer to VAT (Euro 3,033 thousand) and recoverable withholding taxes (Euro 1,158 thousand) tranferred from Group companies to the Company for the purposes of the group tax filing (under art. 117 et seq of the Italian Income Tax Code).

Financial receivables mostly comprise:
- finance costs relating to the Bonding and Revolving facilities obtained under the New Credit Agreement entered on 18 April 2007, which the Company is amortising over the life of the loan, ie. until 2012. The current portion of these costs is Euro 1,312 thousand, while the non-current portion is Euro 3,067 thousand. At 31 December 2007 the current portion of these costs was Euro 1,312 thousand, while the non-current portion was Euro 4,385 thousand;
- Prysmian S.p.A.'s portion of the costs incurred at the start of the receivables securitization, which are being amortised over the term of the contract, ie. until July 2012. The current portion is Euro 119 thousand, while the non-current portion is Euro 308 thousand. At 31 December 2007 the current portion of these costs was Euro 119 thousand, while the non-current portion was Euro 427 thousand.

Current financial receivables are significantly lower than at 31 December 2007, mainly because of an inversion in the current account balance with Prysmian Treasury S.r.l., the Group's treasury centre. In fact, the balance was Euro 56,491 thousand in credit at 31 December 2007, but in debit at 31 December 2008, meaning that it has been classified under "Borrowings from banks and other lenders" at this date.

At 31 December 2008, "Others" mainly comprise:
- Euro 37,682 thousand in receivables from Italian Group companies for the transfer of IRES (Italian corporate income tax) under the group tax filing (art. 117 et seq of the Italian Income Tax Code);
- Euro 802 thousand in bank fees for using the Bonding and Revolving credit facilities under the New Credit Agreement, recharged to Group companies and not yet collected.

The book value of financial receivables and other current receivables is considered to approximate their fair value.

5. CASH AND CASH EQUIVALENTS

These amount to Euro 2,887 thousand at 31 December 2008, compared with Euro 420 thousand at 31 December 2007 and relate to the cash held on ordinary bank current accounts denominated in Euro and repayable on demand. The value of cash and cash equivalents is considered to be in line with its fair value

at the balance sheet date.
The credit risk associated with cash and cash equivalents is limited insofar as the counterparties are leading national and international banks.

6. SHARE CAPITAL AND RESERVES

The shareholders of Prysmian S.p.A. voted on 15 April 2008 to distribute a gross dividend of Euro 0.417 per share, for a total of Euro 75 million; this dividend was paid on 24 April 2008.
A dividend in respect of the year ended 31 December 2008 of Euro 0.417 per share, amounting to a total dividend of Euro 74 million, is to be proposed at the annual general meeting on 8 April 2009 (first call) or 9 April 2009 (second call).
These financial statements do not reflect this dividend payable.
A total of 546,227 options were exercised in 2008 under the stock option plan described in Note 14.
Equity amounts to Euro 249,192 thousand at 31 December 2008, which is Euro 28,308 thousand more than at 31 December 2007, reflecting the net effect of:

- net income for the year of Euro 129,964 thousand;
- the dividend distribution of Euro 75,253 thousand;
- the buy-back of shares for Euro 30,179 thousand.

The following table provides details of the movement in share capital and reserves during the year:

(in thousands of Euro)

	Share capital	Share premium reserve	Legal reserve	Treasury share reserve	Extraordinary reserve	IAS/IFRS first-time adoption reserve	Capital contribution reserve	Actuarial gains/ (losses) employee benefits	Stock option reserve	Treasury shares (*)	Net income for year	Total
Balance at 31 December 2006	**18,000**	**-**	**-**	**-**	**-**	**55,000**	**6,113**	**2**	**1,182**	**-**	**76,278**	**156,575**
Allocation of net income			2,773		52,688	20,817					(76,278)	-
Share-based compensation									4.035			4,035
Actuarial gains (losses) on employee benefits								(345)				(345)
Net income (loss) for the year											60,619	60,619
Balance at 31 December 2007	**18,000**	**-**	**2,773**	**-**	**52,688**	**75,817**	**6,113**	**(343)**	**5,217**	**-**	**60,619**	**220,884**
Increases in capital	55	2,485										2,540
Allocation of net income			827								(827)	-
Dividend payment						(15,461)					(59,792)	(75,253)
Buy-back of shares				30.179		(30,179)				(30,179)		(30,179)
Share-based compensation									1,140			1,140
Actuarial gains (losses) on employee benefits								96				
Net income (loss) for the year											129,964	129,964
Balance at 31 December 2008	**18,055**	**2,485**	**3,600**	**30.179**	**52,688**	**30,177**	**6,113**	**(247)**	**6,357**	**(30,179)**	**129,964**	**249,192**

(*) The treasury shares at 31 December 2008 comprise 3,028,500 ordinary shares with a total nominal value of Euro 302,850.

Share capital

Share capital amounts to Euro 18,055 thousand at 31 December 2008, consisting of 180,546,227 ordinary shares (including 3,028,500 treasury shares), with a nominal value of Euro 0.10 each.

The total number of outstanding voting shares is 177,517,727.

The following table reconciles the number of outstanding shares at 31 December 2007 with the number of outstanding shares at 31 December 2008:

(number of shares in thousands)

	At 31 December 2007	Capital increase	(Purchases)/sales of treasury shares	At 31 December 2008
Ordinary shares issued	180,000	546	-	180,546
Less: Treasury shares	-	-	(3,029)	(3,029)
Outstanding ordinary shares	180,000	546	(3,029)	177,518
Total shares issued by Prysmian S.p.A.	**180,000**	**546**	**-**	**180,546**
Less: Treasury shares	**-**	**-**	**(3,029)**	**(3,029)**
Total outstanding Prysmian S.p.A. shares	**180,000**	**546**	**(3,029)**	**177,518**

Information on purchases and sales of treasury shares in 2008 can be found in the paragraph on "Treasury shares".

Share premium reserve

This amounts to Euro 2,485 thousand at 31 December 2008 and was entirely formed during the year following the increase in share capital to service the exercise of stock options under the plan described in Note 14.

Legal reserve

This amounts to Euro 3,600 thousand at 31 December 2008, and is Euro 827 thousand higher than at 31 December 2007 following allocation of part of the prior year's net income, as approved by the shareholders on 15 April 2008.

Treasury share reserve

This reserve amounts to Euro 30,179 thousand, in compliance with the legal limits (art. 2357-ter of the Italian Civil Code). It was formed during the year after the shareholders authorised a programme on 15 April 2008 to buy back up to 10% of the Company's shares. This authorisation lasts for eighteen months and expires on 15 October 2009.

In compliance with the requirement that the start of such a programme be announced to the market, the Board of Directors announced on 8 October 2008 that it had started this programme under the authority

granted by the shareholders, for the purpose of effectively managing the Company's capital, and of creating a portfolio of treasury shares that could be used for any extraordinary operations, or to service any share-based incentive schemes for the Group's employees.

In partial execution of the authorisation granted by shareholders on 15 April 2008, on 7 October 2008 the Board of Directors granted the Chief Executive Officer and the Chief Financial Officer suitable powers to purchase up to 4 million shares by 31 December 2008.

A total of 3.0285 million shares had been acquired by this date, for an overall investment of Euro 30.179 million.
These shares were purchased in compliance with the authority granted under the above shareholders' resolution, the most important points of which are as follows:

- the maximum purchase price could not be 10% higher/lower than the official market price reported the day before each purchase transaction;
- 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;
- 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.

Extraordinary reserve

This reserve amounts to Euro 52,688 thousand at 31 December 2008 and has been formed from the allocation of net income for 2006, as approved by the shareholders on 28 February 2007.

IAS/IFRS first-time adoption reserve

This reserve was created in accordance with IFRS 1 and reflects the differences arising on first-time adoption of IAS/IFRS.
It amounts to Euro 30,177 thousand at 31 December 2008, which is Euro 45,640 thousand lower than at 31 December 2007 after using Euro 15,461 thousand to distribute dividends, as approved by the shareholders on 15 April 2008, and after using Euro 30,179 thousand for the purchase of treasury shares, as described in the following paragraphs.

Stock option reserve

This reserve amounts to Euro 6,357 thousand at 31 December 2008. This is Euro 1,140 thousand more than at 31 December 2007 reflecting:

- the total cost of Euro 636 thousand recognised in the income statement during the year (Euro 3,293 thousand in 2007), of which Euro 268 thousand for co-investment plans involving Prysmian S.p.A. shares (see Note 14), Euro 13 thousand for co-investment plans for directors involving Prysmian S.p.A. shares (see Note 14) and Euro 355 thousand for stock option plans involving Prysmian S.p.A. shares (see Note 14);
- the increase of Euro 504 thousand in the carrying amount of equity investments in subsidiaries, whose managers are beneficiaries of stock option plans involving Prysmian S.p.A. shares (see Note 14).

Treasury shares

The book value of treasury shares is Euro 30,179 thousand at 31 December 2008 and refers to 3,028,500 ordinary shares acquired under the share buy-back programme described earlier, announced by the Board of Directors under the authority granted by the shareholders on 15 April 2008.

Movements in treasury shares are as follows:

	Number of ordinary shares	Total nominal value (in Euro)	% of total share capital	Average unit value (in Euro)	Total carrying amount (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**

In compliance with art. 2427, no. 7-bis of the Italian Civil Code, the following table analyses each component of equity, indicating its origin, permitted use and distribution, as well as how it has been used in previous years.

(in thousands of Euro)

Nature/description	Amount	Permitted use (A,B,C)	Amount available for distribution	Uses in three previous years previous years	
				to cover losses	other reasons
Share capital	**18,055**				
Capital reserves:					
- Capital contribution reserve	6,113	A,B,C	6,113	55,381	107,990
- Share premium reserve	2,485	A,B,C	2,485		
Earnings reserves:					
- Extraordinary reserve	52,688	A,B,C	52,688		
- IAS/IFRS first-time adoption reserve [1]	30,177	A,B,C	30,177		45,640
- Legal reserve	3,600	B			
Total	**113,118**		**91,463**	**55,381**	**153,630**
Undistributable amount (art. 2426 no.5)					
Distributable amount			**91,463**		

Legenda: A: to increase capital
B: to cover losses
C: distribution to shareholders

[1] The IAS/IFRS first-time adoption reserve is presented net of the reserve of Euro 30,179 thousand, corresponding the value of treasury shares acquired, which in accordance with art. 2357-ter of the Italian Civil Code is undistributable.

7. BORROWINGS FROM BANKS AND OTHER LENDERS

These amount to Euro 106,070 thousand at 31 December 2008, compared with Euro 99,883 thousand at 31 December 2007.

(in thousands of Euro)			31 dicembre 2008
	Non-current	Current	Total
Borrowings from banks and other lenders	96,371	3,579	99,950
Borrowings from Group companies	-	6,120	6,120
Total	**96,371**	**9,699**	**106,070**

(in thousands of Euro)			31 dicembre 2007
	Non-current	Current	Total
Borrowings from banks and other lenders	99,178	705	99,883
Total	**99,178**	**705**	**99,883**

Borrowings from Group companies relate to the debit balance on the current account with Prysmian Treasury S.r.l., the Group's treasury centre.

This balance was in credit at 31 December 2007 and so classified under financial receivables.

Borrowings from banks and other lenders are detailed as follows:

(in thousands of Euro)		
	31 December 2008	31 December 2007
Credit Agreement	99,771	99,653
Other borrowings	179	230
Total	**99,950**	**99,883**

The New Credit Agreement is a variable rate euro facility, tied to Euribor. The spread applied as from March 2008 is 0.40% per annum.
Following the deepening of the financial crisis and the consequent deterioration in the cost of funding, the fair value of the New Credit Agreement at 31 December 2008, corresponding to Euro 97.8 million, is lower than its nominal value.

The following table provides a breakdown of borrowings from banks and other lenders by maturity at 31 December 2008 and 2007:

(in thousands of Euro)	31 December 2008	31 December 2007
Due date		
Within one year	9,699	705
Between one and two years	9,802	2,983
Between two and three years	19,823	9,967
Between three and four years	66,746	19,970
Between four and five years	-	66,258
After more than five years	-	-
Total	**106,070**	**99,883**
Average interest rate in period, as per contract	5.22%	5.04%

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, analysed as follows:

(in thousands of Euro)	
Term Loan Facility	1,000,000
Revolving Credit Facility	400,000
Bonding Facility	300,000
Total	**1,700,000**

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.

At 31 December 2008 non-current borrowings from banks and other lenders (Euro 96,371 thousand) refer to the residual portion of the term loan granted to Prysmian S.p.A. under the New Credit Agreement.

The reduction since 31 December 2007 mainly reflects the reclassification under current payables of the portion of the loan repayable in 2009.

The unused credit facilities available to the Group under the New Credit Agreement are as follows:

(in thousands of Euro)	31 December 2008	31 December 2007
Revolving Credit Facility	363,688	357,176
Bonding Facility	129,199	156,611
Total	**492,887**	**513,787**

The New Credit Agreement has a 5-year term and expires on 3 May 2012; the loan's amortisation period is structured as follows:

(in thousands of Euro)	
30 November 2009	3,000
31 May 2010	5,000
30 November 2010	5,000
31 May 2011	10,000
30 November 2011	10,000
3 May 2012	67,000
Total	**100,000**

The first tranche repayable under the loan's amortisation plan falls due on 30 November 2009 and amounts to Euro 3,000 thousand.

The New Credit Agreement calls for compliance with non-financial covenants and two financial ones, as described in Note 26. No collateral security is required, except for a lien on shares in the main subsidiaries if the financial covenants are breached.

The current portion of borrowings from banks and other lenders (Euro 3,579 thousand) comprises Euro 3,000 thousand in debt repayable in 2009 under the New Credit Agreement, Euro 399 thousand in interest payable on the New Credit Agreement relating to 2008, and Euro 180 thousand in fees relating to 2008 for non-utilisation of the Bonding and Revolving credit facilities.

The increase relative to 31 December 2007 mainly reflects inclusion of the repayment of the New Credit Agreement due in 2009.

The following table reports the movement in borrowings from banks and other lenders:

(in thousands of Euro)

	Credit Agreement	Other borrowings	Total
Balance at 31 December 2007	**99,653**	**230**	**99,883**
Repayments	(76)	(230)	(306)
Amortisation of bank and financial fees and other expenses	194	-	194
Others	-	179	179
Total movements	**118**	**(51)**	**67**
Balance at 31 December 2008	**99,771**	**179**	**99,950**

(in thousands of Euro)

	Credit Agreement	Other borrowings	Total
Balance at 31 December 2006	**-**	**101,327**	**101,327**
Drawings	99,056	-	99,056
Repayments	-	(101,327)	(101,327)
Amortisation of bank and financial fees and other expenses	122	-	122
Others	475	230	705
Total movements	**99,653**	**(101,097)**	**(1,444)**
Balance at 31 December 2007	**99,653**	**230**	**99,883**

The following table summarises the Committed Lines available to the Group at 31 December 2008 and at 31 December 2007:

(in thousands of Euro)

			31 December 2008
	Total lines	Used	Unused
Term Loan Facility	1,000,000	(1,000,000)	-
Revolving Credit Facility	400,000	(36,312)	363,688
Bonding Facility	300,000	(170,801)	129,199
Securitization	350,000	(98.985)	251,015
Total	**2,050,000**	**(1.306.098)**	**743,902**

(in thousands of Euro)			31 December 2007
	Total lines	Used	Unused
Term Loan Facility	1,000,000	(1,000,000)	-
Revolving Credit Facility	400,000	(42,824)	357,176
Bonding Facility	300,000	(143,389)	156,611
Securitization	400,000	-	400,000
Total	**2,100,000**	**(1,186,213)**	**913,787**

Unused Committed Lines at 31 December 2008 of Euro 743,902 thousand comprise Euro 129,199 thousand in credit lines relating to guarantees (Bonding Facility) and Euro 614,703 thousand in cash facilities.
Unused Committed Lines at 31 December 2007 of Euro 913,787 thousand comprise Euro 156,611 thousand in credit lines relating to guarantees (Bonding Facility) and Euro 757,176 thousand in cash facilities.

The Securitization programme, started up in the previous year, was renegotiated in February 2008, with the interest rate spread optimised and the amount of the programme reduced to Euro 350,000 thousand (Euro 400,000 thousand in 2007).

NET FINANCIAL POSITION

(in thousands of Euro)

	Note	31 December 2008	Related parties (Note 22)	31 December 2007	Related parties (Note 22)
Long-term financial payables					
- New Credit Agreement	7	97,000		100,000	
- Bank fees	7	(629)		(822)	
Total long-term financial payables		**96,371**		**99,178**	
Short-term financial payables					
- Borrowings from Group companies	7	6,120	6,120	-	
- Borrowings from banks and other lenders	7	3,579		705	
Total short-term financial payables		**9,699**		**705**	
Total financial liabilities		**106,070**		**99,883**	
Long-term financial receivables	4	339		441	
Long-term bank fees	4	3,067		4,385	
Short-term financial receivables	4	240		56,610	56,491
Short-term bank fees	4	1,312		1,312	
Cash and cash equivalents	5	2,887		420	
Total financial assets		**7,845**		**63,168**	
Net financial position		**98,225**		**36,715**	

The Company's net financial position is now reconciled to the amount that must be reported under CONSOB Communication DEM/6064293 issued on 28 July 2006 in compliance with the CESR recommendation issued on 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(in thousands of Euro)

	Note	31 December 2008	Related parties (Note 22)	31 December 2007	Related parties (Note 22)
Net financial position - as reported above		**98,225**		**36,715**	
Long-term financial receivables	4	339		441	
Long-term bank fees	4	3,067		4,385	
Recalculated net financial position		**101,631**		**41,541**	

8. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in thousands of Euro)

	31 December 2008	31 December 2007
Trade payables	20,393	24,382
Total trade payables	**20,393**	**24,382**
Other payables:		
Tax and social security payables	4,174	6,126
Payables to employees	7,031	6,305
Accrued expenses	25	
Others	1,976	26,951
Total other payables	**13,206**	**39,382**
Total	**33,599**	**63,764**

Trade payables mostly refer to charges by suppliers and external professional consultants for organisational, legal and IT services and charges from Group companies involved in the receivables securitization programme.

Other payables comprise:

- social security payables relating to contributions on employee wages and salaries and amounts payable into supplementary pension funds. The decrease primarily reflects the release of contributions payable on stock options, as permitted by Legislative Decree 112 of 25 June 2008;
- tax payables mainly relating to tax withheld from employees and not yet paid to the tax authorities;
- payables to employees for wages and salaries due but not yet paid;
- others, mainly relating to amounts due to Group com panies after transferring the Company recoverable withholding taxes (Euro 1,158 thousand) under the group tax filing (art. 117 et seq of the Italian Income Tax Code), and to emoluments of the statutory audi tors (Euro 51 thousand). The decrease relative to the prior year is due to the receipt of indemnities by Prysmian S.p.A. on behalf of Group companies from Pirelli & C. S.p.A. (Euro 25,480 thousand) for warranties given by the Pirelli Group under the acquisition agreement in July 2005.

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

(in thousands of Euro)

	31 December 2008	31 December 2007
Euro	33,153	63,634
British Pound	115	79
US Dollar	268	51
Australian Dollar	23	-
Other currencies	40	-
Total	**33,599**	**63,764**

9. PROVISIONS FOR RISKS AND CHARGES

These amount to Euro 516 thousand, compared with Euro 41 thousand at 31 December 2007. The increase is due to a provision accrued for probable liabilities arising from legal disputes.

10. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amount to Euro 4,027 thousand (Euro 4,593 thousand at 31 December 2007). They include the employee indemnity liability (Italian TFR) and other employee benefits, analysed as follows:

(in thousands of Euro)

	31 December 2008	31 December 2007
Employee indemnity liability (Italian TFR)	3,463	4,070
Termination benefits and others	564	523
Total	**4,027**	**4,593**

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

(in thousands of Euro)

	31 December 2008	31 December 2007
Employee indemnity liability (Italian TFR)	218	319
Termination benefits and others	64	57
Total	**282**	**376**

The cost of employee indemnity liability was Euro 218 thousand in 2008, while that of termination benefits was Euro 64 thousand.

Employee indemnity liability

Following the amendments to the treatment of employee indemnity liability by Law 296 of 27 December 2006 and subsequent Decrees and Regulations issued during 2007, TFR is no longer treated like a defined benefit plan but like a defined contribution plan.

In fact, under the new rules workers choose between two options: their future TFR can be paid into selected pension funds or it can be left in the Company (in which case it is paid into a treasury account kept by INPS, Italy's social security agency).

Whichever of these options is selected, TFR accrued from 1 January 2007 qualifies as a defined contribution plan, while TFR accrued up until 31 December 2006 continues to be treated like a defined benefit plan, which is therefore submitted to periodic actuarial valuation.

Movements in TFR are as follows:

(in thousands of Euro)	2008	2007
Opening balance	**4,070**	**49**
Current service costs	-	112
Interest costs	218	207
Curtailment	-	(56)
Actuarial gains/(losses) recognised in equity	(96)	345
Staff transfer	32	3,856
Utilisations	(761)	(443)
Total movements	**(607)**	**4,021**
Closing balance	**3,463**	**4,070**

As a result of the new rules, the above movements in TFR for 2008 do not include any new provisions for the year but just an interest cost relating to the actuarial valuation of TFR at 31 December 2007.

Other information

Other information relating to employee indemnity liability is as follows:

	31 December 2008	31 December 2007
Discount rate	5.75%	5.45%
Future salary increase	N/A	2.14%
Inflation rate	2.00%	2.00%

The average headcount in each period is reported below, as well as the closing headcounts at 31 December 2008 and 31 December 2007:

				2008
	Average 2008	%	Closing	%
Blue collar	36	13%	39	14%
White collar and management	246	87%	241	86%
Total	**282**	**100%**	**280**	**100%**

				2007
	Average 2007	%	Closing	%
Blue collar	32	11%	32	11%
White collar and management	248	89%	253	89%
Total	**280**	**100%**	**285**	**100%**

11. SALES

Total sales amount to Euro 32,840 thousand compared with Euro 37,800 thousand in the prior year and refer to revenue from recharges by Prysmian S.p.A., under specific contracts, to its sub-holding companies Prysmian Cavi e Sistemi Energia S.r.l. and Prysmian Cavi e Sistemi Telecom S.r.l. for coordination activities and services provided by headquarters functions to Group companies.

12. OTHER INCOME

(in thousands of Euro)

	2008	2007
Royalties	35,541	-
Other services	1,519	1,674
Rental income	998	-
Insurance reimbursements and indemnities	7	14
Other income	4,710	3,307
Total	**42,775**	**4,995**

Royalties refer to charges for the use of patents and know-how by the subsidiaries Prysmian Cavi e Sistemi Energia S.r.l. (Euro 33,274 thousand) and Prysmian Cavi e Sistemi Telecom S.r.l. (Euro 1,667 thousand) and by other companies outside the Group (Euro 600 thousand).

These royalties have been charged starting from 1 January 2008, being the effective date of the spin-off of the patents portfolio from the subsidiary Prysmian Cavi e Sistemi Energia S.r.l. to the Company.

Other services refer to charges to the Irish vehicle company, Prysmian Financial Services Ireland Ltd., for services rendered in relation to the receivables securitization programme.

Rental income refers to the recharge to Group companies of rent for the Company's office building, on the basis of the portion used by each company.

Other income refers to sundry types of income and expense recharges.

13. RAW MATERIALS AND CONSUMABLES USED

These amount to Euro 869 thousand (Euro 523 thousand in 2007) and include purchases of fuel and other materials.

14. PERSONNEL COSTS

These are detailed as follows:

(in thousands of Euro)

	2008	2007
Wages and salaries	26,094	26,234
Social security	4,301	8,589
Retirement pension costs	1,263	961
Employee indemnity costs	-	56
Non-recurring personnel costs (income):		
Income from staff transfer	-	*(1,061)*
Total non-recurring personnel costs (income)	**-**	**(1,061)**
Other personnel costs	352	344
Total	**32,010**	**35,123**

Personnel costs are lower in 2008 than in 2007 mainly as a result of releasing employer contributions on stock options (Euro 2,216 thousand) booked in the previous year after Legislative Decree 112 dated 25 June 2008 removed such a requirement.

Retirement pension costs (Euro 1,263 thousand) refer to the amount of employee indemnity liability accrued in the year and paid by the Company into supplementary pension funds or into the special fund established by INPS (Italy's social security agency) following the changes introduced under Law 296/06.

Share-based payments

At 31 December 2008 Prysmian S.p.A. had share-based compensation plans in place for managers of Group companies and members of the Company's Board of Directors.

These plans are described below:

Co-investment plans

During July 2005, certain managers of Group companies were given the right to buy shares representing the share capital of Prysmian (Lux) S.à r.l., the company which 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 the parent company Prysmian (Lux) S.à r.l. were subscribed at the prices established by the contract and reported above.

The main features of the agreement were as follows:

	Fair value
Ordinary shares	2,001.83
nPEC	Not less than 1.00
iPEC	1.12

The fair value of the Co-investment plan at the grant date was Euro 10.5 million.

The overall cost recognised in the income statement in the year ended 31 December 2008 is Euro 282 thousand compared with Euro 2,669 thousand at 31 December 2007. This cost has been recognised in "Personnel costs" for the part attributable to the Company's employees, and in "Other expenses" for the part attributable to the Company's directors.

This cost represents the difference between the fair market value (FMV) of the Prysmian (Lux) S.à.r.l. shares on their grant date and the subscription price for management.

The residual value of the Co-investment plan at 31 December 2008 is Euro 219 thousand. 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.

Lastly, it is reported that the remaining Euro 1.5 million of the loan given to certain directors and managers of the Prysmian Group to allow them to buy shares in Prysmian (Lux) II S.à r.l. was repaid on 8 January 2008. This loan had carried an annual interest rate corresponding to the European Central Bank's refinancing rate.

Stock option plans

On 30 November 2006, the Company's shareholders' meeting 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 for employees of companies belonging to the Prysmian Group.

At 31 December 2008, groupwide, a total of 2,319 thousand options to subscribe to the Company's ordinary shares were outstanding, with a nominal value of Euro 0.10 each and representing around 1.3% of share capital.

Each option entitles the holder to subscribe to one share at a price of Euro 4.65.

More details of the stock option plan are as follows:

(in Euro)	31 December 2008		31 December 2007	
	Number of options	Strike price	Number of options	Strike price
Options at start of year	2,884,812	4.65	2,571,047	4.65
Granted	-	4.65	392,203	4.65
Cancelled	(19,611)	-	(78,438)	-
Exercised	(546,227)	4.65	-	-
Options at end of year	2,318,974	4.65	2,884,812	4.65
of which Prysmian S.p.A.	*1,135,207*	*4.65*	*1,316,038*	*4.65*
of which vested at end of year	890,593	4.65	721,145	4.65
of which Prysmian S.p.A.	*477,176*	*4.65*	*328,997*	*4.65*
of which exercisable [1]	-	-	-	-
of which not vested at end of year	1,428,381	4.65	2,163,667	4.65
of which Prysmian S.p.A.	*658,031*	*4.65*	*987,041*	*4.65*

The weighted average price of Prysmian S.p.A. shares during the two possible stock option exercise periods in 2008 was Euro 14.01.

The outstanding 1,428,381 options will vest in three annual instalments, each on the anniversary of their grant date.

As for the timeframes for subscribing the options, 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 draft 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 2008 is 2.3 years.

[1] Option exercise is limited to the periods reported below.

The overall cost for the stock option plan recognised under "Personnel costs" (wages and salaries) in the income statement is Euro 355 thousand in 2008, compared with Euro 624 thousand in 2007.

In addition, employer contributions on stock options booked in the previous year (Euro 2,216 thousand) were released during the year after Legislative Decree 112 dated 25 June 2008 removed such a requirement.

In 2008 a total of Euro 504 thousand was added to the investments in subsidiaries for the cost of the stock options granted to the subsidiaries employees.

15. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in thousands of Euro)	2008	2007
Depreciation of buildings, plant, machinery and equipment	264	29
Depreciation of other property, plant and equipment	419	109
Amortisation of intangible assets	1,733	203
Non-recurring impairment:		
Impairment of plant, machinery and equipment	*3,248*	-
Impairment of other property, plant and equipment	*104*	-
Total non-recurring impairment	**3,352**	**-**
Total	**5,768**	**341**

Non-recurring impairment refers to plant, machinery, equipment and other assets acquired in the year at fair value from the subsidiary Prysmian Cavi e Sistemi Telecom S.r.l.; the impairment has been recognised to bring this fair value in line with the book value of these assets in the consolidated financial statements.

16. OTHER EXPENSES

Amount to Euro 58,235 thousand in 2008 compared with Euro 60,074 thousand in the prior year.

The decrease primarily reflects the significant reduction in non-recurring expenses.

Other expenses are detailed as follows:

(in thousands of Euro)	2008	2007
Services	39,081	38,986
IT costs	5,537	4,547
Insurance	899	586
Maintenance costs	523	337
Operating and other costs	2,070	1,726
Utilities	878	3
Travel costs	3,185	2,947
Rental costs	4,758	1,776
Increases in provisions for risks	475	-
Non-recurring other expenses:		
IPO costs	-	*8,236*
IT system segregation	*829*	*930*
Total non-recurring other expenses	**829**	**9,166**
Total	**58,235**	**60,074**

Services mainly refer to outsourcing (particularly of IT and personnel administration services) for Euro 14,437 thousand (Euro 14,625 thousand in 2007) and costs recharged by the sub-holding companies that relate to Prysmian S.p.A. of which Euro 594 thousand by Prysmian Cavi e Sistemi Energia S.r.l. (Euro 6,641 thousand in 2007) and Euro 439 thousand by Prysmian Cavi e Sistemi Telecom S.r.l. (Euro 1,068 thousand in 2007).
Professional services include the compensation of the directors and statutory auditors of Prysmian S.p.A., of Euro 300 thousand and Euro 78 thousand respectively, and the fees of the independent auditors of Euro 368 thousand.

Maintenance services mainly refer to software, electronic equipment and motor vehicles.

Rental costs primarily refer to the costs for renting the Company's office building for Euro 1,946 thousand (Euro 1,460 thousand in 2007) and the premises and laboratories used by the Company's Research and Development department for Euro 1,895 thousand.

17. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

(in thousands of Euro)	2008	2007
Interest on borrowings	5,316	3,373
Amortisation of bank and financial fees and other expenses	1,511	985
Interest costs on employee benefits	244	228
Costs for undrawn credit lines	737	2,849
Sundry bank fees	560	8,216
Other	166	10,213
Finance costs	**8,534**	**25,864**
Foreign currency exchange losses	29	10
Total finance costs	**8,563**	**25,874**

Interest on borrowings relates to the portion of the Term Loan received by Prysmian S.p.A. under the New Credit Agreement.

Amortisation of bank and financial fees and other expenses in 2008 reflects the Company's share of costs relating to the New Credit Agreement

Sundry bank fees amount to Euro 560 thousand in 2008, reporting a significant reduction compared to the prior year, due to the fact that the figure in 2007 included Euro 8,216 thousand in loan arrangement costs relating to the New Credit Agreement.

Other finance costs in 2008 refer to the Company's share of the costs relating to the receivables securitization.
These costs are significantly lower than in 2007, when they included Euro 7,316 thousand in initial costs for the securitization and Euro 2,878 thousand in interest expense charged by the Group's treasury centre on the current account overdraft.

Finance income is detailed as follows:

(in thousands of Euro)	2008	2007
Interest income from banks and other financial institutions	1,991	42
Other finance income	1,890	18,661
Finance income	**3,881**	**18,703**
Foreign currency exchange gains	36	25
Total finance income	**3,917**	**18,728**

Interest income from banks and other financial institutions mainly relates to income of Euro 1,963 thousand earned on the current account with Prysmian Treasury S.r.l., the Group's treasury centre.

Other finance income in 2008 mainly refers to:

- the recharge to Group companies of part of the bank fees incurred by Prysmian S.p.A. in relation to the New Credit Agreement (Euro 582 thousand).
  This recharge reflects the drawdown of the available credit lines (Revolving Credit Facility and Bonding Facility);
- the recharge to Group companies of part of the costs incurred by Prysmian S.p.A. for undrawn credit lines (Euro 730 thousand).

The decrease relative to 2007 is due to the fact that the prior year figure included recharges of Euro 7,840 thousand to Group companies of part of the loan arrangement costs incurred by Prysmian S.p.A. for entering the New Credit Agreement and of Euro 7,206 thousand of part of the costs incurred for the implementation of securitization processes and procedures.

18. DIVIDENDS FROM SUBSIDIARIES

In 2008 Prysmian S.p.A. collected a total of Euro 118,173 thousand in dividends from its subsidiary Prysmian Cavi e Sistemi Energia S.r.l.

19. TAXES

In 2008 taxes report a positive amount of Euro 37,704 thousand in 2008 compared with Euro 4,037 thousand in 2007 and reflect Euro 37,839 thousand of tax benefits after IRES (Italian corporate income tax) transferred from Italian companies under the group tax consolidation was absorbed by the Group's tax losses, and Euro 135 thousand in IRAP (Italian regional business tax) for the year.

Taxes charged on income before taxes differ from those calculated using the theoretical tax rate applicable to the Company for the following reasons:

(in thousands of Euro)

	2008	Tax rate	2007	Tax rate
Income before taxes	92,260		56,581	
Theoretical tax expense using Parent Company's nominal tax rate	25,371	27.5%	18,672	33.0%
Dividends from subsidiaries	(30,873)	(33.5%)	(36,678)	(64.8%)
IRAP (Italian regional business tax)	135	0.1%	-	0.0%
Income from group tax filing	(37,839)	(41.0%)	(4,037)	(7.1%)
Unrecognised deferred tax assets	4,256	4.6%	15,296	27.0%
Other	1,245	1.3%	2,709	4.8%
Effective taxes	**(37,704)**	**(40.9%)**	**(4,037)**	**(7.1%)**

The Company has not recognised deferred tax assets for carryforward tax losses of Euro 8,276 thousand and Euro 43,406 thousand at 31 December 2008 and 31 December 2007 respectively, or for temporary

differences deductible in future years of Euro 7,201 thousand and Euro 2,947 thousand at 31 December 2008 and 31 December 2007 respectively.

Since 2006 the Company, along with all its Italian resident subsidiaries, has opted to file for tax consolidation, pursuant to art. 117 et seq of the Italian Income Tax Code, with the Company acting as the head of this group. The intercompany transactions arising under such a group tax filing are governed by specific rules and an agreement between the participating companies, which involve common procedures for applying regulatory and statutory tax provisions.

These rules were updated in 2008 to reflect the amendments and additions introduced by Law 244 of 24 December 2007 (Finance Act 2008) and Legislative Decree 112 of 25 June 2008.
The following is the list of companies which, apart from the Company itself, have opted to file for tax consolidation for the three years 2006 - 2007 - 2008 and the changes taking place in 2008:

- Fibre Ottiche Sud (FOS) S.r.l.
- Prysmian Cavi e Sistemi Energia S.r.l.
- Prysmian Cavi e Sistemi Energia Italia S.r.l.
- Prysmian Cavi e Sistemi Telecom S.r.l.
- Prysmian Cavi e Sistemi Telecom Italia S.r.l.
- Prysmian Energia Holding S.r.l.
- Prysmian Treasury S.r.l.
- Prysmian Telecom S.r.l.
- Prysmian (US) Energia Italia S.r.l. - in liquidation
- Prysmian (US) Telecom Italia S.r.l. - in liquidation

On 16 June 2008 Prysmian S.p.A., as head of the tax group, presented the Italian tax authorities with an electronically transmitted communication relating to the option under art. 5, par. 1 of the Ministerial Decree dated 9 June 2004, that Prysmian PowerLink S.r.l. had elected to file for tax on a group basis for the three years 2008 - 2009 - 2010.

The rate used for calculating the tax charge is 27.5% for IRES (Italian corporate income tax), while it is 4.82% for IRAP (Italian regional business tax) as a result of the registration with the Italian Exchange Office (UIC) in May 2007, as permitted by art. 113 of the Italian Banking Code.

20. CONTINGENT LIABILITIES

The Company's management is of the opinion that there are no significant liabilities at 31 December 2008 not already provided in the balance sheet.

21. COMMITMENTS

The Company has the following types of commitments at 31 December 2008:

(a) Commitments to purchase property, plant and equipment and intangible assets
Contractual commitments, already given to third parties at 31 December 2008 and not yet reflected in the financial statements, amount to Euro 273 thousand.

(b) Operating lease commitments
Future commitments relating to outstanding operating leases at 31 December 2008 are as follows:

(in thousands of Euro)	31 December 2008	31 December 2007
Due within 1 year	2,178	1,436
Due between 1 and 5 years	8,644	5,548
Due after more than 5 years	691	339
Total	**11,513**	**7,323**

(c) Comfort letters in support of bank guarantees given in the interest of Group companies for Euro 5,090 thousand, detailed as follows:

(in thousands of Euro)	
Comergy Ltd.	1,699
Prysmian Baosheng Cable Co. Ltd.	1,469
P.T. Prysmian Cables Indonesia	1,128
Prysmian Power Cables & Systems Australia Pty Ltd.	405
Prysmian Cable System Pte Ltd.	389

(d) Other guarantees given in the interest of Group companies for Euro 42,921 thousand, detailed as follows:

(in thousands of Euro)	
Prysmian Cavi e Sistemi Energia S.r.l.	22,466
Prysmian Cables and Systems B.V.	12,500
Prysmian Cavi e Sistemi Telecom S.r.l.	5,507
Prysmian Kabel und Systeme GmbH	2,400
Prysmian Telecom S.r.l.	21
Prysmian (US) Energia Italia S.r.l. in liquidazione	11
Prysmian (US) Telecom Italia S.r.l. in liquidazione	8
Prysmian Energia Holding S.r.l.	8

(e) Other guarantees given in the interest other companies for Euro 468 thousand.

22. RELATED PARTY TRANSACTIONS

As of 31 December 2008, Prysmian (Lux) II S.à r.l., the ultimate parent company, directly owns approximately 30.2% of the 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 1.5% of share capital in Prysmian S.p.A.

Transactions between Prysmian S.p.A. and its subsidiaries and ultimate parent company mainly refer to:

- services (technical, organisational and general) provided by head office to subsidiaries;
- financial relations maintained by the Parent Company on behalf of, and with, Group companies.

All the above transactions fall within the ordinary course of business of the Parent Company and its subsidiaries.

The following tables provide a summary of the related party transactions in the year ended 31 December 2008:

(in thousands of Euro)			31 December 2008
	Trade and other receivables	Trade and other payables	Financial payables
Subsidiaries	91,905	5,344	6,120
Other related parties:			
The Goldman Sachs Group Inc.	-	500	-
Total	**91,905**	**5,844**	**6,120**

(in thousands of Euro)			31 December 2007
	Trade and other receivables	Financial payables	Trade and other payables
Subsidiaries	52,535	56,491	37,460
Other related parties:			
The Goldman Sachs Group Inc.	-	-	1,000
Total	**52,535**	**56,491**	**38,460**

(in thousands of Euro)					2008
	Sales of goods and services	Cost of goods and services	Finance income/(costs)	Dividends	Taxes
Subsidiaries	74,516	9,430	3,852	118,173	37,839
Other related parties:					
The Goldman Sachs Group Inc.	-	1,083	-	-	-
Total	**74,516**	**10,513**	**3,852**	**118,173**	**37,839**

(in thousands of Euro)					2007
	Sales of goods and services	Cost of goods and services	Finance income/(costs)	Dividends	Taxes
Subsidiaries	42,659	14,376	15,750	116,994	4,831
Other related parties:					
The Goldman Sachs Group Inc.	-	2,458	-	-	-
Total	**42,659**	**16,834**	**15,750**	**116,994**	**4,831**

Transactions with subsidiaries

These refer to services supplied and received from Group companies and to current account transactions with the Group's cash management company.

Transactions with The Goldman Sachs Group Inc.

These relate to fees paid to The Goldman Sachs Group Inc. for advisory services provided to the Company.

Key management compensation

Key management compensation during the year was as follows:

(in thousands of Euro)	2008	2007
Salaries and other short-term benefits - fixed component	1,855	2,017
Salaries and other short-term benefits - variable component	4,932	1,927
Other benefits	382	625
Share-based payments	309	3,114
Total	**7,478**	**7,683**

The 2008 figure for salaries and other short-term benefits - variable component includes provisions for long-term incentives for certain managers, also in respect of previous years.

23. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by the CONSOB Communication issued on 28 July 2006, it is reported that in 2008 Prysmian S.p.A. did not undertake any significant non-recurring transactions, as defined by this communication, apart from those discussed in Notes 15 and 16.

24. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Directors' compensation amounts to Euro 8,720 thousand in 2008, and Euro 8,406 thousand in 2007. Statutory auditors' compensation amounts to Euro 287 thousand in 2008 and Euro 251 thousand in 2007. 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, that have constituted a cost for Prysmian Group.

The following table lists the compensation paid to each individual recipient:

Board of Directors

Name	Office held	Period for which office held	Office end date (*)	Emoluments of office	Benefits in kind	Bonuses and other incentives	Other compensation Fixed	Other compensation Variable	Total
1. Paolo Zannoni (P)	Chairman	01.01.2008-31.12.2008	31.12.2009	-	-	-	-	-	
2. Battista Valerio (AD)	Chief Executive Officer	01.01.2008-31.12.2008	31.12.2009	-	5,114	150,000	825,000	3,178,520	4,158.634
3. Wesley Clark	Director	01.01.2008-31.12.2008	31.12.2009	75,000	-	-	-	-	75,000
4. Giulio Del Ninno	Director	01.01.2008-31.12.2008	31.12.2009	75,000	-	-	-	-	75,000
5. Pier Francesco Facchini	Director	01.01.2008-31.12.2008	31.12.2009	-	3,386	204,000	400,000	552,250	1,159,636
6. Hugues Lepic	Director	01.01.2008-31.12.2008	31.12.2009	-	-	-	-	-	-
7. Francesco Paolo Mattioli	Director	01.01.2008-31.12.2008	31.12.2009	75,000	-	-	-	-	75,000
8. Michael Ogrinz	Director	01.01.2008-31.12.2008	31.12.2009	-	-	-	-	-	-
9. Fabio Ignazio Romeo	Director	01.01.2008-31.12.2008	31.12.2009	-	3,172	200,000	510,254	108,829	822,255
10. Udo Günter Werner Stark	Director	01.01.2008-31.12.2008	31.12.2009	75,000	-	-	-	-	75,000

Board of Statutory Auditors

Name	Office held	Period for which office held	Office end date (*)	Emoluments of office	Benefits in kind	Bonuses and other incentives	Other compensation Fixed	Other compensation Variable	Total
In office									
1. Marcello Garzia	Chairman	01.01.2008-31.12.2008	31.12.2009	20,660	-	-	105,790	-	126,450
2. Luigi Guerra	Standing Auditor	01.01.2008-31.12.2008	31.12.2009	12,920	-	-	44,950	-	57,870
3. Giovanni Rizzi	Standing Auditor	28.08.2008-31.12.2008	next shareholders' meeting	4,448	-	-	28,500	-	32,948
No longer in office									
4. Paolo Francesco Lazzati	Standing Auditor	01.01.2008-27.08.2008	-	8,472	-	-	60,987	-	69,459
Key management personnel (**)		-	-	-	6,099	675,000	652,755	95,859	1.429,713

The following persons have been granted stock options:

Name	Office held	Options held at start at start of year			Options granted in year			Options exercised in year			Options expiring in year	Options held at end of year		
		Number of options	Average strike price	Average life	N. of options	Average strike price	Average life	N. of options	Average strike price	Average market price upon exercise	N. of options	N. of options	Average strike price	Average life
Pier Francesco Facchini	Director	392,203	4.65	2.5	-	-	-	-	-	-	-	392,203	4.65	2.3

(*) Mandate expires at the Shareholders' Meeting called to approve the financial statements closing at the date shown.
(**) Refers to two senior managers.

25. ATYPICAL OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by CONSOB Communication DEM/6064293 issued on 28 July 2006, no atypical and/or unusual transactions were carried out during the year.

26. FINANCIAL COVENANTS

The New Credit Agreement, whose details are presented in Note 7, requires the Group to comply with a series of covenants on a consolidated level. The main 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 size and nature. 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 articles of association.

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 loan given under the New Credit Agreement, together with interest payable and any other amount due under the terms and conditions of this Agreement. A lien has been placed over the shares in the main subsidiaries as a guarantee against breach of the above financial covenants.

The ratio between consolidated EBITDA and consolidated net finance costs was 9.59 at 31 December 2008. The ratio between consolidated net financial position and consolidated EBITDA was 1.03 at this same date. The above financial ratios both comply with the covenants contained in the New Credit Agreement.

27. 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 2008 and in 2007 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and by PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Fees relating to 2008	Fees relating to 2007
Audit services	PricewaterhouseCoopers S.p.A.	368	1,687
Certification services	PricewaterhouseCoopers S.p.A.	47	-
Other services	*PricewaterhouseCoopers S.p.A.* [1]	315	1,491
	Rete PricewaterhouseCoopers [2]	-	15
Total		**730**	**3,193**

28. SUBSEQUENT EVENTS

At the end of January, the European Commission and the Antitrust Authorities of Japan and the United States started an investigation into certain companies controlled by Prysmian S.p.A. in order to verify the existence of alleged anti-competitive agreements in the High Voltage underground and Submarine cables sector.

The investigation is at an initial stage of gathering and selecting the relevant documentation and the Prysmian Group is collaborating with these Authorities.
In the event of proven breach of the relevant legislation, the financial penalties applicable under European law (EC Regulation 1/2003) could reach a maximum of 10% of turnover.

29. FILING OF FINANCIAL STATEMENTS

Prysmian S.p.A.'s financial statements at 31 December 2008 will be filed within the legally required term at its registered office in Viale Sarca 222, Milan and at Borsa Italiana S.p.A. and published on the website at www.prysmian.com.

The financial statements of the two sub-holding companies Prysmian Cavi e Sistemi Energia S.r.l. and Prysmian Telecom S.r.l. will be filed at the registered office in Viale Sarca 222, Milan.

Milan, 4 March 2009

On Behalf of the Board Directors
The Chairman
(Dott. Paolo Zannoni)

[1] Due diligence, audit support and other services (in 2007 also IPO related services).
[2] IPO related tax services.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2008

(in thousands of Euro)

	Registered office	Book value	% owned	Share capital	Total equity	Prysmian share of equity	Net income (loss) for the year
Italian subsidiaries							
Prysmian Cavi e Sistemi Energia S.r.l.	Milan, Viale Sarca 222	158,850	100	100,000	338,770	338,770	42,396
Prysmian Telecom S.r.l.	Milan, Viale Sarca 222	101,357	100	10	1,180	1,180	(4,940)
Total Italian subsidiaries		**260,207**					
Foreign subsidiaries							
GSCP Athena (UK) Holdings LTD	London, Peterborough Court, 133 Fleet Street	-	100	-	-	-	-
Prysmian Pension Scheme Trustee Limited	Hampshire, Chickenhall Lane, Eastleigh	-	100	-	-	-	-
Prysmian Kabel und Systeme GmbH	Berlin, Germany	2,153	6.250	15,000	46,772	2,923	14,062
Prysmian Kablo SRO	Bratislava, Slovakia	1	0.005	21,246	7,413	-	2,832
Prysmian (Brazil) Holdings LTDA	San Paolo, Brazil	-	0.021	-	-	-	-
Total foreign subsidiaries		**2,154**					
Grand total		**262,361**					

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF ITALIAN DECREE 58/98

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 2008 the accounting and administrative processes for preparing the financial statements:

   • have been adequate in relation to the enterprise's characteristics and,

   • have been effectively applied.

2. The adequacy of the accounting and administrative processes for preparing the financial statements at 31 December 2008 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 internationally generally accepted standard model.

3. They also certify that:

   3.1 the financial statements at 31 December 2008:

   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) have been prepared in accordance with the measures implementing art. 9 of Italian Decree 38/2005, and are able to provide a true and fair view of the issuer's balance sheet, results of operations and financial position;

   3.2 the directors' report contains a reliable analysis of performance and the results of operations, and of the situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

4 March 2009

Chief Executive Officer
Valerio Battista

Manager responsible for preparing corporate accounting documents
Pier Francesco Facchini

REPORT BY THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS AT 31.12.2008 PURSUANT TO ART. 153 OF LEGISLATIVE DECREE 58/98 AND ART. 2429.3 OF THE ITALIAN CIVIL CODE

To the Shareholders of Prysmian S.p.A.

During the year ended 31 December 2008 we conducted the supervisory activities required of us by law and the Company's By-laws on the basis of:

- the requirements of the Italian Civil Code and Legislative Decree 58/98 ("T.U.F." - Testo Unico sulla Finanza or Unified Financial Act);
- the standards of conduct for the Board of Statutory Auditors recommended by the Italian Accountancy Profession;
- the guidance contained in the CONSOB communication dated 6 April 2001, concerning company supervision and the activity of the Board of Statutory Auditors, and the guidance contained in the recent joint communication dated 6 February 2009 by the Bank of Italy, CONSOB (Italy's stockmarket regulator) and ISVAP (Italy's insurance industry regulator), concerning additional information to be disclosed in financial reports.

Firstly, we confirm that:

- the independent auditors PricewaterhouseCoopers S.p.A., engaged:
  - to audit the Company's separate financial statements;
  - to audit the Group's consolidated financial statements;
  - to perform a limited review of the Company's half-year financial report;
  - to perform the controls required by art. 155.1.a) of T.U.F;

filed its reports on 20 March 2009 on the separate financial statements of Prysmian S.p.A. and on the consolidated financial statements of the Prysmian Group at 31 December 2008, neither of which contains any qualifications or other explanatory information;

- the Monitoring Board - formed under Legislative Decree 231/2001 - has sent the Board of Directors reports on its activities in the first and second half of 2008; no anomalies or reprehensible facts emerge from these reports.

In addition, we inform you that for the purposes of conducting our duties we:

- obtained the relevant information during the year, including by exchanging information with:
  - the Directors, by attending the nine meetings of the Board of Directors;
  - the Internal Control Committee, by attending its seven meetings;
  - representatives of the independent auditors in the periodic meetings required by art.150.3 of T.U.F.;
  - members of the Monitoring Board set up under Legislative Decree 231/2001;
  - company departmental managers specifically invited to our six periodic meetings;
- performed our monitoring duties with the full collaboration of the Manager responsible for preparing corporate accounting documents - appointed under art. 154-bis of T.U.F.-, of company boards and committees and the persons in charge of accounting, corporate affairs, internal audit and management accounts, who described their activities and provided suitable documentary support.

Within the limits of our responsibility, we therefore report as follows:

- no atypical and/or unusual transactions took place with other group companies, related parties or third parties;
- ordinary transactions with other group companies or related parties are duly described in the Directors' report and mainly relate to the remuneration of Directors and key management personnel, commercial transactions involving raw materials and finished goods and the provision of technical, administrative and financial services. The centralisation of these services is designed to save costs and ensure coordinated management; they are charged under contracts on the basis of objective, constant parameters, based on the principles of transparency and fairness and which reflect the extent to which such services are used; we report that a partial spin-off was completed during the year involving the patents portfolio owned by Prysmian Cavi e Sistemi Energia S.r.l. which was transferred to Prysmian S.p.A.;
- the Directors have provided detailed information - at least once every three months - and in their report on operations, on intercompany and related party transactions, in compliance with the procedures for fulfilling the obligations under art. 150 of Legislative Decree 58/1998;
- on 27 August 2008 the Board of Directors approved a new version of the Organisational Model, in compliance with Legislative Decree 231/2001, which takes account of the extension of corporate administrative liability to new types of offence, and of changes in the Company's organisational structure; on 7 November 2008 the Board of Directors changed the composition of the Monitoring Board, taking account of the partial amendment in law directly relating to this Board and reflected in the new Organisational Model;
- we have not received any denunciations under art. 2408 of the Italian Civil Code and have not been informed of any complaints or reports, including by third parties, or of any significant matters by the independent auditors;
- the Company is competently administered is compliance with the law and its By-laws. The information on the Company's assets, liabilities, financial position and performance provided in the course of the year is presented reasonably, clearly and completely;
- the Directors have always acted within the powers and authority vested in them. We can provide reasonable assurance that the actions approved and executed are not manifestly imprudent, risky or in conflict of interest, nor such as to compromise the integrity of the Company's net assets;
- the Company's organisational structure, system of internal control and accounting and administrative system are appropriate for the Company's size and capable of correctly representing the results of operations on a timely, accurate basis. The accounting system is able to provide reliable information for the purposes of managing, controlling and preparing the Company's separate and consolidated annual financial statements and its interim financial reports;
- the Boards of Directors of the Company's subsidiaries contain Directors and/or managers of the parent company with executive authority who ensure coordinated management and an adequate flow of information, also supported by appropriate accounting data;
- the Company is capable of promptly and fully satisfying its public disclosure obligations under art. 114.2 of T.U.F.;
- we have not issued any opinions under art. 2389.3 of the Italian Civil Code;
- the fees earned in 2008 by the independent auditors PricewaterhouseCoopers S.p.A. amount to Euro 730 thousand, of which Euro 368 thousand for audit services, Euro 47 thousand for certification services and Euro 315 thousand for due diligence, audit support and other services.

We also report that the Company has:

- adopted the Self-regulatory Code of Borsa Italiana S.pA., prepared by the Committee for Corporate Governance of Listed Companies; the structure of governance is described in a specific report, which contains the information required by the above Code.

The Internal Control Committee has held meetings and fulfilled the duties required by the Self-regulatory Code.

At meetings of the Board of Directors, the Chairman has ensured that the Directors and Statutory Auditors were sufficiently well informed. The Board of Directors comprises 10 Directors of whom 4 qualify as "independent". The Board of Statutory Auditors has checked that the Board of Directors has applied the proper principles and procedures when evaluating the independence of its members;

- bought back 3,028,500 ordinary shares in the year for Euro 30.2 million, under the buy-back plan authorised by the shareholders on 15 April 2008;
- disclosed in the Directors' report and in the notes to the financial statements that at the end of January 2009 the European Commission and the Antitrust Authorities of Spain, Japan and the United States started an investigation into the Prysmian Group in order to verify the existence of alleged anti-competitive agreements in the high voltage underground and submarine cables sector.

Lastly, you are reminded that Paolo Francesco Lazzati resigned as a Standing Statutory Auditor during 2008 and was replaced by the Alternate Statutory Auditor Giovanni Rizzi until the next Shareholders' Meeting; in addition, the Alternate Statutory Auditor Alessandro Ceriani resigned from office at the start of March.

Given the contents of our report and within the limits of our responsibility, we can find no reasons against approving the financial statements for the year ended 31 December 2008 and the proposal by the Board of Directors for allocating net income.

Milan, 20 March 2009

The Board of Statutory Auditors
(Marcello Garzia - Chairman)
(Luigi Guerra)
(Giovanni Rizzi)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Prysmian SpA

1 We have audited the financial statements of Prysmian SpA as of 31 December 2008, which comprise the balance sheet, income statement, statement of recognised income and expense, cash flow statement and the related 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 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 financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 26 March 2008.

3 In our opinion, the financial statements of Prysmian SpA as of 31 December 2008 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, income and expense recognised in equity and the cash flows of Prysmian SpA for the year then ended.

4 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the

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** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526811 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 010029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **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 Manzoni 16 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

PRICEWATERHOUSECOOPERS

Directors' report with the financial statements, as required by article 156, paragraph 4-bis, letter d), of Legislative Decree No.58/98. 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 is consistent with the financial statements of Prysmian SpA as of 31 December 2008.

Milan, 20 March 2009

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.)

dega design group

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