2012 ANNUAL REPORT

LINKING THE FUTURE

Prysmian Group

PRYSMIAN

Draka

2012 ANNUAL REPORT

PRYSMIAN GROUP

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PARENT COMPANY

DISCLAIMER

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

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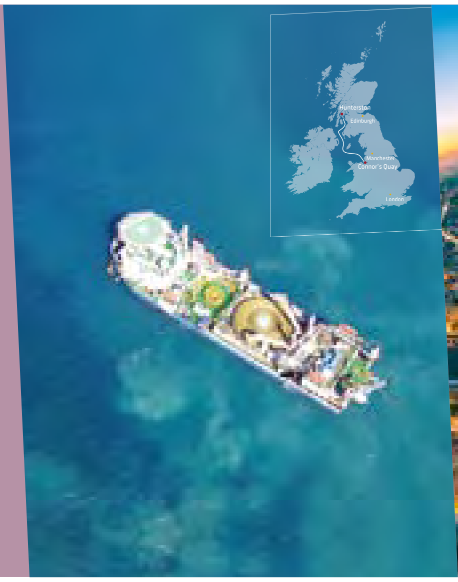

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LETTER TO STAKEHOLDERS

The Group fully achieved its EBITDA target, despite the still negative environment, with the Draka integration making an important contribution.

Increased profitability and positive cash flow. These are the main drivers of our Group's 2012 financial results. In a market troubled by continuing crises in some of the world's major economies, Prysmian has achieved a positive performance in operating earnings, particularly in its high-tech value-added businesses. This result, combined with synergies from the integration with Draka, achieved faster than expected, has allowed us to fully reach the targets announced to the market.

Market scenario

The world cable market experienced a slowing in growth in 2012, reflecting the uncertainty of the macroeconomic environment and the reduction in investments primarily in Europe. As a whole, the entire industry saw major differences both between geographical regions and the various market segments. In geographical terms, a slight increase in demand was recorded in areas such as the Middle East, Asia and, to a lesser extent, South America. North America reported a moderate recovery in demand, while persistent recession in Europe affected investment, generating a consequent reduction in cable demand.
Such sharp contrasts were also evident in the Group's various market segments. Growth was reported by submarine cables and systems, thanks to development of offshore wind energy generation, by high voltage underground cables, by cables for the Oil & Gas industry driven by the recovery in oil prices, and by optical telecom cables, particularly in China. Conversely, there was stable or declining demand for power distribution cables and building wires, especially in Central and Southern Europe.

Business performance

Group Sales amounted to Euro 7,848 million compared with the 2011 pro-forma figure of Euro 7,973 million. Assuming the same group perimeter and excluding metal price and exchange rate effects, the organic change was -1.8%. The Group's increased geographic diversification and exposure to high-tech businesses, more resilient to economic cycles, allowed it to limit the effects of the continued difficulties, particularly in Europe, of the power distribution and building wires markets.
Sales trend by geography showed a recovery in North America and a good performance in Northern Europe. On the whole, the South American market held up well, while Asia Pacific reported mixed trends in different regions.

The Group achieved a double-digit growth for large submarine projects, confirming its technological and market leadership in the growing sector of offshore wind farm power lines and interconnectors. The Group is a key player in major renewable energy development programmes throughout Northern Europe, and is also involved in the construction of some of the most important interconnectors such as the Westernlink in the UK and the Montenegro-Italy link, both projects acquired in 2012. The prospects for 2013 are positive in Europe thanks to new offshore wind farm projects, planned mainly in Germany and the UK. Some industrial cable applications, such as offshore Oil & Gas and elevator cables, also performed well. Optical Telecom cables were affected by a slowdown in the fourth quarter, mainly due to the suspension of incentives in North and South America.

Improvement in profitability

The Group has continued its strategy of focusing on profitability, resulting in significant improvements in performance, especially by Submarine cables and systems, Industrial cables and the entire Telecom business. Group Adjusted EBITDA increased to Euro 647 million, up 10.4% from the 2011 pro-forma figure of Euro 586 million, and improved its margin to 8.2% on sales, from 7.3% in 2011. Despite the still negative environment, particularly in the second half of the year, the Group therefore achieved the Adjusted EBITDA target initially announced to the market in the range Euro 600 - Euro 650 million. The contribution of the Draka integration was important, allowing a reduction in overhead costs and the achievement of higher-than-expected cumulative synergies of Euro 65 million in the two-year period 2011-2012 (versus a target of Euro 45 million). Of particular note is the improvement in the net financial position, which amounted to Euro 918 million at the end of December 2012 compared with Euro 1,064 million at 31 December 2011. This result was achieved thanks to the positive impact of free cash flow, which, excluding the effect of acquisitions, rose to Euro 284 million (Euro 209 million in 2011).

Integration with Draka and strategy development

The process of integration with Draka has been carried out quickly, allowing the achievement of higher-than-expected synergies (Euro 65 million cumulative at the end of 2012 compared with a target of Euro 45 million). These synergies have been realised in fixed costs and overheads (approximately Euro 30 million), in procurement (approximately Euro 30

million), and thanks to the first benefits of optimising the industrial footprint. Target synergies for 2013 are confirmed at a cumulative Euro 100 million, mainly due to the run-rate benefits of the first stage of manufacturing footprint rationalisation and of organisational rightsizing.
The new matrix structure (by business and geographical areas) has proved its worth. The clear mix of managerial responsibilities and skills, coupled with the successful integration of the commercial product offerings, have improved the competitiveness of the Group's range of products and services and strengthened its position and growth in strategic markets, in particular power transmission, Oil & Gas, optical cables and connectivity for telecommunications.
With the aim of further developing the potential of its "human capital", in 2012 the Group embarked on some important projects in the area of organisation and human resources. These included the "Build the Future" project to recruit young high-potential talents, the corporate Academy for high-level technical and managerial training, and the new system of performance management.

Investments for organic and acquisition-led growth
In line with its growth strategy, the Group has invested in both organic and acquisition-led growth. On 1 April 2012, the Group acquired non-controlling interests in the Brazilian companies of Telcon and Draka Optical Fibre, thus gaining 100% control over these companies; in November, it completed the acquisition of Global Marine Energy in the UK, with the intent of expanding its installation capabilities and services for submarine cables and systems.

Approximately Euro 88 million has been spent on investments in new production capacity for strategic businesses. In particular, in the submarine cables business, the Group has expanded production capacity at its centre of excellence in Arco Felice (Naples), Italy, and it has started production in Finland to serve the growing market of links for offshore wind farms in Northern Europe. In the high voltage underground cables business, the Group has invested to expand production capacity in China, Russia and France. Investments have also been made in the Oil & Gas cables sector, in the optical telecom cables business and in the development of innovative cables and services for smart grids.

Strengthening the Public Company model
Ability to anticipate and satisfy changing market and customer needs. Balanced and sustainable growth, in the short and medium term. "Healthy" management and financial discipline. Transparency and relationship of trust with markets and investors. In short, these are the principles that have guided the action of Prysmian's management once again in 2012. The ultimate objective of such conduct has been, as always, to satisfy the interests of all the Group's various stakeholders, from shareholders, to customers and employees.
One last thing I would like to mention is a strategically important initiative that really represents the spirit of our Group: to further strengthen our public company model, we are proposing to the Shareholders' Meeting the introduction of an employee stock ownership plan for all our employees in order to increase their commitment to the Group and share in its future success.

Valerio Battista
Chief Executive Officer

PRYSMIAN GROUP

Prysmian Group is the world leader in the energy and telecom cables and systems industry. With over 130 years of experience, sales of some Euro 8 billion in 2012, approximately 20,000 employees in 50 countries and 91 production sites, the Group is strongly positioned at the high-tech end of the market and offers the most extensive range of products, services, technology and know-how currently available thanks to its 17 Research & Development centres in Europe, USA and South America, and more than 500 qualified R&D professionals.

Prysmian Group was created in 2011 through the union of Prysmian and Draka, both market leaders for innovation and technological know-how in the cable industry. By combining the strengths of both and achieving greater investment potential and geographical coverage, the Group has become industry leader with the most extensive range of products, services and technological know-how available on the market. Listed on the Milan Stock Exchange in the FTSE MIB index, the Group is also characterised by being a public company, a company with a broad shareholder base, that is managed on a transparent basis with a focus on maintaining the continued confidence of its investors.

Prysmian Group is active in the development, design, production, supply and installation of a wide range of cables for many different applications in the Energy and Telecom industries.

In the Energy industry, the Group operates in the business of underground and submarine power transmission and distribution cables and systems, special cables for applications in many different industrial sectors and medium and low voltage cables for the construction and infrastructure industries.

In the Telecom industry, the Group manufactures cables and accessories for the voice, video and data transmission market, offering a comprehensive range of optical fibres, optical and copper cables and connectivity systems.

The **Energy business** is divided into the following business areas:

- **Utilities** - Prysmian engineers, produces and installs high and extra high voltage cables for underground and submarine power transmission directly from power stations or offshore wind farms to the primary distribution grids. The solutions offered include the most advanced "turnkey" submarine cable systems for installation at depths of up to 2,000 metres, possible thanks to the "Giulio Verne", one of the largest and most technologically advanced cable-laying vessels in the world. Through Global Marine Energy and the "Cable Enterprise" cable-laying vessel, the Group also offers high value-added services for the construction of submarine power lines particularly serving offshore wind farms, for which Prysmian Group has the technology to supply wind turbine, inter-array and export cables, along with a full range of services, from project management to cable installation, jointing and protection. In the field of power distribution, the Group produces medium voltage cables and systems to connect industrial and residential buildings to primary distribution grids and low voltage ones for power distribution and the wiring of buildings. The product range is completed with network accessories and components to connect cables and other network elements.

- **Industrial** - The integrated cabling solutions proposed by the Group constitute the most comprehensive and technologically advanced response to the needs of a wide variety of industrial sectors.

    - *Renewable* – Active in the wind and solar energy markets, Prysmian Group produces connections for offshore wind farms, with the technology to supply both wind turbine and inter-array cables.

    - *Oil & Gas and SURF* – Prysmian Group offers the petrochemicals market solutions for offshore and onshore exploration and production activities, and for hydrocarbon refining. The product range includes low and medium voltage cables, power cables, and instrumentation/control cables; special DHT (Downhole Technology) cables, which include cables to control downhole instrumentation, power cables and hydraulic fluid cables; multipurpose umbilical cables to transport energy, telecommunications, fluids and chemicals, which together with high-tech flexible pipes and ducts for offshore oil drilling, allow the Group to offer the industry a comprehensive range of SURF (Subsea Umbilical, Riser and Flowline) products and services.

    - *Automotive* – The Group produces standard and specialist cables for the automotive and transport industry, collaborating with the sector's leading international manufacturers.

    - *Elevator* – Prysmian Group produces a wide range of products for the elevator market, such as flexible connectorised cables and hoistway cables, in response to global demand for high-performance, durable and safe cables and parts.

    - *Specialties and OEM* – Cable systems for various specific industrial applications such as trains, aircraft, ships, port systems, cranes, mining, nuclear industry, defence and the electromedical sector.

- **Trade & Installers** – Cables and systems for the trade and installers market for the wiring of buildings and distribution of electricity to or in commercial and residential buildings. Fire-resistant and low smoke halogen-free cables complete one of the widest and most comprehensive product ranges in the world.

- **Other** - Products, semi-finished products and raw materials forming part of the production process, occasionally sold by Prysmian Group companies.

The Telecom business makes cable systems and connectivity products used in telecommunication networks. The product portfolio includes optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables.

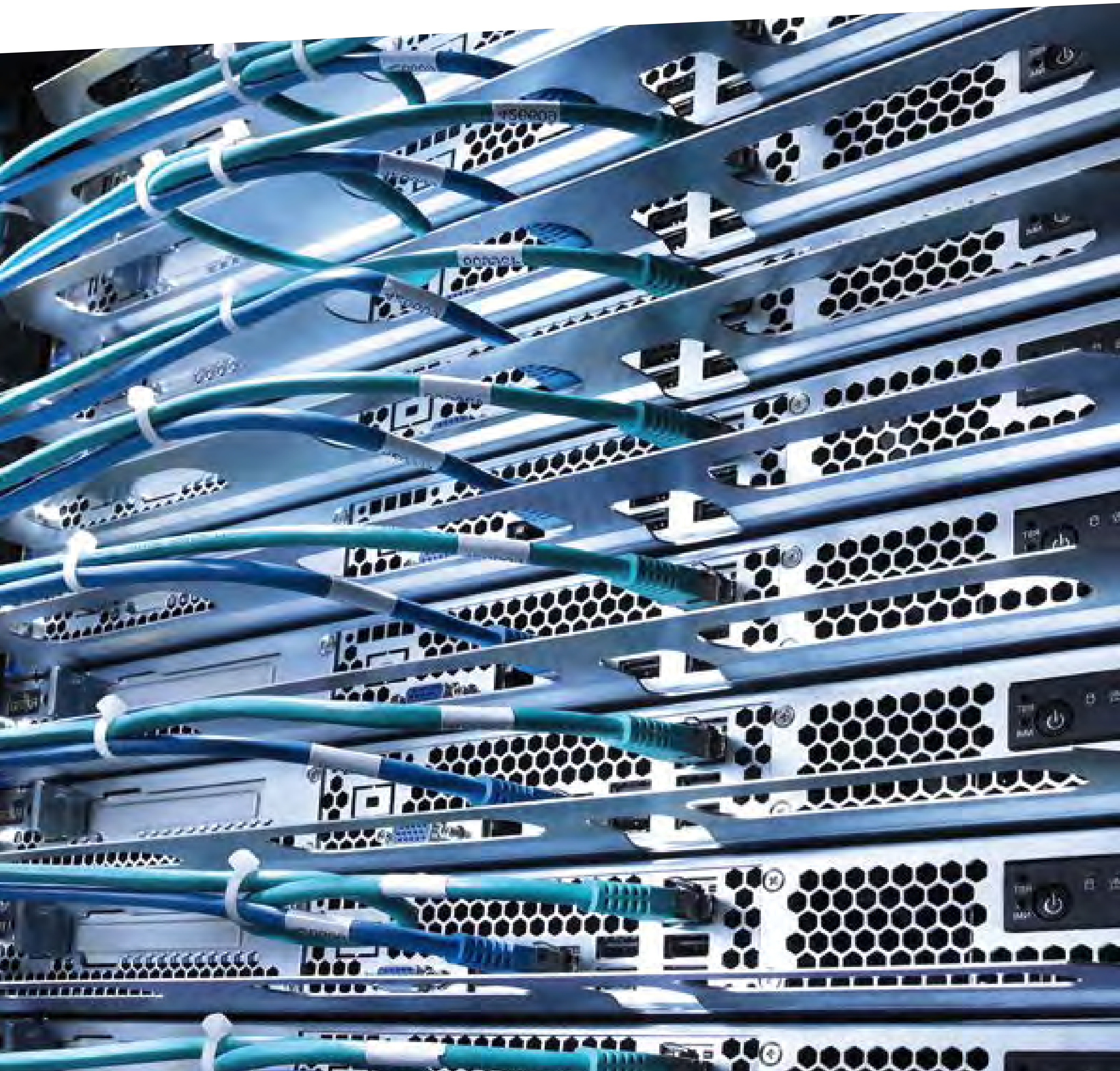
With centres of excellence in Battipaglia (Italy), Eindhoven (Netherlands) and Douvrin (France), and 5 production sites around the world, Prysmian Group is a leading manufacturer of the fundamental component of every type of optical cable: optical fibre. A wide range of optical fibres is designed and made to cater to the broadest possible spectrum of customer applications, such as single-mode, multimode and specialty fibres. The Group also has at its disposal every currently available technology for the manufacture of optical fibre, and so is able to achieve optimal solutions for the different applications.

Optical fibres are employed in the production of a wide range of standard optical cables or those specifically designed for challenging or inaccessible environments, from underground ducts to overhead electricity lines, from road and rail tunnels to gas and sewage networks.

Prysmian Group also supplies passive connectivity solutions that ensure efficient management of optical fibre within networks. Growing demand for higher bandwidth has seen the deployment of optical fibre moving closer to the end user. The Group is extremely active in this rapidly growing sector of the market, known as FTTx, where its approach is based on combining existing technologies with innovative, new solutions allowing fibres to be deployed in high-rise buildings and multi-dwelling units. Many of the cables used in FTTx systems feature Prysmian's bend-insensitive BendBrightxs optical fibre, which has been specially developed for this application.

Prysmian Group also produces a wide range of copper cables for underground and overhead cabling solutions and for both residential and commercial buildings. The product portfolio comprises cables of different capacity, including broadband xDSL cables and those designed for high transmission, low interference and electromagnetic compatibility.

The Group produces cable solutions serving communication needs in infrastructure, industry and transport for a variety of applications: cables for television and film studios, cables for rail networks such as underground cables for long-distance telecommunications, light-signalling cables and cables for track switching devices, as well as cables for mobile telecommunications antennae and for communication networks.



MARKET APPROACH

Customer centricity, along with factory reliability and supply chain integration, have been the key factors for success.

Prysmian Group has perfected a market approach over the years that puts the customer at the centre of its strategic, organisational and business choices. Continuous analysis of customer expectations and their evolution over time allows the Group to develop organisational and operating models that result in fast, efficient and targeted responses to the markets concerned.

Customer centricity therefore represents the essence of the Group's approach, which also views factory reliability and supply chain integration as key factors for success.

Customer centricity, defined as the ability to anticipate and meticulously satisfy customer needs, is a hallmark of Prysmian Group's activities and is reflected in its constant presence, from product design through to delivery, and provision of a level of service in line with customer expectations that are constantly monitored against defined, agreed parameters.

The Prysmian Group is able to develop solutions that not only meet specific standards but also satisfy precise customer needs. In particular, the Group is able to serve very different segments and markets thanks to its ad hoc matrix organisational structure that lets it have a local presence even for major global projects. This means that markets with high local specificity are served by country commercial and development teams, and that markets with global products and customers are followed by integrated business unit teams, while other segments requiring a local presence and cooperation between countries draw on the matrix structure's potential.

Customer centrality and satisfaction are strategic objectives pursued by having a fast, smooth organisation throughout the supply chain, capable of expediting decision-making and time to market by adapting itself to the needs of the various industries by continuously investing in innovation. The Group sets itself increasingly challenging targets, aiming to be a benchmark for quality of service, speed and flexibility, through constant attention to organisational development, training and improving the understanding of market needs.

The concept of **Factory Reliability** makes it possible not only to improve the reliability of planning and the execution of manufacturing output, in terms of both mix and volumes in ever faster response times, but also to have stricter control over inventory levels for every type of stock (raw materials, semi-finished and finished products); this enables the Group to deal effectively and efficiently with upswings and downswings in sales volumes and consequent variation in manufacturing output.

In addition to the Customer Centricity and Factory Reliability propositions, Prysmian Group has also started **Supply Chain Integration** projects with some of its most important global customers with the goal of improving process effectiveness and efficiency throughout the supply chain, from the producers of raw materials and semi-finished products used in manufacturing to the end cable user.

Prysmian Group works all over the world on some of the major submarine power interconnection projects for utilities and electrical grid operators. These include the SAPEI and recent MON.ITA. projects in Italy, as well as the record Westernlink project in the United Kingdom, which boasts a number of industry records for voltage (600 kV), the highest rating ever for an insulated cable (2200 MW) and length of route (more than 400 km).

The Trans Bay, Neptune and Hudson projects in the United States are illuminating large areas between San Francisco and New York City with energy from different sources, including renewables and natural gas.

The Group is also a world leader in offshore wind farm connections. Prysmian has been involved in major projects completed in recent years throughout Europe, particularly in the United Kingdom, and has also supplied cable solutions to the SylWin1 wind farm in Germany, representing an industry milestone with a rating of 864 MW and a record voltage of 320 kV DC.

In the area of underground infrastructure, Prysmian Group has contributed to the construction of electricity grids in some of the world's largest metropolises, from New York to Buenos Aires, London to St. Petersburg, and Singapore to Hong Kong. The Group supports the petrochemicals industry with a comprehensive range of SURF products and services, from umbilical cables for offshore platforms to high-tech flexible pipes for oil drilling, through to the Downhole Technology (DHT) acquired thanks to its union with Draka. A recent contract from Petrobras in Brazil was awarded on the basis of all these technologies, confirming one of the first important advantages of creating the new Group.
In the renewable energy market, Prysmian technologies support the development of some of the most important solar and wind farms in the world, such as the Ohotnikovo photovoltaic plant in Ukraine and the principal wind farms in Southern Italy.

The Group's fire-resistant cables can be found at the very heart of the most spectacular, state-of-the-art constructions, like the Wimbledon tennis stadium and the new Shard skyscraper in London, the tallest in Western Europe, or Masdar City in the Arab Emirates, the world's first carbon-neutral city. By cabling the Burj Khalifa in Dubai, the world's tallest building at 828 metres high, Prysmian has guaranteed the safety of every one of its 162 floors with elevator cables and fire-resistant cables the length of which is more than 1,300 times the tower's height. In Singapore, Prysmian Group's cable solutions have been used in the Marina Bay Sands, the most expensive and luxurious casino resort ever built and one of the most challenging construction projects in the world.
In the Elevator industry, the Group's elevator cables are present in some of the world's tallest or most prestigious buildings, like the new World Trade Center being completed in New York City.

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

By measuring the thickness of land and sea ice, satellites equipped with our cables are able to see the planet constantly and provide detailed images of specific places and evidence of climate change. The Group is proud to be involved in major space projects as a partner of the European Space Agency.
With a wide range of fibre solutions for voice, video and data, continuous investment in R&D and more than 30 dedicated factories, Prysmian Group is the world's top manufacturer of Telecom cables, which with it contributes to developing the infrastructure of many of the major industry players and which allow the Group to support information flows and communication between communities around the world.
High fibre-count ribbon cables are helping the Australian government to achieve its goal of creating a Fibre-to-the-Premises network that will connect 93% of the country's residential and commercial buildings. This project confirms Prysmian's central role in the largest infrastructure challenge ever faced in Australia's history.

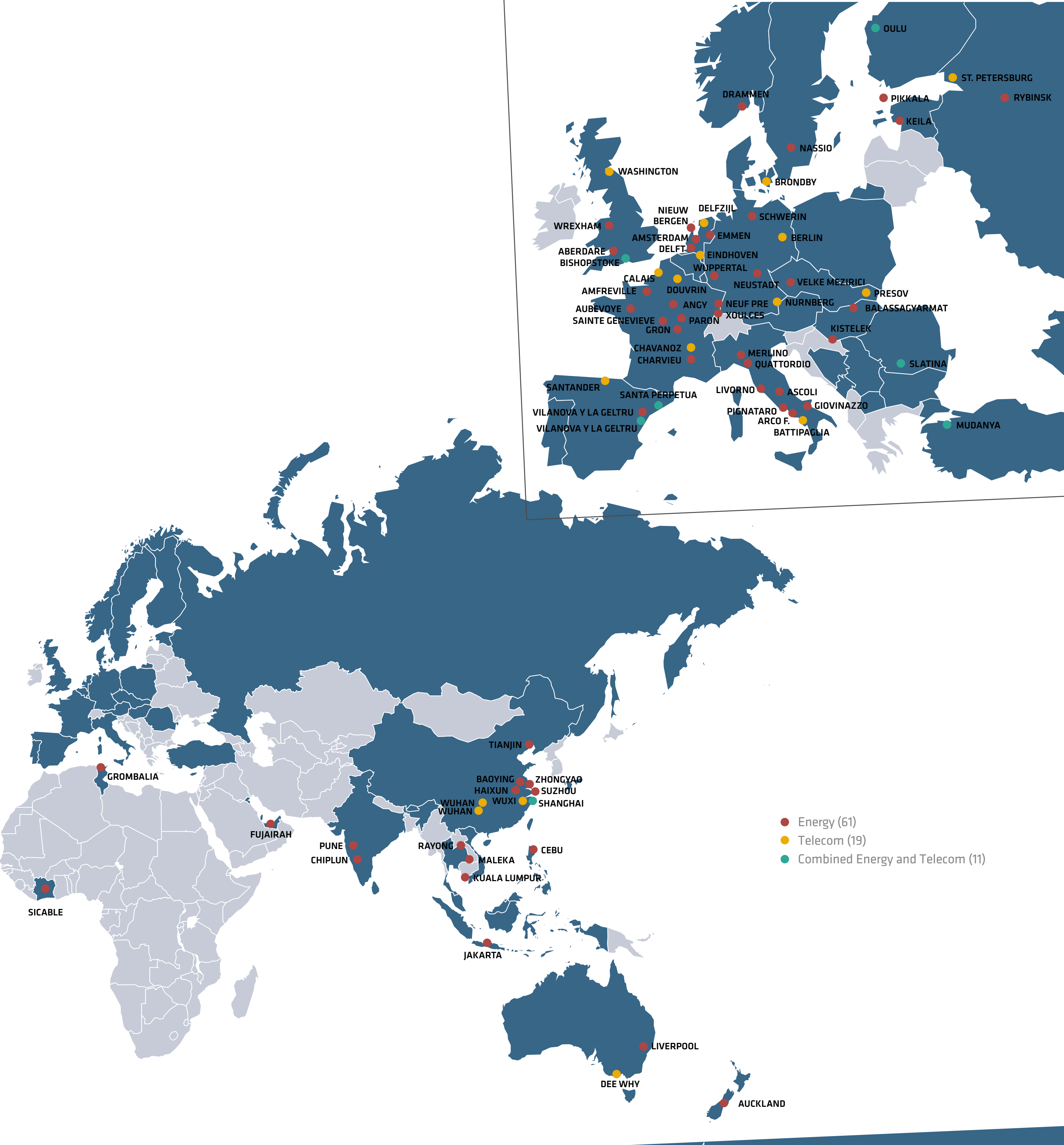
The quality of its optical fibre also allows the Group to meet the most delicate and futuristic challenges. Draka optical fibre cables were chosen for the construction of the Large Hadron Collider (LHC), the world's largest particle accelerator at CERN in Geneva. The 1,500 km of cables installed in the tunnel, conveying the vast quantities of data generated by experiments to the supercomputer, have allowed Prysmian Group to receive a Golden Hadron, an award for suppliers that not only meet the needs and requirements of CERN, but also exceed their contractual obligations.

GLOBAL PRESENCE

PLANTS

EMEA
Ivory Coast
Abidjian
Denmark
Brondby
Estonia
Keila
Finland
Pikkala
Oulu
France
Amfreville
Angy
Charvieu
Chavanoz
Gron
Neuf Pré
Paron
Xoulces
Dovrin
Calais
Aubevoye
Sainte Genevieve
Germany
Neustadt
Schwerin
Nurnberg
Wuppertal
Berlin
Italy
Arco Felice
Ascoli Piceno
Battipaglia
Giovinazzo
Livorno
Merlino
Pignataro Maggiore
Quattordio
Norway
Drammen
Netherlands
Eindhoven
Delft
Amsterdam
Emmen
Delfziljl
Nieuw Bergen
Czech Republic
Velke Mezirici
Romania
Slatina

50 COUNTRIES
91 PLANTS
17 R&D CENTRES
20,000 EMPLOYEES



Russia
Rybinsk
St. Petersburg
Slovakia
Presov
Spain
Vilanova y la Geltru (2)
Santander
Santa Perpetua
Sweden
Nassjo

Tunisia
Grombalia
Turkey
Mudanya
U.A.E.
Fujairah
UK
Aberdare
Bishopstoke
Wrexham
Washington
Hungary
Balassagyarmat
Kistelek

APAC
Australia
Dee Why
Liverpool
China
Baoying
Tianjin
Wuxi
Wuhan (2)
Haixun
Shanghai
Suzhou
Zhongyao

Philippines
Cebu
India
Pune
Chiplun
Indonesia
Cikampek
Malaysia
Kuala Lumpur
New Zeland
Auckland
Tahiland
Rayong
Melaka

NORD AMERICA
Canada
Prescott
Mexico
Durango
USA
Abbeville
Lexington
North Dighton
Bridgewater
Rocky Mount
Claremont
Schuylkill Haven

SUD AMERICA
Argentina
La Rosa
Quilmes
Brazil
Joinville
Sorocaba (2)
St. Andrè
Vila Velha

VISION, MISSION, VALUES

VISION

We believe in the efficiency, effectiveness and sustainability of energy and information delivery as the prime driver for developing communities

Energy and Information help communities develop. That's why it's so important that they're always available. That they're supplied: Effectively. Efficiently. Sustainably. Whoever the client. Wherever they are. However harsh the environment they operate in. We're committed to keeping them connected. Every day, we all have the chance to bring our vision to life in our actions. No matter how big, or small, the things we do on a daily basis build up over time and help us deliver on our mission.

MISSION

We provide our customers worldwide with superior cable solutions based on state-of-the-art technology.

We provide our customers worldwide with superior cable solutions based on state-of-the-art technology and consistent excellence in execution, ultimately delivering sustainable growth and profit. To provide superior cable solutions. A strong reputation for performance and innovation helps us deliver sustainable growth and profit. But we don't just want to be good for business. We want to be good to do business with. That's why our values are so important to us. The things we do and the way we approach them are an opportunity to show our pride in our work.

VALUES

Excellence.
Integrity.
Understanding.

Excellence: Good isn't good enough. We combine rigour and entrepreneurship to deliver innovative all-round solutions.

Integrity: When it comes to ethics, no challenge is too big, or too small, if it means doing things right.

Understanding: We have strong respect for different opinions and ideas, and a keen focus on our customers' needs.

MAIN FINANCIAL AND OPERATING DATA (*)

(in milions of Euro)

	2012	2011(**)	% Change	2010
Sales	7,848	7,583	3.5%	4,571
EBITDA[1]	546	269	102.7%	365
Adjusted EBITDA [2]	647	568	13.9%	387
Operating income	362	19	n.a	307
Adjusted operating income [3]	483	426	13.1%	309
Profit/(loss) before taxes	244	(101)	n.a	213
Net profit/(loss) for the year	171	(145)	n.a	150

(in milions of Euro)

	2012		2011(***)	Pro-forma		% Change
		Prysmian	Draka	Adjustments	Total	
Sales	7,848	5,363	2,669	(59)	7,973	-1.6%
Adjusted EBITDA [2]	647	419	167	-	586	10.4%
Adjusted operating income [3]	483	342	107	(14)	435	11.1%

(in milions of Euro)

	31 December 2012	31 December 2011	Change	31 December 2010
Net capital employed	2,421	2,436	(15)	1,403
Employee benefit obligations	344	268	76	145
Equity	1,159	1,104	55	799
of which attributable to non-controlling interests	47	62	(15)	43
Net financial position	918	1,064	(146)	459

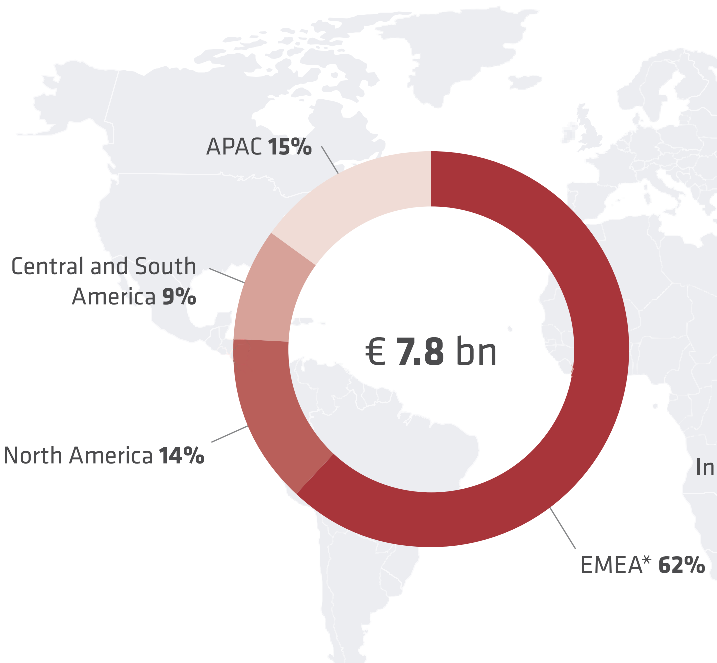
(in milions of Euro)

	2012	2011(**)	% Change	2010
Investments	152	159	-4.4%	102
Employees (at period end)	19,986	21,547	-7.7%	12,352
Earnings/(loss) per share				
- basic	0.79	(0.65)		0.82
- diluted	0.79	(0.65)		0.82

Patents (****)	5.644	5.288	2,887
Number of plants	91	97	55
Percentage of plants certified ISO 14001	82%	80%	80%
Percentage of plants certified OHSAS 18001	42%	40%	40%

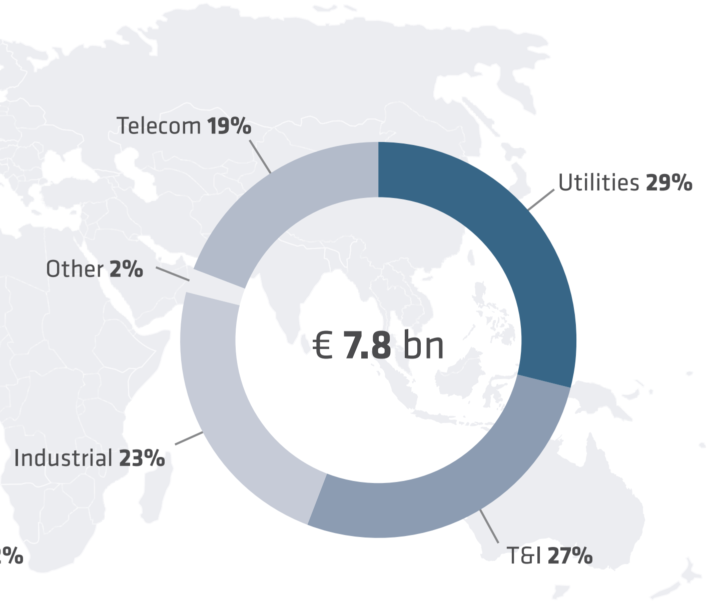
(1) EBITDA is defined as earnings/(loss) for the year, before the fair value change in metal derivatives and in other fair value items, amortisation, depreciation, and impairment, finance costs and income, the share of income/(loss) from associates, dividends from other companies and taxes.
(2) Adjusted EBITDA is defined as EBITDA before non-recurring income/(expenses).
(3) Adjusted operating income is defined as operating income before non-recurring income/(expenses) and the fair value change in metal derivatives and in other fair value items.
(*) All percentages contained in this report have been calculated with reference to amounts expressed in thousands of Euro.
(**) Includes the Draka Group's results for the period 1 March – 31 December 2011.
(***) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.
(****)The figures report the total number of patents, comprising patents granted plus patent applications pending worldwide.

SALES 2012
BY GEOGRAFICAL AREA



*Europe - Middle East - Africa

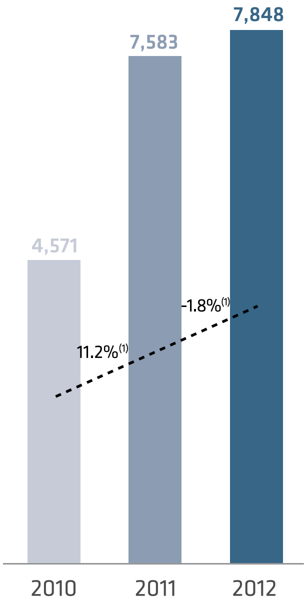
SALES 2012
BY BUSINESS AREA



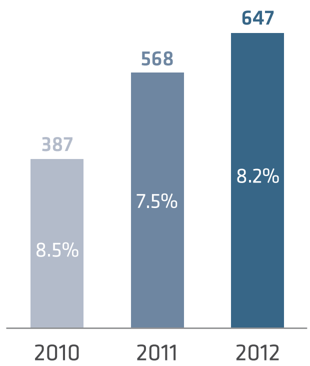
KEY FINANCIALS(*)

Amounts in millions of Euro – Percentages on sales

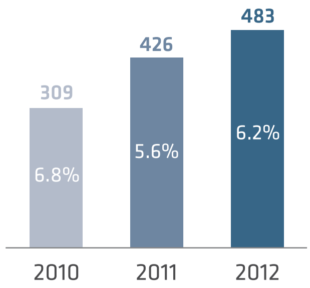
SALES



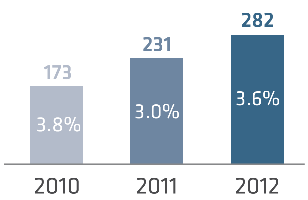
ADJ. EBITDA (2)



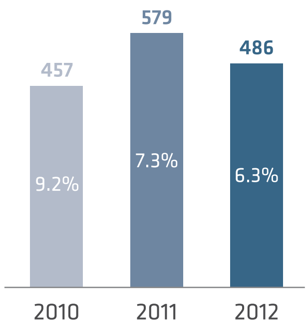
ADJ. OPERATING INCOME (3)



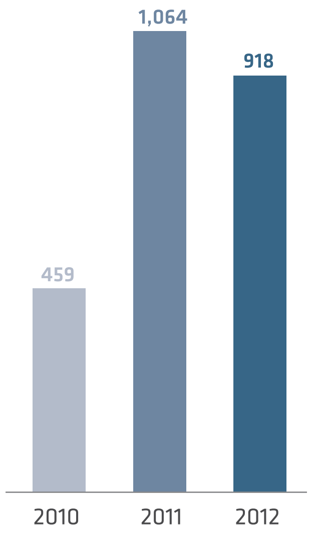
ADJ. NET PROFIT (4)



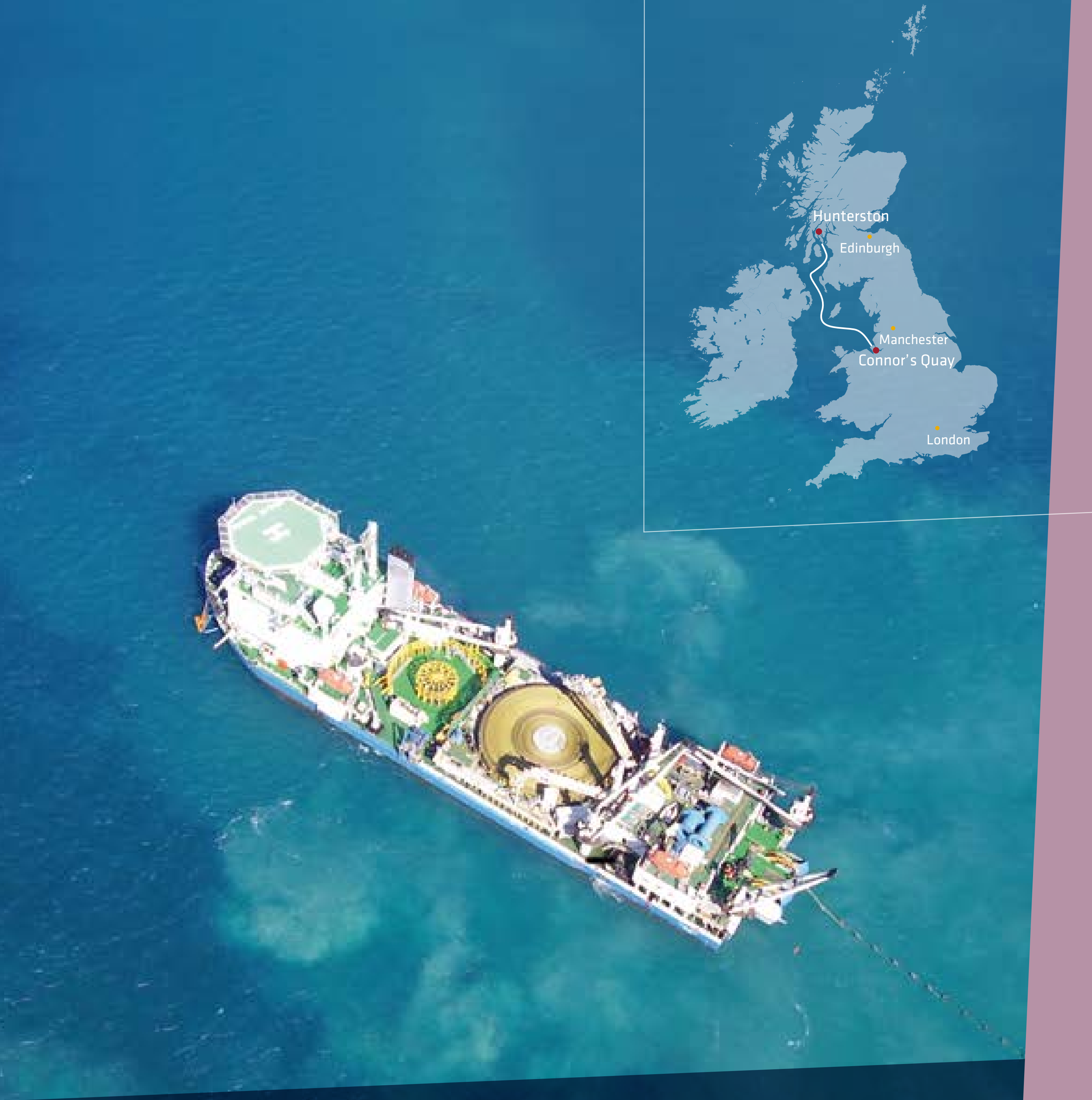
NET OPERATING WORKING CAPITAL (5)



NET FINANCIAL POSITION



1) Organic growth: growth net of changes in the group structure, in metal prices and exchange rates. 2012 organic growth is calculated on 2011 pro-forma sales.
2) Adjusted EBITDA is defined as EBITDA before non-recurring income/(expenses).
3) Adjusted Operating Income is defined as Operating Income before non-recurring income/(expenses) and the fair value change in derivatives and in other fair value items.
4) Adjusted Net Profit is defined as net profit/(loss) before non-recurring income/(expenses), the effect of derivatives and of other fair value items, exchange rate differences and the related tax effects.
5) Net Operating Working Capital means Net Working Capital excluding the effect of derivatives. The percentage is calculated as Net Working Capital/Annualised last-quarter sales.
(*) Draka consolidated from 1 March 2011.



WESTERN HVDC LINK, A RECORD PROJECT

In February, the Group secured a record contract worth approximately Euro 800 million - the highest ever recorded in the cable industry – for the Western HVDC Link project to develop a new submarine power line between Scotland and England.

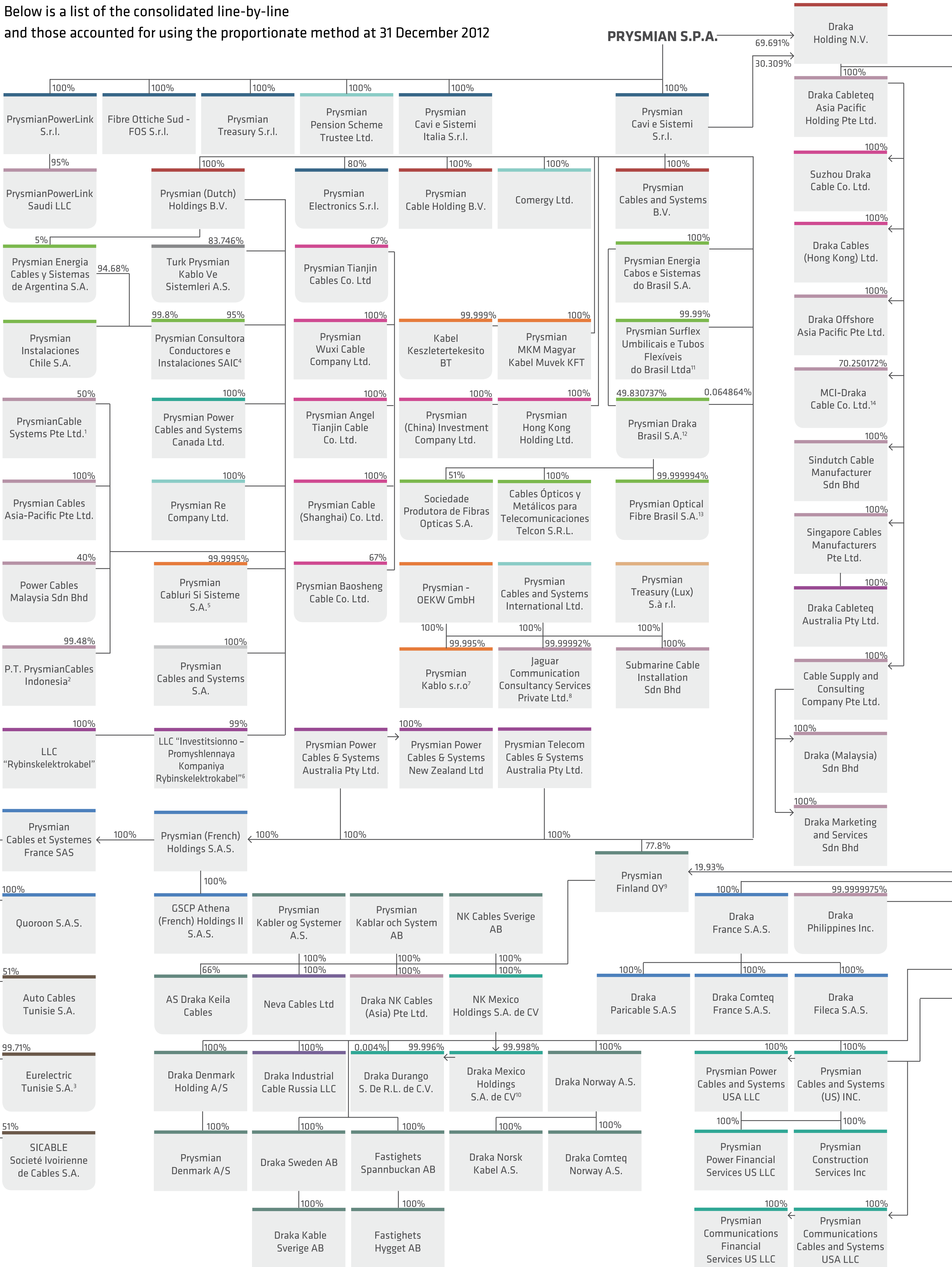
The Western HVDC Link, due to be completed in the second half of 2015, is strategic for the upgrade of the entire British transmission grid in view of the UK's drive to make growing use of energy from renewable sources. The project represents a milestone not only in value but also in technological terms. The interconnector, designed as a low loss HVDC (High Voltage Direct Current) transmission system, will follow a 400 km route and operate at a record voltage of 600 kV, the highest ever reached by an insulated cable (the record to date is 500 kV) with a rating of 2200 MW, both of which levels currently unmatched by existing long-distance systems.

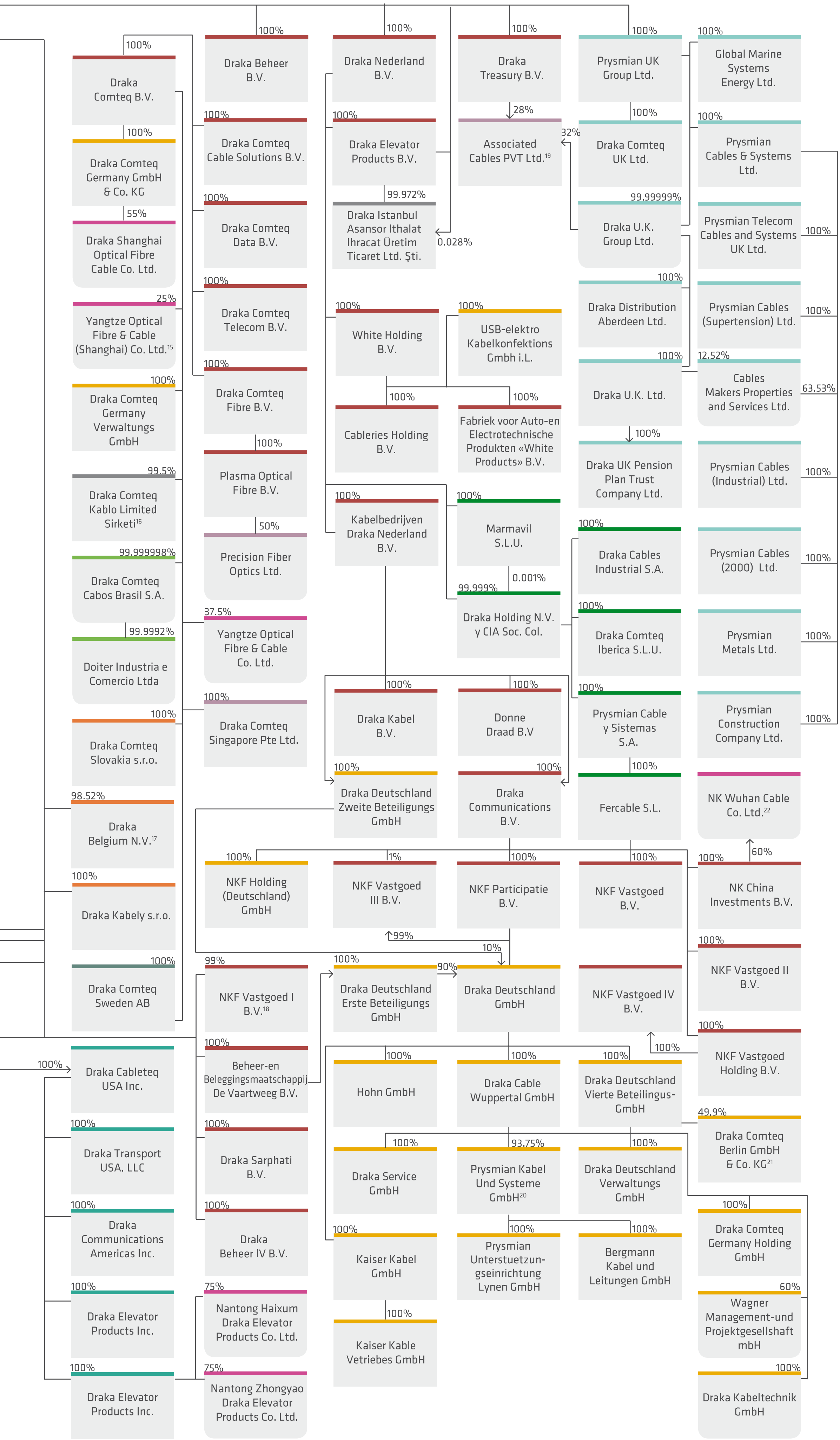
The submarine power line with be installed in the Irish Sea by the Group's cable ship, the "Giulio Verne".

MILESTONE

CORPORATE STRUCTURE

Below is a list of the consolidated line-by-line
and those accounted for using the proportionate method at 31 December 2012





- Fully owned
- Participated by third party
- Italy
- UK - Ireland
- France
- Netherlands
- Nordics
- Germany
- Spain
- Danubian Area
- Switzerland
- Oceania
- Asia Pacific
- China
- Russia
- South America
- North America
- Turkey
- Africa
- Luxembourg

1. Prysmian Cables & Systems Ltd. 50%
2. Prysmian Cavi e Sistemi S.r.l. 0.52%
3. Prysmian (French) Holdings S.A.S. 0.05%, Prysmian Cavi e Sistemi S.r.l. 0.05%
4. Prysmian Cavi e Sistemi S.r.l. 5%
5. Prysmian Cavi e Sistemi S.r.l. 0.0005%
6. Prysmian Cavi e Sistemi S.r.l. 1%
7. Prysmian S.p.A. 0.005%
8. Prysmian S.p.A. 0.00008%
9. Draka Comteq B.V. 2.27%
10. Draka Nederland B.V. 0.002%
11. Prysmian S.p.A. 0.01%
12. Draka Comteq B.V. 39.633088%, Draka Holding N.V. 10.470458%, NKF Vastgoed B.V. 0.000714%, Draka Kabel B.V. 0.000136%, Prysmian Draka Brasil S.A. 0.000002%
13. Prysmian Optical Fibre Brasil S.A 0.000002%
14. Draka (Malaysia) Sdn Bhd 0.000023%, Sindutch Cable Manufacturer Sdn Bhd 0.000023%, Singapore Cables Manufacturers Pte Ltd 0.000023%
15. Yangtze Optical Fibre and Cable Company Ltd. 28.125%
16. Draka Comteq Telecom B.V. 0.5%
17. Draka Kabel B.V. 1.48%
18. Draka Communications B.V. 1%
19. Oman Cables Industry SAOG 40%
20. Prysmian S.p.A. 6.25%
21. NKF Participatie B.V. 50.10%
22. Yangtze Optical Fibre and Cable Company Ltd. 7.5%

DIRECTORS AND AUDITORS

BOARD OF DIRECTORS

Chairman	Massimo Tononi (*) (2)	Chairman of BoD of Borsa Italiana S.p.A.. Chairman of ISA – Istituto Atesino di Sviluppo S.p.A.. Director of Mittel S.p.A., Sorin S.p.A. and the London Stock Exchange.
Chief Executive Officer & General Manager	Valerio Battista	Director of Indesit Company S.p.A.
Directors	Maria Elena Cappello (*) (**) (1)	Deputy Chairman and Chief Executive Officer of Nokia Siemens Networks Italia S.p.A. and Nokia Siemens Networks S.p.A.. Member of Management Board of A2A S.p.A..
	Cesare d'Amico (*) (**)	Chief Executive Officer and Executive Committee member of d'Amico Società di Navigazione S.p.A.. Executive Chairman of d'Amico International S.A.. Deputy Chairman of Compagnia Generale Telemar S.p.A. and Tamburi Investment Partners S.p.A.. Director of Clubtre S.r.l., d'Amico International Shipping S.A. and The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited
	Claudio De Conto(*) (**) (1) (2)	Director of Assicurazioni Generali S.p.A. Chairman of Star Capital SGR S.p.A.
	Giulio Del Ninno (*) (**) (2)	Chairman of ICQ Holding S.p.A.. Deputy Chairman of Italgen S.p.A.
	Frank Dorjee	Deputy Chairman of Oman Cables Industry S.A.O.G.
	Pier Francesco Facchini	Chairman of BoD of Prysmian Treasury S.r.l. (***) and Prysmian Treasury (LUX) S.à.r.l. (***)
	Fritz Fröhlich (*) (**) (1)	Chairman of Randstad NV and Altana AG. Director of ASML NV and Rexel SA.
	Fabio Ignazio Romeo	Director of Oman Cables Industry S.A.O.G.
	Giovanni Tamburi (*) (**)	Chairman and Chief Executive Officer of Tamburi Investment Partners S.p.A.. Director of Datalogic S.p.A., De Longhi S.p.A., Interpump S.p.A. and Zignago Vetro S.p.A.

(*) Independent directors as per Italy's Unified Financial Act
(**) Independent directors as per Italy's Self-Regulatory Code of Corporate Governance
(***) Prysmian Group company
(1) Members of the Control and Risks Committee
(2) Members of the Compensation and Nominations Committee

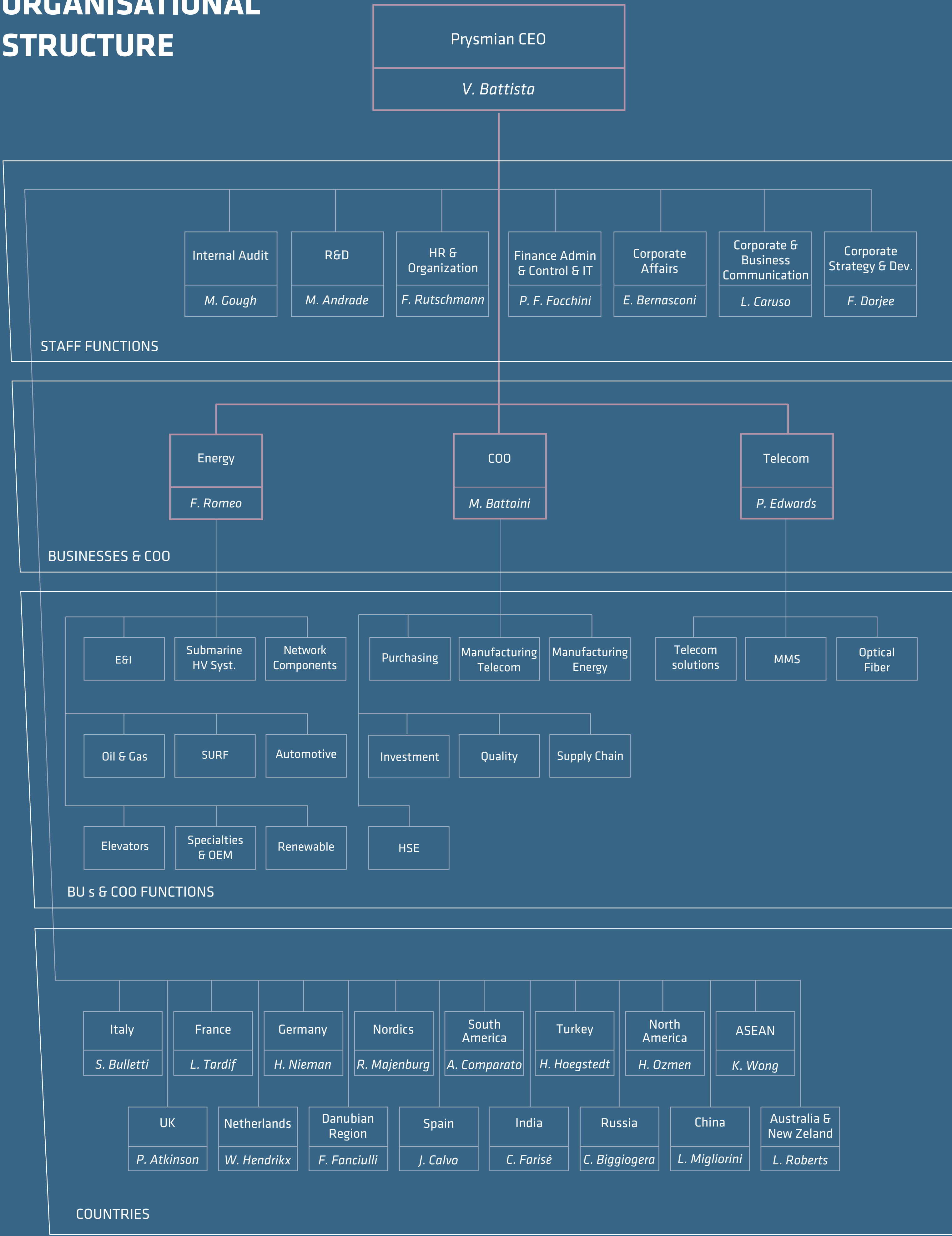
BOARD OF STATUTORY AUDITORS

Chairman	Marcello Garzia
Standing Statutory Auditors	Luigi Guerra
	Paolo Burlando
Alternate Statutory Auditors	Luciano Rai
	Giovanni Rizzi

INDEPENDENT AUDITORS	
PricewaterhouseCoopers S.p.A.	


Prysmian
Group

ORGANISATIONAL STRUCTURE



TOP MANAGER

VALERIO BATTISTA
Chief Executive Officer

A graduate in Mechanical Engineering from Florence University, Valerio Battista is a manager with extensive knowledge and understanding of the industrial sector after more than 20 years of experience, initially with the Pirelli Group and then with the Prysmian Group, of which he took over the lead in 2005. He held positions of increasing responsibility within the Pirelli Group, including for the restructuring and reorganisation of Pirelli Cavi, which in the period 2002-2004 was taken to being one of the most profitable and competitive in its industry.
In 2005 he played a key part in the creation of the Prysmian Group, leading to its flotation in 2007. The Group of which he is currently CEO is world leader in the energy and telecom cables industry, with approximately 20,000 employees and 91 plants around the world.

FRANK FRANCISCUS DORJEE
Chief Strategy Officer

Prior to becoming Chief Strategy Officer of the Prysmian Group, Frank Dorjee was CEO of Draka, a position he had held since January 2010, prior to which he was CFO. In his six years at Draka, he was instrumental in focusing the company's strategic and financial objectives and in driving its reorganisation from a country-based model to a divisional organisation structure. Frank joined Draka following a successful tenure as a partner at KPMG and CFO at Van der Moolen. He has a Master's degree in business economics and tax law from the University of Amsterdam and is also a Certified Public Accountant.

PIER FRANCESCO FACCHINI
Chief Financial Officer

Pier Francesco Facchini is Chief Financial Officer of the Prysmian Group. He graduated in Business Economics in 1991 from the "Luigi Bocconi" University in Milan. His first work experience was with Nestlè Italia, where he held different positions in the Management and Finance department between 1991 and 1995.
From 1995 up to 2001, he worked for the Panalpina Group where he held the position of Regional Financial Controller for the Asia-Pacific region. During his career with the Panalpina Group he was also appointed CFO of Panalpina Korea and Panalpina Italia Trasporti Internazionali S.p.A.. In April 2001 he was appointed Finance Director of Fiat Auto's Consumer Services business unit, leaving in 2003 to become CFO of Benetton Group, a post he held until November 2006.

FABIO ROMEO

Executive Vice President
Energy Business

Fabio Romeo has been Executive Vice President Energy Business since July 2011. After graduating in Electronic Engineering from Milan's Polytechnic University in 1979, he then obtained an M.S. and a Ph.D. in Electrical Engineering and Computer Sciences from the University of California in Berkeley. He began his career with Tema (ENI Group) as Product Manager for its chemical plants and in 1982 he moved to Honeywell as a technical advisor to the Group's CEO. In 1989 he joined Magneti Marelli as Innovation Manager of the Electronics division, later becoming Director of the Electronics Systems division. In 2001 he moved to the Pirelli Group, where he held the positions of Director in charge of the Truck business unit and Director in charge of the Pirelli Cable division's Utilities business. Between 2004 and 2010 he was the Director of Prysmian's Energy Cables division.

PHIL EDWARDS

Executive Vice President
Telecom Business

Phil Edwards has been Executive Vice President Telecom Business since July 2011. After graduating as a Bachelor of Science from Swansea University in 1979, he began his graduate training in the Dunlop Group before moving into the cable industry in 1981 with ITT. Over the past 30 years he has held a number of senior engineering, operations and general management/executive positions within the cable industry including with ITT, Nortel, Pirelli and Marconi. He joined Draka in 2000 and relocated to the Netherlands where his position at the time of the Prysmian merger was President of the Draka Communications Group.

MASSIMO BATTAINI

Chief Operating Officer

Massimo Battaini has been Chief Operating Officer of Prysmian Group since January 2011. He has a degree in Mechanical Engineering from the Polytechnic University of Milan and an MBA from SDA Bocconi (Milan). He started his career with the Pirelli Group in 1987 and held various positions in R&D and Operations over an 18-year period. After running the Business Development department for two years, covering the three Business Divisions of Tyres, Energy Cables and Telecom Cables, in 2002 he become Operations Director of Energy and Telecom Cables and Systems for Pirelli Group. In 2005 he was appointed CEO of Prysmian UK, a position he held until December 2010.

DEVELOPMENT STRATEGIES AND OBJECTIVES

FUNDAMENTALS OF OUR GROWTH STRATEGY

As world leader in the energy and telecom cables and systems industry, Prysmian aims to serve as an "enabler" for the economic and social development of the countries in which it operates.

The Group's medium-term growth strategy is based above all on the shared principles of the corporate Mission and Vision. Prysmian states in its Vision that it believes in "the efficiency, effectiveness and sustainability of energy and information delivery as the prime driver for developing communities". In accordance with its mission, the Group is therefore committed to developing and applying state-of-the-art technological solutions to provide its "customers worldwide with cables and systems for energy and telecommunications" that represent effective, efficient and sustainable solutions to their needs. In short, Prysmian aims to serve as an "enabler", in partnership with its customers, for the economic and social development of the countries in which it operates.

Its position as world leader in the energy and telecom cables and systems industry also sees the Group in the prime role as a promoter of growth and of continuous improvement in the entire industry, both in terms of the technologies used and the ability to develop suitable solutions with customers for the new sources of power generation and data transmission. The ability to produce constant innovations and to promote awareness of the cable industry's strategic role are the key to Prysmian's market approach.
Prysmian places stakeholders at the centre of its business strategy, the core guidelines of which are based on:

- **Customer Centricity**, meaning provision of innovative products and cable systems, truly inspired by a solution-driven rationale;
- **Creating Value for Shareholders**, in terms of total return on investment and profitability in the short run, but above all in the medium and long term.

The critical success factors for the Prysmian Group can be represented as follows:

Ability to anticipate/satisfy customer needs.
The technologies and processes used must be capable of developing products and solutions that anticipate and satisfy the needs of its customers. This is why the Group constantly strives to improve its competencies in the areas of Research and Innovation, Customer Centricity, Employee Development and Environmental Sustainability.

Balanced and sustainable growth.
The ability to combine short and long-term objectives, measurable not only by short and medium-term financial performance to meet shareholders' expected return on capital, but also by seeking healthy creation of value through the adoption of a system of governance and a business model that allows such results to be sustained in the long run.

"Healthy" management and financial discipline.
The Group aims to implement "healthy" and prudent principles in its financial management. In particular, its pays great attention to operating profitability and cash generation, with a particular focus on working capital management and the reduction of fixed costs and capital employed in order to maximise cash flow generation and the return on investment. The Group also aims to maintain adequate financial leverage for its strategy of organic and acquisition-led growth.

Transparency, corporate governance and confidence of markets and investors.
The Group pays particular attention to its relations with financial markets, shareholders and investors, also because of its public company status. Its focus in this sense is on ensuring precise maintenance of commitments and delivery of target results. Transparency and credibility are also expressed in a system of corporate governance based on strict interpretation and application of the regulations and the adoption of principles and decisions drawn from international best practices.

Expansion and growth.
The Group's development strategy moves along the dual track of growth in size and continuous improvement in profitability. When deciding in which business sectors and geographical areas to expand, the Group tends to give priority to the maintenance of adequate levels of profitability, even at the expense of an increase in market share, whose preservation is nonetheless considered as vitally important, especially in high value-added market segments. The Group therefore pursues both organic growth of the business, based on a selective investment policy and the development of commercial and production synergies, and acquisition-led growth.

The search for growth opportunities, both organically and through acquisitions, is primarily focused on higher value-added high-tech businesses, such as High Voltage Underground and Submarine Cables and Systems, Cables for the Renewable Energy sector, Cables for the Extraction, Mining and Petrochemicals sector, Industrial Cables for infrastructure, as well as Optical Fibres and Optical Cables for the development of broadband networks. These businesses are linked to long-term investment programmes and so are less impacted by economic cycles.

In terms of geographical expansion, the Group mainly invests in countries and markets capable of ensuring high rates of growth and profitability.
The role of Prysmian in the fragmented cable industry will continue to be that of an "aggregator", capable of serving as a leader in the current processes of rationalisation and consolidation.

Rationalisation and efficiency of industrial and commercial processes.
Prysmian has developed a recognised track record of being able to optimise its industrial processes, including by integrating and rationalising acquired companies. The Group is successfully conducting the process of integration with Draka started in 2011 and is on track with its targets. It intends to push ahead with the plan to extract synergies from rationalising its organisation and industrial footprint, as well as from procurement activities. The development of synergies with Draka also covers the commercial sphere, involving the integration of product ranges and enhancement of customer service.

PRYSMIAN GROUP FOCUSES ON SMART GRIDS

In coming years we will see a radical change in the way that the global electricity system works, offering many benefits to all users in terms of efficiency, quality and security of supply. Cables and intelligent monitoring devices are a key part of this modernisation process, by ensuring better use of electricity grids and greater environmental sustainability.

Prysmian is focusing on the new business of Smart Grids by introducing technological solutions and products that go beyond the traditional cable concept and provide innovative solutions that satisfy the new grid requirements in terms of renewable energy, energy efficiency and lower environmental impact.

The Group has developed a comprehensive range of state-of-the-art cables and solutions to make Smart Grids more reliable and efficient, by guaranteeing their proper operation in all conditions and circumstances and preventing possible blackouts, failures and damage to other network components. The offering is divided into four different areas, depending on the solution proposed: risk prevention, smart maintenance, electrical load management and environmental impact.

MILESTONE

PRYSMIAN AND THE FINANCIAL MARKETS

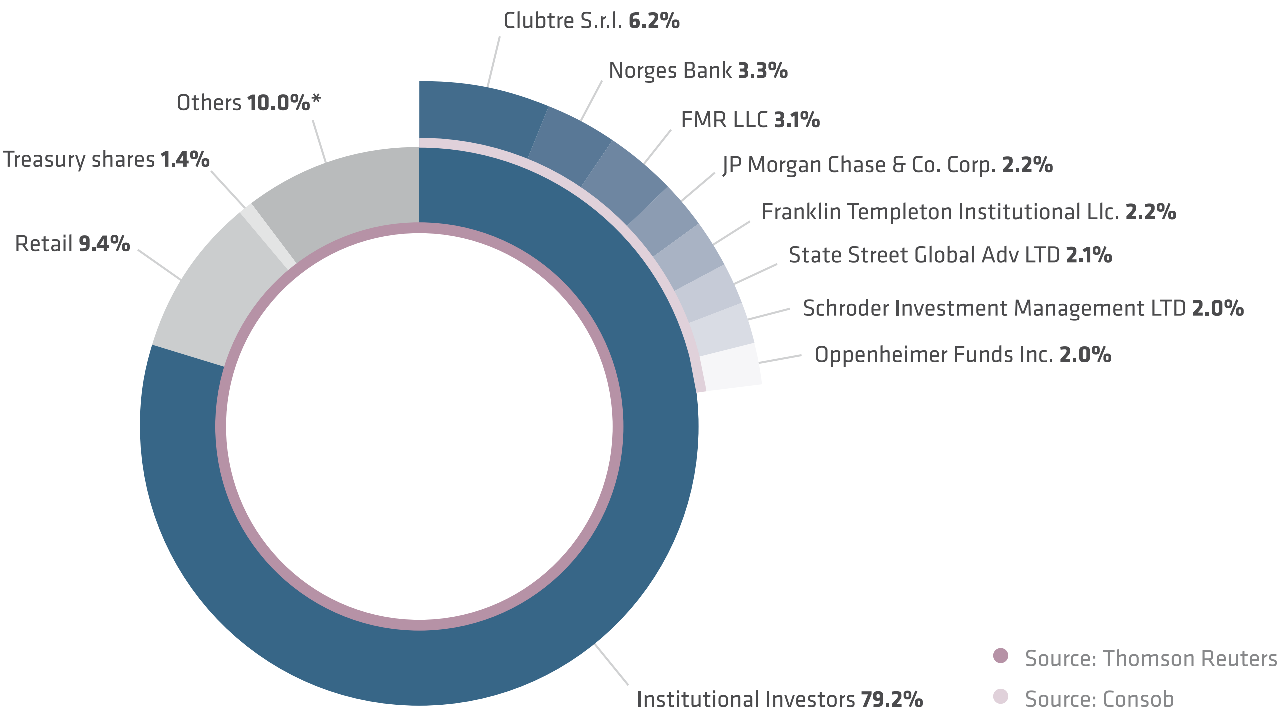
OWNERSHIP STRUCTURE

Prysmian is now one of Italy's few globally present industrial companies that has achieved public company status.

The listing of Prysmian's ordinary shares, resulting from the sale of 46% of the shares held by Goldman Sachs Group Inc., took place on 3 May 2007 at a price of Euro 15 per share, corresponding to a capitalisation of Euro 2.7 billion. Subsequent to the listing, Goldman Sachs Group Inc. gradually reduced its interest in the company, control of which it had acquired in July 2005, by placing the remaining 54% of the shares with selected investors in several successive stages: i) 22% in November 2007, ii) 14% in November 2009, iii) 17% in March 2010. Valerio Battista, Chief Executive Officer of Prysmian S.p.A., announced on occasion of the last sale that he had purchased 1,500,000 shares, corresponding to around 0.8% of share capital and taking his total shareholding to 1.2%, which he raised to approximately 1.4% during the course of 2011 and 2012.
At 31 December 2012, the Company's free float was equal to 100% of the outstanding shares and major shareholdings (in excess of 2%) accounted for approximately 23% of total share capital, meaning there were no majority or controlling interests. Prysmian is now one of Italy's few globally present industrial companies that has achieved public company status in recent years.

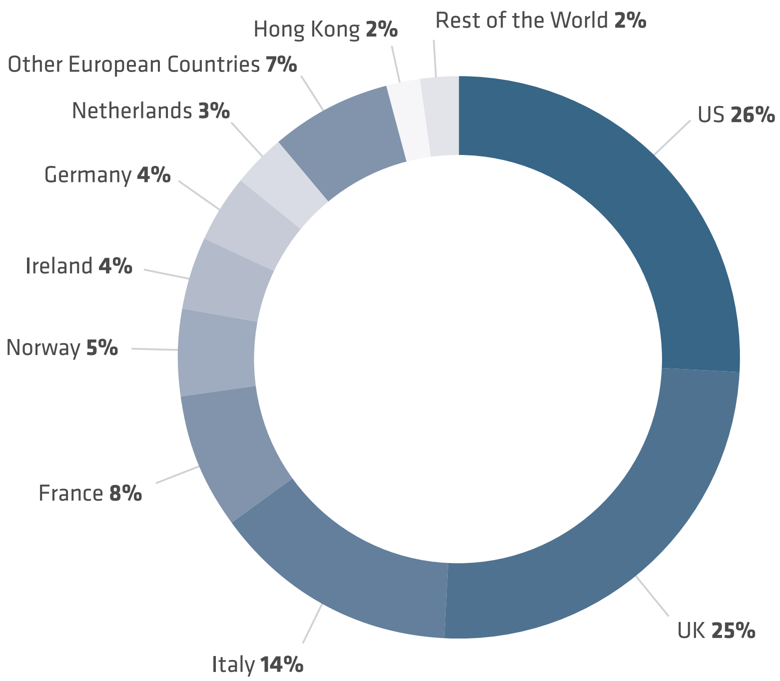
At 31 December 2012, the share capital of Prysmian S.p.A. amounted to Euro 21,450,878.10, comprising 214,508,781 ordinary shares with a nominal value of Euro 0.1 each. The ownership structure at this date was as follows.
The ownership structure by geographical area confirms the predominant share of American and British investors, who at the end of 2012 accounted for more than 50% of the capital held by institutional investors; they were followed by Italian institutional investors with 14% and by the French with 8%. Lastly, worth noting is the increase in the proportion of Asian investors since the prior year, particularly those from Hong Kong.
Approximately 75% of the share capital held by institutional investors is represented by investment funds with Value or Growth strategies, therefore focused on a medium to long-term time horizon. There has also been a large increase in the proportion of shareholders adopting an Index investment strategy, based on the principal stock indices; in fact, this increase is consistent with the greater weight of the Prysmian stock within such indices.

OWNERSHIP STRUCTURE BY TYPE AND MAJOR SHAREHOLDERS

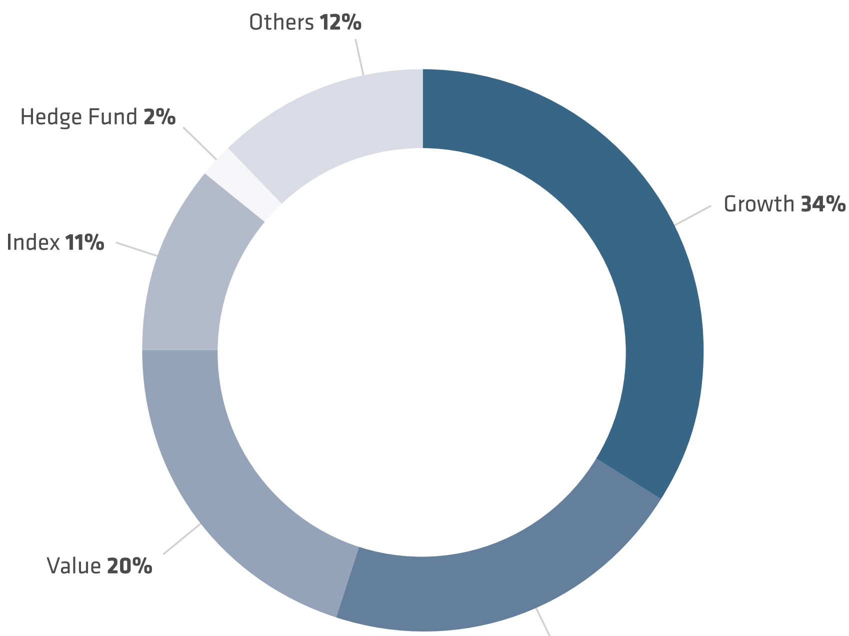


* Mainly includes shares held by non-institutional investors and shares with third-party custodians held for trading

INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



INSTITUTIONAL INVESTORS BY INVESTMENT APPROACH



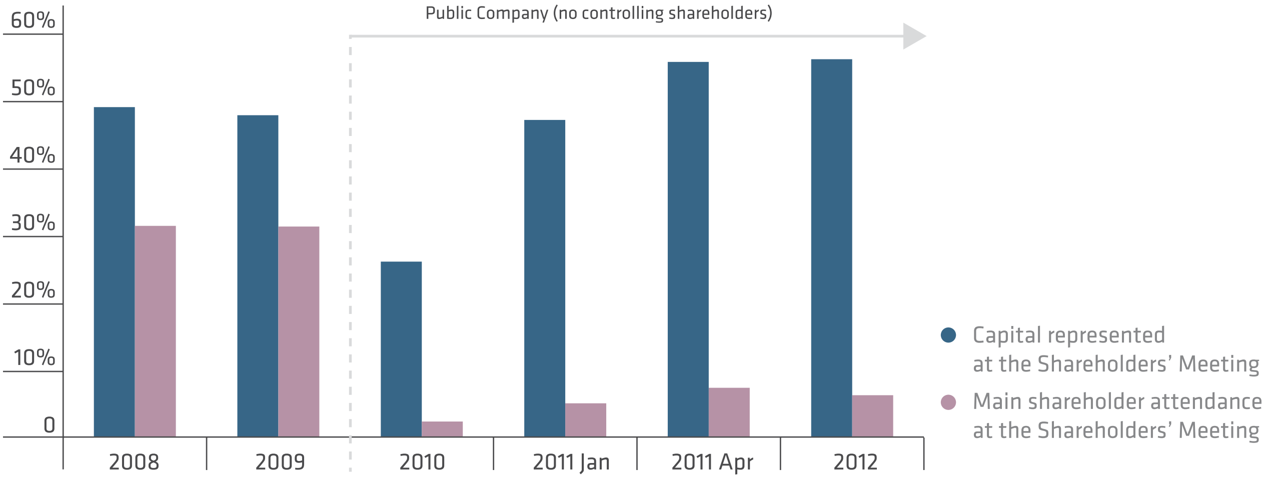
Source: Thomson Reuters

SHAREHOLDERS' MEETINGS

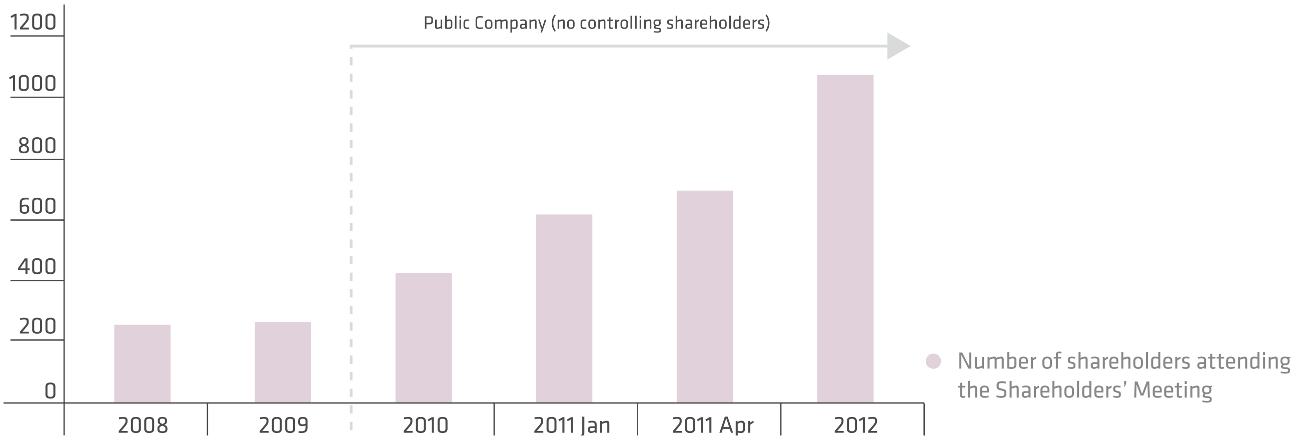
On 18 April 2012, the shareholders' meeting of Prysmian S.p.A. was held in single call to vote on the approval of the 2011 financial statements and the appointment of the Board of Directors. The meeting, which was attended by more than a thousand shareholders, in person or by proxy, representing approximately 56% of the share capital, approved every item on the agenda with a majority vote. In particular, as regards the appointment of the Board of Directors, the meeting set the Board's size at 11 members with a mandate lasting three years. Based on the three slates presented, 9 directors were elected from the first slate (proposed by the outgoing Board of Directors) and 2 from the second slate (proposed by the shareholder Clubtre S.r.l.). The Board of Directors appointed Massimo Tononi as Chairman and confirmed Valerio Battista as CEO and General Manager and Pier Francesco Facchini as CFO.

The Shareholders' Meetings also approved the distribution of a dividend of Euro 0.21 per share, an increase of approximately 27% on the dividend distributed in 2011 of Euro 0.166. The dividend payment took place on 26 April 2012, for a total of Euro 44 million (compared with a total pay-out of Euro 35 million the previous year).

SHAREHOLDERS' MEETING: SHARE CAPITAL



SHAREHOLDERS' MEETING: NUMBER OF ATTENDEES IN PERSON OR BY PROXY



FINANCIAL CALENDAR 2013

27 February 2013	Group Annual Report and draft Annual Report of Prysmian S.p.A at 31 December 2012
16 April 2013	Shareholders' Meeting to approve Annual Report
9 May 2013	First-Quarter Report at 31 March 2013
1 August 2013	Half-Year Report at 30 June 2013
6 November 2013	Third-Quarter Report at 30 September 2012

FINANCIAL MARKET PERFORMANCE

The Prysmian stock increased its value by 56% in 2012, significantly outperforming its competitors and benchmark indices.

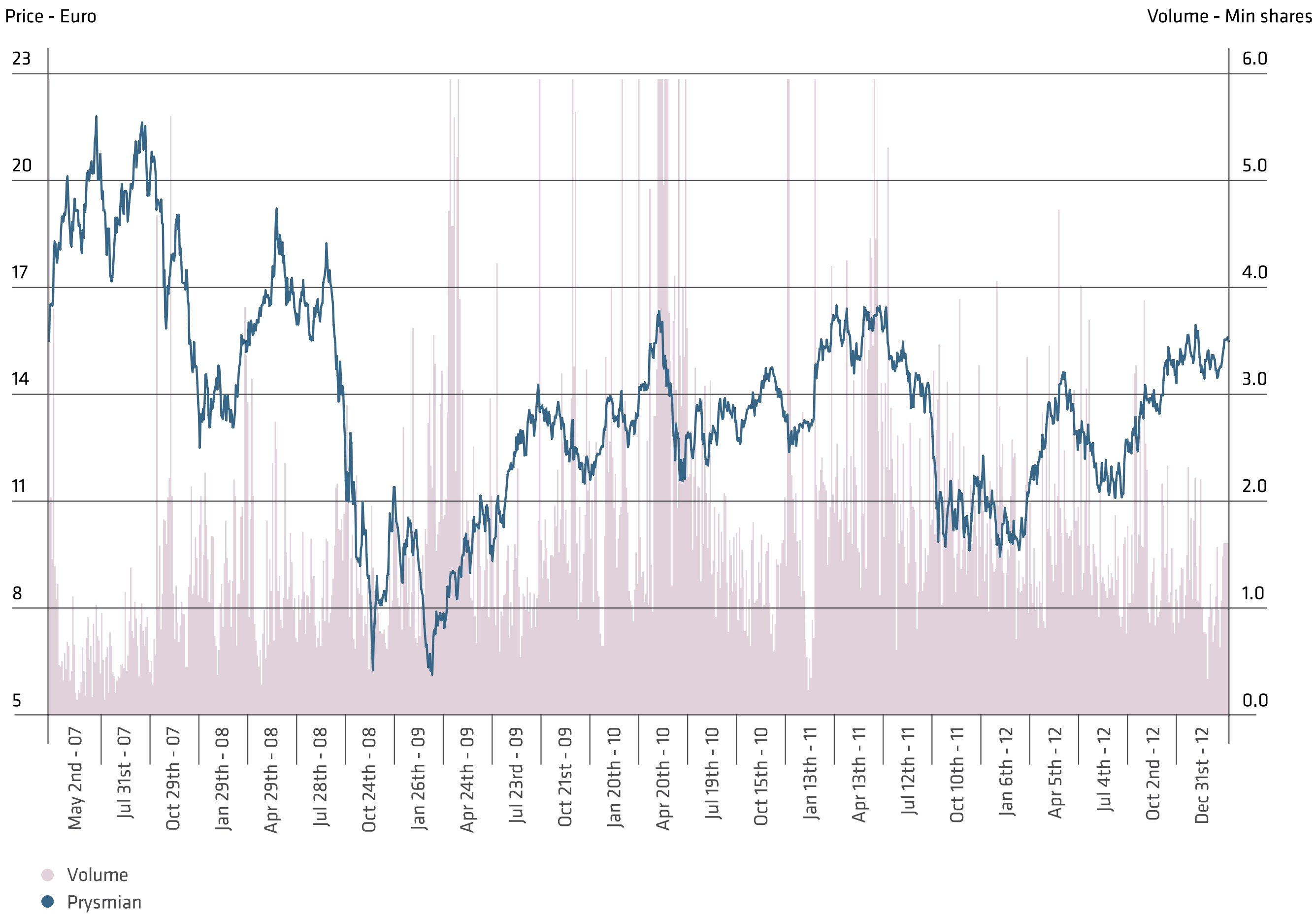
Prysmian S.p.A. has been listed on the Italian Stock Exchange since 3 May 2007 and has been included since September 2007 in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity. The Prysmian stock has since joined the principal world and sector indices, including the Morgan Stanley Capital International index and the Dow Jones Stoxx 600, made up of the world's largest companies by capitalisation.

During 2012, following growing concerns about Eurozone and US debt sustainability, the world economy continued the decelerating trend in progress since the second half of 2011. This led to a gradual deterioration in consumer and business confidence, with a consequent reduction in industrial output and investments worldwide. Overall, global demand in 2012 nonetheless reported a slight increase due to the significant growth achieved by emerging markets, particularly in Asia. In the United States government stimulus packages helped support the recovery in demand and led to a gradual decline in the unemployment rate. In Europe, the downturn was further exacerbated by the introduction of deficit-cutting measures in several Eurozone countries, with a consequent increase in the tax burden. This led to a sharp slowdown in economic activity, initially in the more indebted countries like Greece, Spain, Italy and Portugal and later spreading to countries in Central and Northern Europe (France, United Kingdom, Netherlands, Germany). Europe's better performers in terms of growth included Norway, Poland and the Baltic nations.

Despite the gradual deterioration in the economic situation over the year, the major world equity markets were generally positive mainly due to measures by central banks to support the banking system, ensuring ample liquidity at very low rates; this also made it possible to severely limit speculation over the sustainability of debt in some Eurozone countries. The US indices managed to close the year in positive territory, with rises of between 7% and 16%; even the European stock markets recorded an overall positive performance: in particular, the German stock market rose by 29%, the French one by 15%, the Italian one by 8% and the British one by 6%, while the Spanish index fell by 5%. Lastly, even the emerging and Asian markets recorded an upward trend, with rises ranging from 7% (Brazil) to 31% (India).

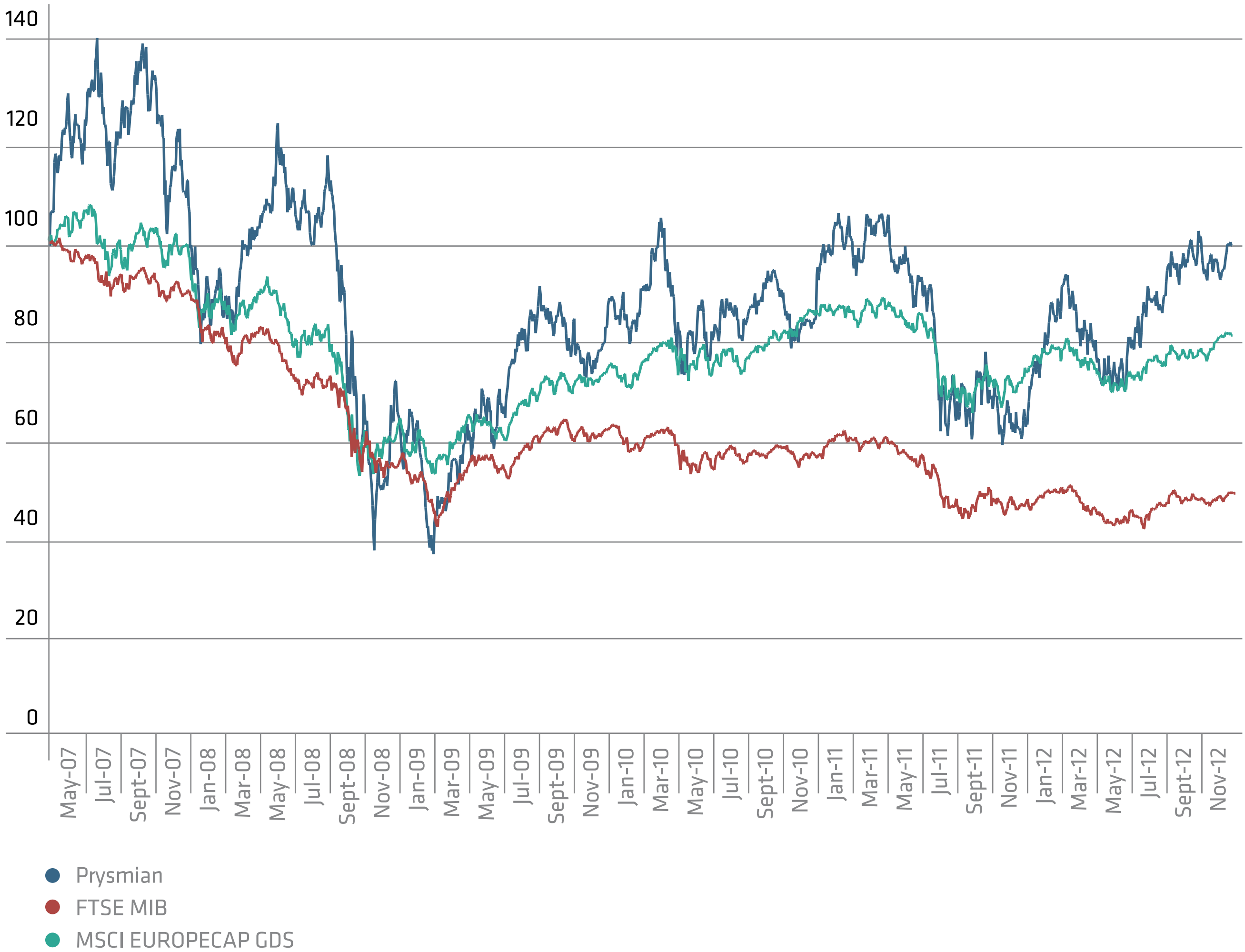
In this context, the Prysmian stock increased its value by approximately 56% over the course of 2012, returning to its initial listing price (Euro 15 on 3 May 2007), and significantly

PERFORMANCE OF PRYSMIAN STOCK SINCE IPO



outperforming its competitors and benchmark indices, thereby increasing its weight within such indices. The stock's performance, including dividend pay-outs (total shareholder return), was a gain of +59% over the course of 2012 and +11% since its listing date. The MSCI Europe Capital Goods index reported a rise of 16% over the year and a fall of -24% since Prysmian's listing date, while the FTSE MIB was up 8% from the start of the year but down -63% since the date of the Company's IPO. By way of reference, the principal financial markets performed as follows in 2012: FTSE MIB: +8%, CAC 40 (France): +15%; IBEX (Spain): -5%; FTSE 100 (UK): +6%; DAX (Germany): +29%; Dow Jones (US): +7%; S&P 500 (US): +13%; Nikkei (Japan): +23%; MSCI Europe Capital Goods: +16%.
In particular, during the first quarter of 2012, the Prysmian stock increased to more than Euro 14, as part of a positive trend also seen, albeit to a lesser extent, in the major European indices. In fact, thanks to the actions of the ECB, the tensions on Eurozone financial markets eased considerably, leading to a significant reduction in the risk premiums on European government bonds.
However, from the month of March, there were renewed concerns over the sustainability of debt levels in some European countries, particularly Greece, and equity markets gradually retreated, cancelling all the first-quarter gains by the end of June. The Prysmian stock was impacted by the bearish trend, falling to around Euro 11 in June. Thanks to strong intervention by the ECB, global financial markets stabilised from July and, in some cases, strengthened, despite the general slowdown in the global economy and the worsening outlook for future growth. In this context, the Prysmian stock entered a positive phase, supported by the growth in its results and the positive recommendations of financial analysts, significantly outperforming all the stock indices and returning to its 2007 listing price of Euro 15, at which it stabilised in the last few months of the year, eventually closing the year at Euro 15.01, up 56% from Euro 9.60 at the end of 2011.
During 2012, the stock's liquidity recorded an average daily trading volumes of approximately 1.5 million shares, a decrease compared with 2011 due to the general reduction in volumes traded on European stock markets, particularly in countries like Italy, that were hardest hit by financial speculation. The average daily value traded amounted to Euro 20 million versus Euro 28 million in 2011.

PERFORMANCE OF PRYSMIAN STOCK VERSUS BENCHMARKS SINCE IPO



PRYSMIAN SHARE: PRINCIPAL DATA

	31 December 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007*
Price	**15.01 Euro**	9.60 Euro	12.75 Euro	12.19 Euro	11.10 Euro	16.89 Euro
Change over period	**56.4 %**	-24.7 %	4.6 %	9.8 %	-34.3 %	12.6 %
Average price	**13.00 Euro**	12.90 Euro	13.13 Euro	10.60 Euro	13.76 Euro	18.36 Euro
Maximun price	**15.43 Euro**	15.95 Euro	15.81 Euro	13.84 Euro	18.54 Euro	21.00 Euro
Minimun price	**9.77 Euro**	9.25 Euro	11.27 Euro	6.10 Euro	6.21 Euro	15.34 Euro
Market capitalisation at period end	**3,220 Mil Euro**	2,057 Mil Euro	2,321 Mil Euro	2,209 Mil Euro	2,004 Mil Euro	3,040 Mil Euro
Average capitalisation	**2,787 Mil Euro**	2,701 Mil Euro	2,388 Mil Euro	1,918 Mil Euro	2,482 Mil Euro	3,305 Mil Euro
Average daily trading volume	**1.5 Mil**	2.2 Mil	2.3 Mil	1.9 Mil	1.3 Mil	1.0 Mil
Average value of daily trades	**20 Mil Euro**	28 Mil Euro	30 Mil Euro	19 Mil Euro	18 Mil Euro	17 Mil Euro
Number of shares at 31 December	**214,508,781**	214,393,481	182,029,302	181,235,039	180,546,227	180,000,000

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

Source: Thomson Reuters data

INVESTOR RELATIONS

In addition to 400 meetings and the roadshows held in major financial centres, the Group also organised several visits during 2012 for investors and financial analysts to its production facilities in Europe, the USA and Asia.

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

The Group's actions and procedures aim to provide the market with credible information, thus boosting market confidence and encouraging a long-term investment approach. The Group seeks to avoid unequal access to information and to ensure effective compliance with the principle that all investors and potential investors have the right to receive the same information in order to make informed investment decisions.

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

Contact with the financial market was particularly intense in 2012, involving more than 400 one-to-one or group meetings at the Company's offices, roadshows in the major financial centres of Europe, North America and Asia, as well as participation at conferences organised by major international brokers. The Group also organised several visits during the year for institutional investors and financial analysts to see its production facilities in Europe, the USA and Asia, in order to give them a more in-depth knowledge of its products and production processes.

Coverage of the Prysmian stock remained very high and geographically diversified, even though the equity research sector experienced a major consolidation during the year both in Italy and worldwide. There are now 25 independent analysts who regularly cover the Prysmian stock (28 at the end of 2011): Banca Akros, Banca Aletti, Banca IMI, Banca Profilo, Barclays Capital, Berenberg, BofA Merrill Lynch, Centrobanca, Cheuvreux, Citi, Deutsche Bank, Equita, Espirito Santo, Exane BNP Paribas, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Kepler, Mediobanca, Morgan Stanley, Natixis and UBS.

The Investor Relations office has also maintained regular contact with institutional investors through the new website www.prysmiangroup.com, with its completely new graphics and content, which contains audio/video recordings of conference calls and presentations to the financial community, corporate documents, press releases and all other information concerning the Group, in Italian and English. The Investor Relations section also includes the financial calendar, documents relating to Shareholders' Meetings, the Code of Ethics, the contact details of analysts who cover the stock as well as specific sections about Corporate Governance, Risk Factors and Share Performance.

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SUBMARINE, A GLOBAL BUSINESS

Apart from the record Westernlink project, 2012 saw the award of several other important projects to the submarine cables business.

In May, a contract was signed with Southern Power Corporation under Vietnam Electricity, a Vietnamese utility company, for the supply of a power line to link Phu Quoc island, a major tourist destination, to the mainland power grid. Once completed, the Phu Quoc link will be the first submarine power line installed by a utility company in Vietnam.

In September, the Group concluded an agreement with TEIAS, a Turkish electricity transmission utility, for a high voltage interconnector between Europe and Asia across the Dardanelles strait in Turkey. Once completed, it will be the country’s first ever high voltage submarine cable link.

The last project in order of time was the “MON.ITA” power line between Montenegro and Italy across the Adriatic, secured in October from Terna Rete Italia S.p.A.. The contract, worth approximately Euro 400 million, involves the supply and installation of one of the two interconnectors (about 415 km of submarine cable route at depths of up to 1200 m). This infrastructure will have a strategic value for a wide area of Southern Europe and confirms the Prysmian Group’s leading role in the development of networks to transmit more efficient, sustainable energy.

SIGNIFICANT EVENTS DURING THE YEAR

PRINCIPAL PROJECTS ACQUIRED AND COMMERCIAL INITIATIVES IN THE PERIOD

At the start of February 2012, the Prysmian Group secured a record contract worth approximately Euro 800 million - the highest ever reported in the cable industry – for the Western HVDC Link project to develop a new submarine power line between Scotland and England. The entire turnkey project will be carried out by a consortium between Prysmian and Siemens, with the latter responsible for the converter stations. The total value of the contract awarded to the consortium by NGET/SPT Upgrades Ltd, a joint venture between National Grid Electricity Transmission, the British grid operator, and Scottish Power Transmission, the Scottish grid operator, is about Euro 1.1 billion. The project is scheduled to be completed by the second half of 2015.

Draka Elevator, a Prysmian Group brand, has been selected by two major OEM specialist elevator manufacturers to supply high-tech cables and accessories for the elevators in the new World Trade Center in New York City. Buildings 1 and 4 are currently under construction. The contracts entail supplying a wide range of standard and custom-designed cables and related accessories for installation in more than 100 elevators. One World Trade Center will reach a height of over 634 metres. Draka Elevator's cables will be used to provide power for elevator buttons, communications and emergency safety devices and more. Some of the cables will include fibre optic sub-units, which will be used for communications throughout the World Trade Center complex. The cables and accessories are being manufactured at Draka Elevator's Rocky Mount plant in North Carolina.
At the end of March, Prysmian announced the start of work on a contract worth more than Euro 50 million to supply 203 km of 220 kV high voltage AC cable and related network components to upgrade the electricity grids operated by GECOL (General Electric Company of Libya) in Tripoli and Benghazi. The contract, due to be carried out for PEWCO (Public Works Electric Company), also includes the supply of optical cables for grid monitoring. Cable delivery started in 2012 and will be completed in 2013. The project in question had been cancelled during 2011 due to the outbreak of war.
In May, the Vietnamese utility company EVNSPC (Southern Power Corporation under Vietnam Electricity) awarded the Prysmian Group a contract worth Euro 67 million.

The Group will design, manufacture, install and commission a new submarine power line linking Phu Quoc island, located 45 km west of the town of Ha Tien, in Kien Giang province in southern Vietnam, to the national power grid. The Phu Quoc link will require some 58 km of high voltage submarine cable, which, under the contract, will also be laid and subsequently protected. The interconnection is scheduled for completion in the first half of 2014. Prysmian secured this contract after successfully beating stiff competition from Far Eastern manufacturers.

At the beginning of July, Prysmian won a contract to supply and install high-tech cables for the new Macau Taipa Ferry Terminal (P.R. China), a new piece of strategic infrastructure that will enhance maritime links in the Guangdong area in south China through the ports of Macao, Hong Kong and Zhuhai. The contract, worth Euro 5 million, includes the design, supply, installation and supervision of special fire-resistant cables in collaboration with the local partner BBC Cable Engineering. This project is due to be completed by the end of 2013.

In August, the Group secured a contract from Telecom Argentina for the construction of a major new broadband network in the country. The project involves the creation of a FTTH network that will serve 4,000 buildings mainly in the Buenos Aires area, with an initial connection rate of just under 40%. Prysmian will work with Valtellina South América S.A., a network infrastructure specialist, which will coordinate the system's installation over the next two years. The products to be supplied will include optical cables, as well as a wide range of connectivity components for the passive network.
In September, the Group was awarded a Euro 67 million contract by TEIAS, a Turkish electricity transmission utility, for the design, production, installation and commissioning of a high voltage submarine power cable between Europe and Asia across the Dardanelles strait in Turkey. Once completed, it will be the country's first ever high voltage submarine power cable link. The link comprises a dual AC power transmission circuit, each of which rated 1000 MW, covering a distance of approximately 4 km. The 380 kV high voltage cables will be manufactured in Europe at the Group's submarine cable production facilities and will be laid by the "Giulio Verne" cable-laying vessel. The project is scheduled to be completed by the second half of 2014.

Following a public tender called by Terna Rete Italia S.p.A. (a wholly-owned subsidiary of Terna S.p.A.), in the last quarter of the year the Prysmian Group was awarded a new contract worth approximately Euro 400 million in relation to the "MON.ITA." project for a new submarine power link between Montenegro and Italy. The project involves supply and installation of one of the two interconnection hubs (about 415 km of submarine cable route at depths of up to 1200 m) involving an extra high voltage direct current (500 kV) subsea cable system with a power rating of 1000 MW, as well as specialist civil engineering works in both Italy and Montenegro. Prysmian will also supply and install the marine electrodes to enable the system to operate in emergencies. The cables for the MON.ITA link will be manufactured at the Arco Felice plant in Naples, the Group's centre of technological and manufacturing excellence. Marine cable laying will be performed by the "Giulio Verne" cable-laying vessel.

FINANCE AND M&A ACTIVITIES

On 27 February 2012, the squeeze-out, permitted under the Dutch Civil Code, was completed in order to purchase the ordinary shares of Draka Holding N.V. for which acceptance was not obtained during the public mixed exchange and cash offer for all the Draka Holding N.V. ordinary shares. The successful conclusion of this squeeze-out means that Prysmian Group now holds the entire share capital of Draka Holding N.V..

On 5 April 2012, Prysmian Group finalised the acquisition of 50% of the shares in Telcon Fios e Cabos para Telecomuniçaoes S.A. and of 30% of the shares in Draktel Optical Fibre S.A., thereby becoming the sole shareholder of these two Brazilian telecom cable and optical fibre companies, which had joined the Group following the acquisition of Draka in 2011. The cash outlay for the acquisition amounts to approximately Euro 25 million (Euro 23 million for Telcon Fios e Cabos para Telecomuniçaoes S.A. and Euro 2 million for Draktel Optical Fibre S.A.).

The credit agreement signed on 18 April 2007 ("Credit Agreement"), under which Prysmian S.p.A. and some of its subsidiaries had been granted an initial total of Euro 1,700 million in loans and credit facilities, was repaid on 3 May 2012. The Group repaid on this maturity date the residual balance of Euro 670 million relating to the Term Loan Facility and Euro 5 million in amounts drawn down against the Revolving Credit Facility. The Bonding Facility for Euro 300 million had been cancelled on 10 May 2011 in advance of its natural maturity. This credit agreement has been replaced by the Forward Start Credit Agreement (henceforth termed "Credit Agreement 2010"), a long-term credit agreement for Euro 1,070 million, entered into on 21 January 2010 with a pool of major national and international banks which have made available Euro 670 million in loans (Term Loan Facility 2010) and Euro 400 million in credit facilities (Revolving Credit Facility 2010). More details can be found in Note 12 of the Explanatory Notes.

On 11 May 2012, Draka Comteq Finland OY acquired the entire 25% non-controlling interest in Neva Cables Ltd, a Russian company that is now wholly owned by the Group.

On 26 July 2012, the securitization programme, due to end on 31 July 2012, was extended for another 12 months and the amount of the related credit facility was reduced to Euro 150 million, consistent with the amount of trade receivables eligible for securitization under the agreed contractual terms.

On 6 September 2012, the Group signed an agreement to acquire 100% of Global Marine Systems Energy Ltd. ("GME") from Global Marine Systems Ltd. ("GMSL") for a purchase price of approximately Euro 52 million.
The acquisition's closing took place in November 2012 following satisfaction of the agreement's conditions. This company's financial statements have therefore been included in the consolidation from 15 November 2012.
GME is a British company active in the installation of submarine power cables and systems. With estimated turnover of approximately Euro 75 million in 2012, GME has a new cable ship among its strategic assets and offers high value-added services for the installation of submarine power lines, ranging from project management to cable laying, jointing and protection. GME has particular expertise in offshore wind farm connections and is currently involved in several projects underway in the North Sea.
The expansion of installation capability follows on from the Group's enlargement of its submarine cable production capacity, with it now able to count on three production facilities in Italy, Finland and Norway.
Prysmian has recently invested some Euro 40 million to start submarine cable production at the Pikkala facility in Finland, it has enhanced production capacity at the Drammen plant in Norway specialised in inter-array cables and it has continued to invest in its flagship plant in Arco Felice, Italy (about Euro 40 million in 2012).

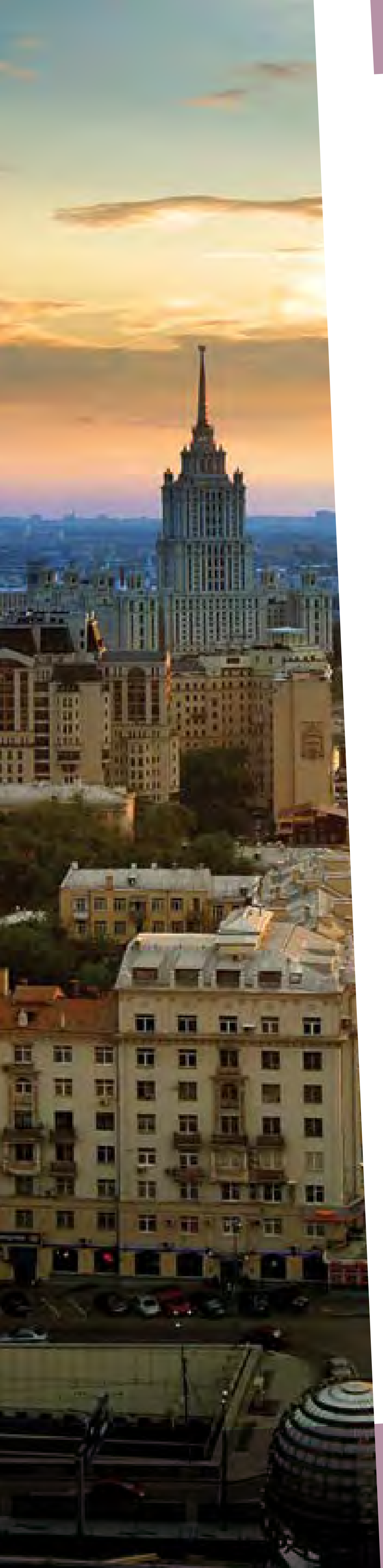
PRYSMIAN GROUP ACQUIRES GLOBAL MARINE ENERGY

In terms of acquisition-led growth, 2012 saw the acquisition of 100% of Global Marine Systems Energy Ltd. (GME) from Global Marine Systems Ltd. (GMSL), at a price of approximately Euro 52 million.

GME is a British company active in the installation of submarine power cables and systems, whose strategic assets include a new cable ship, and which offers high value-added services for the installation of submarine power lines, ranging from project management to cable laying, jointing and protection. GME has particular expertise in offshore wind farm connections and is currently involved in several major projects underway in the North Sea.

This acquisition is in line with the Group's strategy of focusing investments to achieve growth in higher value-added businesses. The expansion of submarine power cable installation capability allows Prysmian to have tighter control over the supply chain by insourcing part of the work previously not done directly, such as inter-array cable installation between turbines. The Group's goal is to present itself more and more as a partner capable of offering turnkey products and services, in anticipation of a growing need by utility and contractor/developer customers.

MILESTONE



REFERENCE SCENARIO

MACROECONOMIC SCENARIO

Despite a general stabilisation, the global economy remained weak in 2012. Growth estimates have been gradually revised down, with an upturn in global expansion only expected in 2014.

The macroeconomic environment was weak in 2012, causing a general slowdown in most of the world economies and some countries, especially in Europe, to enter into recession.
In particular, economic activity in the first part of the year continued to expand at a sluggish pace, continuing the downward trend already seen in the second half of 2011 with stagnation in Europe and a gradual diminution in emerging-market growth. The macroeconomic environment deteriorated further in the second and third quarters of 2012, reflecting a weakening in economic activities in both advanced and emerging markets as well as uncertainties over fiscal policy in the United States, over the evolution of demand in BRIC nations and developments in the Eurozone sovereign debt crisis. Investor concerns about the political situation in Greece and instability of the Spanish banking system have been augmented by the difficulty displayed by European governments in finding a system of shared governance to address the crisis in Europe. This uncertainty has led to a further reduction in industrial production and investment in many countries. The risks to the global economy eased slightly in the latter part of the year following the agreement reached in the United States to avoid the possible negative effects of the fiscal cliff and the lessening of financial tensions in the Eurozone thanks to the measures taken by central banks to support the banking system. However, despite general stabilisation in the macroeconomic environment, the dynamics of the global economy have remained generally weak, with unemployment rates still high in many developed economies and industrial production stagnant or declining in several others. The forecasts for global trade growth in 2013 have been gradually revised down, with world output only expected to strengthen more significantly in 2014.
Overall, despite the complex political and macroeconomic scenario, global demand in 2012 nonetheless reported an increase: in fact, global GDP grew by +3.2%* on the previous year (compared with 2011 growth of +3.9%* on 2010), driven by

* Source: IMF, World Economic Outlook Update - January 2013

the significant growth achieved by Asia's emerging economies (China +7.8%*, ASEAN 5 - Indonesia /Malaysia/Philippines/ Thailand/Vietnam +5.7%*).
China, in particular, has confirmed a high but lower growth rate than in the past (+7.8%* versus +9.3%* in 2011 and +10.4%* in 2010), reflecting the slowdown in demand global as well as some difficulties in its internal market, in particular a downturn in the construction sector.
In the United States government stimulus packages have helped support the recovery in demand (GDP 2012 +2.3%*) and have led to a gradual decline in the unemployment rate. In addition, confirmation of the incumbent President Obama in the presidential election in November and the subsequent agreement on the fiscal cliff reached between Republicans and Democrats have produced a further easing of market tensions.
In contrast, Europe has seen a rapid deterioration in economic activity as a result of prolonged uncertainties in the Eurozone (GDP 2012 -0.4%* compared with +1.4%* in 2011). In fact, the downturn has been further exacerbated by the introduction of deficit-cutting measures in several Eurozone countries (for example, Greece, Portugal, Spain, Italy and France), involving not only reductions in spending but also higher taxes.

CABLE INDUSTRY CONTEXT

Growth in higher value-added businesses: submarine, high voltage underground cables and cables used in the oil industry. Global growth also for the optical fibre market.

The world cable market experienced a slowing in growth in 2012, reflecting the uncertainty of the macroeconomic environment and the reduction in investments primarily in Europe. However, there were major differences within the industry both geographically and between the various market segments.
In geographical terms, the scant increase in global cable demand was driven by high-growth regions, such as the Middle East, Asia and, albeit to a lesser extent, South America. In fact, these regions saw continued investment to expand and upgrade infrastructure and buildings in response to growing demand by both industrial operators and local communities. In the United States, the current economic recovery, supported by government incentives for economic growth, generated a moderate growth in demand. Lastly, in Europe the recessionary scenario and debt crisis in several EU countries further exacerbated not only the construction market but also infrastructure investment and energy consumption, resulting in a general reduction in demand for energy cables and systems.
Even the various market segments displayed great diversity in 2012. On the one hand, there was a growth in higher value-added businesses, such as high and extra high voltage submarine cable connections for Europe's offshore wind farms, high voltage underground cables and cables used in the oil industry, whose major players increased their investments on the previous year, on the strength of the high average price of Brent crude, which topped USD 110 per barrel in 2012. Even the optical fibre cable market increased globally, albeit with significant differences between geographic areas: in fact, demand increased in high-growth markets such as China, whose market at the end of 2012 accounted for about half of the global market for optical cables, while it decreased in more developed markets such as France and the United States, due to the ending of government incentives. On the other hand, there was stable or declining demand for power distribution cables, especially in Europe, and for building wires, in line with the general slowdown of this market especially in some countries (Spain, Italy, UK). Lastly, demand for copper telecom cables continued to fall, in line with the trend since 2004 to the benefit of optical fibre cables.

* Source: IMF, World Economic Outlook Update - January 2013

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	2012	2011 (*)	% Change	2010
Sales	7,848	7,583	3.5%	4,571
Adjusted EBITDA	**647**	**568**	**13.9%**	**387**
% of sales	8.2%	7.5%		8.5%
EBITDA	**546**	**269**	**102.7%**	**365**
% of sales	7.0%	3.4%		8.0%
Fair value change in metal derivatives	14	(62)		28
Remeasurement of minority put option liability	7	(1)		13
Fair value stock options	(17)	(7)		-
Amortisation, depreciation and impairment	(188)	(180)	4,3%	(99)
Operating income	**362**	**19**	**n.a**	**307**
% of sales	4.6%	0.3%		6.7%
Net finance income/(costs)	(135)	(129)		(96)
Share of income from investments in associates and dividends from other companies	17	9		2
Profit/(loss) before taxes	**244**	**(101)**	**n.a**	**213**
% of sales	3.1%	-1.3%		4.7%
Taxes	(73)	(44)	68.0%	(63)
Net profit/(loss) for the year	**171**	**(145)**	**n.a**	**150**
% of sales	2.2%	-1.9%		3.3%
Attributable to:				
Owners of the parent	168	(136)		148
Non-controlling interests	3	(9)		2

RECONCILIATION OF OPERATING INCOME / EBITDA TO ADJUSTED OPERATING INCOME / ADJUSTED EBITDA

Operating income (A)	**362**	**19**	**n.a**	**307**
EBITDA (B)	**546**	**269**	**102.7%**	**365**
Non-recurring expenses/(income):				
Company reorganisation	74	56		11
Antitrust	1	205		5
Draka integration costs	9	12		-
Tax inspections	3	-		(2)
Environmental remediation and other costs	3	5		1
Italian pensions reform	1	-		-
Other non-recurring expenses	13	-		1
Draka acquisition costs	-	6		6
Effects of Draka change of control	-	2		-
Release of Draka inventory step-up	-	14		-
Gains on disposal of assets held for sale	(3)	(1)		-
Total non-recurring expenses/(income) (C)	**101**	**299**		**22**
Fair value change in metal derivatives (D)	(14)	62		(28)
Fair value stock options (E)	17	7		-
Remeasurement of minority put option liability (F)	(7)	1		(13)
Impairment of assets (G)	24	38		21
Adjusted operating income (A+C+D+E+F+G)	**483**	**426**	**13.1%**	**309**
Adjusted EBITDA (B+C)	**647**	**568**	**13.9%**	**387**

(*) Includes the Draka Group's results for the period 1 March – 31 December 2011.

(in milions of Euro)

	2012	2011(**)	Pro-forma			% Change
		Prysmian	Draka	Adjustments	Total	
Sales	**7,848**	**5,363**	**2,669**	**(59)**	**7,973**	-1.6%
Adjusted EBITDA	**647**	**419**	**167**	**-**	**586**	10.4%
% of sales	8.2%	7.8%	6.3%		7.3%	
Adjusted operating income	**483**	**342**	**107**	**(14)**	**435**	11.1%
% of sales	6.2%	6.4%	4.0%		5.5%	

(**) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

In accordance with the integration process, started in 2011, as from 2012 the Group's results are being analysed as a whole (without distinguishing any more between the two Prysmian and Draka groups). The figures for full year 2012 are compared with those from the consolidated financial statements at 31 December 2011, and, in the case of the key performance indicators, with those presented on a pro-forma basis in which Draka's results are reported as if they had been consolidated from 1 January 2011.

The Prysmian Group's sales in 2012 came to Euro 7,848 million, compared with Euro 7,583 million at 31 December 2011.

The increase of Euro 265 million (+3.5%) is mostly attributable to the consolidation of the Draka Group's 2011 results from 1 March 2011 (sales in the first two months of that year were equal to Euro 390 million).
However, sales for 2012 were down on the 2011 pro-forma figure of Euro 7,973 million, reporting a decrease of Euro 125 million (-1.6%).
Assuming a consistent group perimeter and excluding changes in metal prices and exchange rates, the organic change in sales was negative (-1.8%), analysed between the two operating segments as follows:

- Energy -1.4%;
- Telecom -3.5%.

The above organic change in sales excludes for the Telecom segment, the consolidation of the remaining 50% of Telcon Fios e Cabos para Telecomuniçaoes S.A. for the period 1 April – 31 December 2012, and for the Energy segment, both the consolidation of the results of Global Marine Systems Ltd in the period November - December 2012 and the effect of not consolidating the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East) for the second, third and fourth quarters of 2012. It has been impossible for the Prysmian Group to be able to obtain reliable, updated financial information about these last two companies since the second quarter of 2012; as a result, the consolidation includes their figures only up until 31 March 2012.

The Energy segment managed to almost entirely make up for the contraction in volumes in the Trade & Installers and Power Distribution businesses reported in Central and South European markets, thanks to major international submarine projects and the recovery in demand in North and South America. The Telecom segment suffered a setback in demand for its optical fibre cables business, particularly in the second half of the year, due to a downturn reported in the American continent that neutralised the positive trend in the first few months of the year.

Group Adjusted EBITDA (before Euro 101 million in non-recurring expenses) came to Euro 647 million, posting an increase of Euro 79 million (+13.9%) on the corresponding figure at 31 December 2011 of Euro 568 million, and an increase of Euro 61 million (+10.4%) on the 2011 pro-forma figure. The change against pro-forma reflects increased contributions by both the Energy and Telecom segments, partly due to targeted actions to rationalise and contain fixed costs.

INCOME STATEMENT

The net result for 2012 was a profit of Euro 171 million, versus a consolidated loss of Euro 145 million at 31 December 2011.

The Group's sales came to Euro 7,848 million at the end of 2012, compared with Euro 7,583 million at 31 December 2011, posting a positive change of Euro 265 million (+3.5%). Compared with the pro-forma figure of Euro 7,973 million, the Group's sales posted a negative change of Euro 125 million (-1.6%).

This decrease was due to the following factors:

- positive exchange rate effects of Euro 177 million (+2.2%);
- negative change of Euro 159 million (-2.0%) in sales prices due to fluctuations in metal prices (copper, aluminium and lead);
- positive change of Euro 46 million (+0.6%) for the line-by-line consolidation of Telcon Fios e Cabos para Telecomuniçaoes S.A. starting from the second quarter;
- positive change of Euro 6 million (+0.1%) for the consolidation of Global Marine Systems Ltd as from November 2012;
- negative change of Euro 54 million (-0.7%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated) since 1 April 2012;
- organic decrease in sales of Euro 141 million (-1.8%).

Despite the organic decrease in sales, reflecting uncertainties in European markets throughout the period that intensified in the second half of the year, the strategic validity of the Draka Group's acquisition and integration is nonetheless confirmed. The enlargement of the Group's perimeter has made it possible to improve the geographical distribution of sales, in favour of markets in Northern Europe, North America and Asia in general, as well as to extend the product range offered. This has allowed the Group to offset the steep decline in demand in Southern Europe and in lower value-added businesses, like Trade & Installers and Power Distribution. The efforts to improve customer service, combined with technological innovation, quality improvements and increased flexibility of production in its high value-added businesses (High Voltage, Submarine, Industrial Cables) have allowed the Group to quickly take advantage of market opportunities, in conditions of extremely tough competition.

Adjusted EBITDA amounted to Euro 647 million, up 13.9% from Euro 568 million in the prior year equivalent period and up 10.4% from the pro-forma figure of Euro 586 million at 31 December 2011. The like-for-like increase is attributable to positive performances, particularly by the Telecom segment and by the Energy segment's Industrial business area and

Submarine business line within the Utilities business area, and to the Group's ability to reduce its cost structure, thanks to the contribution of synergies from integrating the Draka Group.

EBITDA includes Euro 101 million in non-recurring expenses (Euro 299 million at 31 December 2011), mainly attributable to the following factors:

- Euro 74 million in costs for reorganisation projects and to improve the Group's industrial efficiency;
- Euro 9 million in costs associated with the Draka Group's integration process;
- Euro 1 million in costs connected with the Antitrust investigations;
- Euro 13 million in other non-recurring expenses.

Amortisation, depreciation and impairment totalling Euro 188 million was Euro 8 million higher than the year before. Impairment losses include Euro 11 million in relation to plant and machinery in the Energy segment's Spain and Russia CGUs, and Euro 13 million in relation to land, buildings, plant and machinery at production facilities undergoing restructuring (mainly Eschwelier and Wuppertal).

Other expenses reflect Euro 17 million for the cost of the fair value of stock options linked to the incentive plan approved by the Parent Company's shareholders, and Euro 7 million in income from remeasuring the liability for put options granted to certain minority shareholders.

Group operating income was a positive Euro 362 million at 31 December 2012, compared with a positive Euro 19 million at the end of the prior year, marking an improvement of Euro 343 million.

Net finance costs, inclusive of the share of income/(loss) from associates and dividends from other companies, were Euro 118 million at the end of 2012, slightly below the consolidated figure of Euro 120 million (-1.7%) at 31 December 2011.

Taxes of Euro 73 million accounted for around 30% of pre-tax profit.

The net result for 2012 was a profit of Euro 171 million, compared with a consolidated loss of Euro 145 million at 31 December 2011.

Adjusted net profit[1] was Euro 282 million, compared with Euro 231 million in the prior year.

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

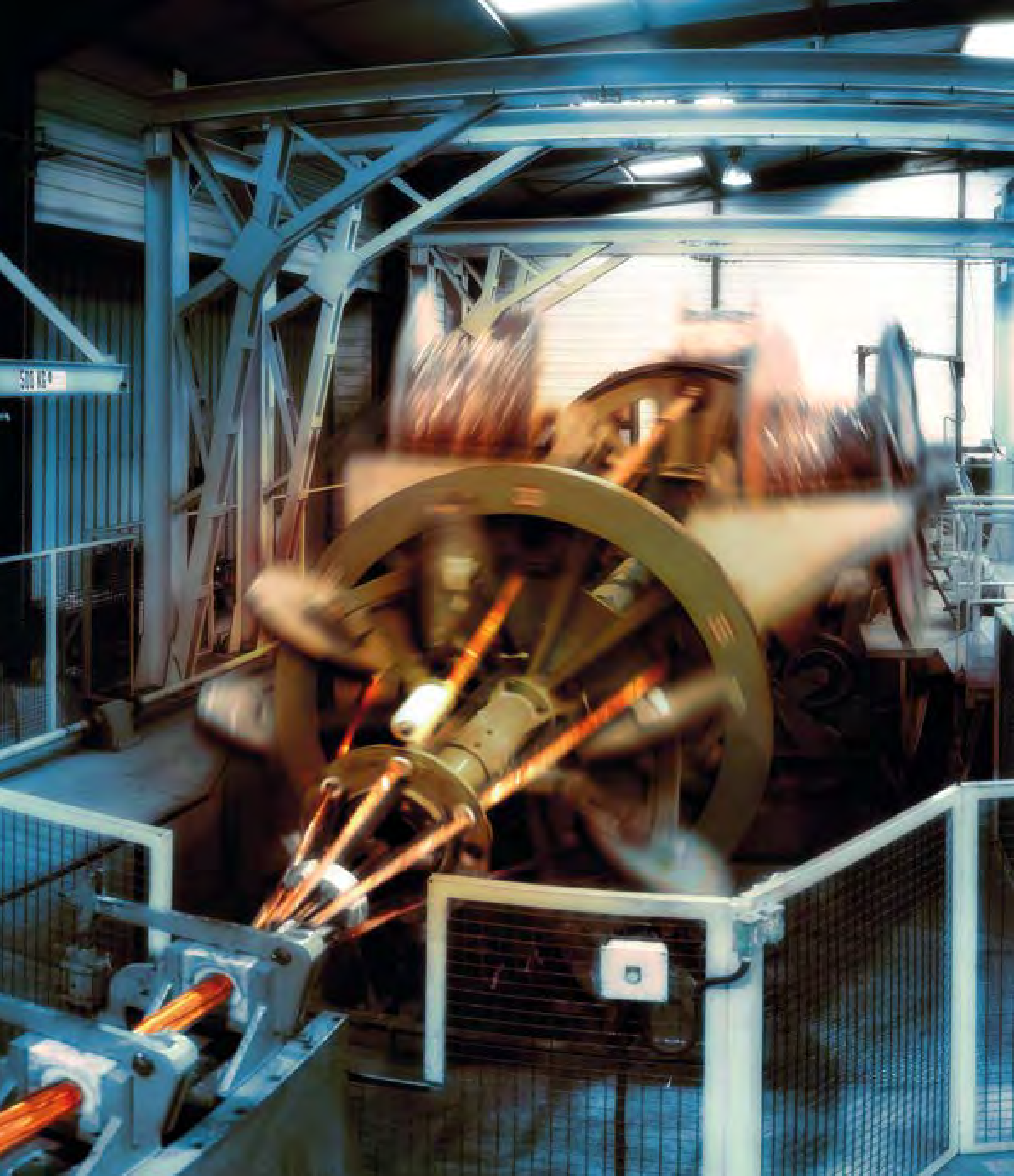
SEGMENT PERFORMANCE ENERGY BUSINESS

Fabio Romeo
Executive Vice President
Energy Business

What are the strengths of the Energy business that have allowed market leadership to be maintained?
Our performance is linked to a policy of industrial efficiency and the continuous drive to achieve adequate geographical coverage. In Europe, our prime focus has been on large customers and more innovative products, through implementing policies to rationalise product portfolios and improving customer relationships by offering efficient, comprehensive services; this approach is undoubtedly a basis for maintaining our competitive position. We follow market evolution very carefully, especially that of the high value-added markets that guarantee us greater profitability.

In what way does the Utilities business contribute to the Group's economic performance?
The improvement in sales and profitability by the Utilities business is mainly thanks to submarine cables and high voltage underground cables. Underground cable demand reported a positive trend in North America towards the end of the year. Regions with growing infrastructure needs such as Russia, China and the Middle East have also reported a satisfactory level of demand even if accompanied by stiffer competition. Our leadership is also confirmed in the submarine cables and systems segment with the start of new large-scale projects and the record level of the order book.

How are you addressing the growing development of the renewable energy sector?
The pace of renewable energy development in Europe has slowed following reductions in incentives in most countries. We expect the market in North America to recover thanks to the renewal of stimulus plans. Wind energy infrastructure continues to be developed apace in North European seas, with the installation of interconnectors from offshore wind farms to national transmission grids. We are confident about the future level of investments and our commitment will be confirmed in 2013 with the implementation of new projects involving offshore wind farms in Germany and the United Kingdom.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ENERGY BUSINESS

Sales were generally stable while profitability has increased.

(in millions of Euro)

	2012	2011 (*)	% Change	2010
Sales to third parties	6,382	6,268	1.8%	4,121
Adjusted EBITDA	**487**	**447**	**8.9%**	**351**
% of sales	7.6%	7.1%		8.5%
EBITDA	**417**	**186**	**124.2%**	**339**
% of sales	6.5%	2.9%		8.2%
Amortisation and depreciation	(108)	(99)	9.4%	(71)
Adjusted operating income	**379**	**348**	**8.8%**	**280**
% of sales	5.9%	5.5%		6.8%
RECONCILIATION OF EBITDA TO ADJUSTED EBITDA				
EBITDA (A)	**417**	**186**	**124.2%**	**339**
Non-recurring expenses/(income):				
Company reorganisation	53	42		10
Antitrust	1	205		3
Draka integration costs	4	2		-
Tax inspections	1	-		(2)
Environmental remediation and other costs	3	5		1
Italian pensions reform	1	-		-
Other non-recurring expenses	10	-		-
Release of Draka inventory step-up	-	8		-
Gains on disposal of assets held for sale	(3)	(1)		-
Total non-recurring expenses/(income) (B)	**70**	**261**		**12**
Adjusted EBITDA (A+B)	**487**	**447**	**8.9%**	**351**

(*) Includes the Draka Group's results for the period 1 March – 31 December 2011.

(in milions of Euro)

	2012	2011(**) Pro-forma				% Change
		Prysmian	Draka	Adjustments	Total	
Sales to third parties	6,382	4,829	1,758	(45)	6,542	-2.4%
Adjusted EBITDA	**487**	**373**	**85**	**-**	**458**	**6.3%**
% of sales	7.6%	7.7%	4.8%		6.9%	
Adjusted operating income	**379**	**304**	**52**	**(2)**	**354**	**7.0%**
% of sales	5.9%	6.2%	2.8%		5.3%	

(**) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

Sales to third parties by the Energy segment amounted to Euro 6,382 million at the end of 2012, compared with Euro 6,268 million at 31 December 2011, posting an increase of Euro 114 million (+1.8%). Compared with the pro-forma figure of Euro 6,542 million, Energy sales to third parties posted a decrease of Euro 160 million (-2.4%).

This negative change is attributable to the following principal factors:

- negative change of Euro 154 million (-2.3%) in sales prices due to fluctuations in metal prices;
- negative change of Euro 54 million (-0.8%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated) for the period 1 April – 31 December 2012;
- positive change of Euro 6 million (+0.1%) due to consolidation of Global Marine Systems Ltd starting from 15 November 2012;
- organic decrease in sales of Euro 91 million (-1.4%);
- positive exchange rate effects of Euro 133 million (+2.0%).

Adjusted EBITDA came to Euro 487 million at 31 December 2012, posting an increase of Euro 40 million (+8.9%) on the corresponding figure of Euro 447 million at the end of 2011, and an increase of Euro 29 million (+6.3%) on the 2011 pro-forma figure.

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

The results of each business area are compared with the pro-forma figures for full year 2011. Some reclassifications have been made to the pro-forma figures within each business area in order to make them fully comparable with the 2012 figures. Given the limited usefulness and lack of significance for comparative purposes, it has been decided not to present the consolidated figures by business area for full year 2011 (which included Draka for only the period March-December).

UTILITIES

(in millions of Euro)

	2012	2011 (*) Pro-forma	% Change	% Organic sales change	2010
Sales to third parties	2,287	2,318	-1.3%	1.1%	1,790
Adjusted EBITDA	**270**	**264**			**250**
% of sales	11.8%	11.4%			14.0%
Adjusted operating income	**234**	**238**			**215**
% of sales	10.2%	10.3%			12.0

(*) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

The Utilities business area encompasses the Prysmian Group's Energy segment activities involving the engineering, production and installation of cables and accessories for power transmission and distribution, both at power stations and within primary and secondary distribution grids.
The following business lines can be identified within the Utilities business area:

Power transmission systems (High Voltage)
Prysmian Group engineers, produces and installs high and extra high voltage cables for electricity transmission both from power stations and within transmission and primary distribution grids. This business line mainly focuses on providing turnkey solutions tailored to meet customer specifications. Products include cables insulated with oil or fluid-impregnated paper for voltages up to 1100 kV and extruded polymer insulated cables for voltages below 500 kV. The products are highly customised and high-tech. This business line provides its customers with installation and post-installation services, as well as grid management and maintenance services, including grid performance monitoring, grid cable repair and maintenance, and emergency services, such as reinstatement of service following damage.

Submarine power transmission and distribution systems (Submarine)
Prysmian Group engineers, produces and installs turnkey submarine power transmission and distribution systems. The Group has used specific submarine power transmission and distribution technology to develop cables and accessories featuring its exclusive proprietary technology for installation at depths of up to 2,000 metres. These cables offer different types of insulation: cables insulated with oil or fluid-impregnated paper for transmission of up to 500 kV in direct and alternating current; extruded polymer insulated cables for transmission of up to 400 kV in alternating current and up to 300 kV in direct current. Installation, engineering and other services are of particular importance in this business, with the Group able to offer quality solutions that satisfy the strictest international standards (SATS/IEEE, IEC, NEK). In particular, as far as installation is concerned, Prysmian Group can offer the services of the "Giulio Verne", one of the largest and most technologically advanced cable-laying vessels in the world, and of the "Cable Enterprise", a vessel mainly serving offshore wind farm installations.

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

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

MARKET OVERVIEW

Contraction in energy demand in the first three quarters of the year accentuated geographical differences and competitive pressures

During 2012, the markets in which the Prysmian Group's Utilities business area operates confirmed and in many cases amplified the signs of uncertainty already appearing in the second half of 2011. Both the power distribution and generation markets experienced a decline in demand during the first nine months of the year and stability in the fourth quarter, with competitive pressures and differences between the various geographical areas becoming even greater in the last three months of the year.
Activities in the High Voltage market - traditionally highly international both in terms of demand and supply - were particularly affected by the global macroeconomic environment and generally slowed compared with the prior year.

Faced with general uncertainty about future energy consumption and access to funding, the largest Utilities, particularly in Europe and North America, adopted an extremely cautious approach to new investment projects. Industry demand was therefore limited to rationalisation and/or maintenance projects - to improve efficiency and reduce energy generation costs - in Europe, and North and South America, or to the extension or completion of major initiatives in the Middle East. Utilities in growing economies, like China and India, became more and more demanding on the price front, not only due to an increasing number of competitors but also because of the need to limit financial exposure in the face of uncertain investment returns.

With reference to the Submarine cables business line, demand rose in 2012 thanks to investments by Utilities to build new offshore wind farms and commence major new interconnection projects.
Although this trend was particularly evident in parts of the world, such as North Europe, the Arab Emirates and emerging countries in Southeast Asia, where demand for energy has grown over the past two years, new initiatives also emerged in areas most affected by the financial crisis, like the Mediterranean, thanks to infrastructure upgrade projects.

Demand in the Power Distribution business line generally contracted throughout the period, interrupting the upward trend in volumes initiated in the prior year.

Energy consumption in the major European countries declined in the second half of the year, adversely affecting demand by the major Utilities. The latter have maintained an extremely cautious approach in view of the difficulties in forecasting future growth, or else they have concentrated on restructuring to improve efficiency and reduce costs of supply. The competitive environment in terms of price and mix has remained challenging almost everywhere.

In contrast, markets in North America showed slight signs of a recovery during 2012, after a three-year period during which operators had reduced work on grids to the bare minimum.

Likewise, the Brazilian market showed signs of vitality in the first nine months of 2012 and remained largely stable during the quarter just ended. Thanks to growth in domestic energy consumption, demand was up on the prior year, even if accompanied by stiff price competition.

The Network Components market can be broadly divided into products for high and extra high voltage networks and products for medium and low voltage use.
As regards the former business line, demand was affected, especially in the two central quarters of the year, by the contraction in the High Voltage sector, linked to the type of investment projects by the major Utilities. Instead, demand was stable or slightly higher for submarine accessories, as a direct consequence of projects currently in progress around the world. The Utilities' growing focus on price and the challenging competitive environment in the high voltage cables market partially spilled over into the Network Components market.
The market for medium and low voltage accessories confirmed the positive trend in volumes initiated in the prior year, despite the decrease in demand in the Power Distribution business line. The positive trend reflects the fact that these products are normally used in ordinary maintenance of secondary distribution grids, and are essential for ensuring normal power supply.

FINANCIAL PERFORMANCE

Positive second-half sales trend with increased profitability due to fourth-quarter performance.

Sales to third parties by the Utilities business area amounted to Euro 2,287 million at 31 December 2012, compared with Euro 2,318 million pro-forma at the end of 2011, posting a negative change of Euro 31 million (-1.3%) due to the combined effect of the following main factors:

- negative change of Euro 52 million (-2.2%) in sales prices due to fluctuations in metal prices;
- negative change of Euro 54 million (-2.3%) due to non-consolidation of the sales of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated) since 1 April 2012;
- positive change of Euro 6 million (+0.2%) due to consolidation of Global Marine Systems Ltd since 15 November 2012;
- organic sales growth of Euro 27 million (+1.1%);
- positive exchange rate effects of Euro 42 million (+1.9%).

The organic growth occurring since the third quarter of 2012 made it possible to absorb the negative result recorded in the first half, and benefited every sector, except for Power Distribution. The most significant contribution came from the Submarine cables business line, thanks to the start of the Westernlink project, and from the High Voltage business line. Power Distribution sales in North and South America stabilised after a first-half recovery.

Despite having suffered from a drop in demand on European markets in the first six months of the year, the High Voltage business line's sales performance benefited from a second-half trend reversal. This was thanks to the speed with which Prysmian was able to respond to demand not only in markets with growing energy infrastructure requirements such as China, Russia and the Middle East, but also in respect of projects for European utilities (in particular Tennet, Terna, EDF, UK National Grid). The order book corresponds to about 12 months of sales and is stable compared with the level reached in the third quarter of the year.

The Network Components business line reported increased sales of medium and low voltage accessories on the major European domestic markets and in North America, thanks to demand generated by scheduled grid maintenance work and to increased production capacity at the French plants, allowing faster response to customer requests. The decline in demand in the High Voltage sector penalised sales of high voltage accessories until the third quarter. After a slight first-half increase, even sales on the Chinese market stabilised in the second half, primarily due to stiff price competition.

Sales by the Submarine business line increased on the prior year, in line with forecasts for the major projects acquired. The larger projects on which work was performed during the period were Messina II (Italy), the Borwin 2, Helwin 1 and Sylwin offshore wind farm projects in Germany, as well as the Westernlink project in the United Kingdom, work on which started during the third quarter.
The value of the Group's order book reached a record level of Euro 1,900 million at the end of the year, providing sales visibility for a period of three years. This increase is attributable to work on short-distance connections and/or repairs (Alaska, Penang), the new contract for the Dardanelles power line in Turkey and new contracts for offshore wind farm connections. In order to satisfy the latter contracts, investments have been made to expand production capacity at the plant in Finland, already operational at the end of 2011, while additional investments have been planned at the Arco Felice plant in Italy.

Adjusted EBITDA of the Utilities business area went from Euro 264 million pro-forma at 31 December 2011 to Euro 270 million at the end of 2012 (+2.3%). The recovery in this result was achieved in the last quarter thanks to the contribution of the high value-added business lines (High Voltage and Submarine) which absorbed the negative effects of lower volumes for Power Distribution and of persistent competitive pressures in all the Group's markets of operation.

UNDERGROUND CONNECTIONS IN THE MEDITERRANEAN

During the course of 2012, the Group acquired new projects for high voltage underground cable systems in the Mediterranean.

Aiming to play a major role in the reconstruction of Libya, particularly for energy and telecommunication infrastructure and networks, the Group has secured a contract worth more than Euro 50 million to supply 203 km of 220 kV high voltage AC cable and related network components to upgrade the electricity grids operated by GECOL (General Electric Company of Libya) in Tripoli and Benghazi. The project, scheduled to be completed in 2013, also includes the supply of optical cables for grid monitoring.

Prysmian has also been awarded a contract by the utility company EneMalta for the construction of two cable circuits that will connect the Mosta, Kappara and Marsa substations, in the island's capital city of Valletta. The link is the first phase in the restructuring of the island's electricity grid. It is a "turnkey" project for which the Group will use cables produced at its plants in Pignataro and Gron, and accessories produced at the plant in Livorno. The cables produced at the Pignataro plant will be the first using the recently installed production line for the application of a "welded aluminium" sheath.

TRADE & INSTALLERS

During 2012 the range of products and services was further extended and specialised.

(in milions of Euro)

	2012	2011 (*) Pro-forma	% Change	% Organic sales change	2010
Sales to third parties	2,159	2,233	-3.3%	-2.6%	1,465
Adjusted EBITDA	**77**	**73**			**36**
% of sales	3.6%	3.3%			2.4%
Adjusted operating income	**49**	**35**			**20**
% of sales	2.3%	1.6%			1.4%

(*) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

The Prysmian Group produces a comprehensive range of rigid and flexible low voltage cables for distributing power to and within residential and non-residential buildings in compliance with international standards.
Product development and innovation particularly focuses on high performance cables, such as Fire-Resistant cables and Low Smoke zero Halogen (LSOH) cables, which are used in all those applications where safety must be guaranteed. In fact, 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.

During the past year the range of products and services has been further extended and specialised with the addition of cables for infrastructure such as airports, ports and railway stations.

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

MARKET OVERVIEW

Differing performance of reference markets, affected by credit restrictions in some European countries.

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.

Construction industry demand, already depressed in 2011, declined even more in Central and Southern Europe during 2012, while remaining generally stable in Northern and Eastern Europe.
Throughout the year, persistent uncertainty about future prospects for the construction industry prevailed over the positive effects of stable metal and commodity prices; as a result, the largest industry players continued to maintain minimum stocks and constant pressure on sales prices.

In Europe, countries like Spain and Italy particularly suffered because of the negative impact on the property market of their tough restrictions on bank credit.

Following rising demand for products for infrastructure projects in the first six months of the year, markets in North America remained stable in the second half of the year mainly due to the US presidential election and expectations concerning energy-efficient construction incentives.

Even in the last quarter of the year, markets in South America confirmed slightly higher volumes, driven by the industrial and residential construction sectors.


Prysmian Group

FINANCIAL PERFORMANCE

Market share defended in Europe, growing demand in North America benefits first half of the year, increases in South America benefit the second half.

Sales to third parties by the Trade & Installers business area amounted to Euro 2,159 million at 31 December 2012, compared with Euro 2,233 million pro-forma at the end of 2011, posting a negative change of Euro 74 million (-3.3%) due to the combined effect of the following main factors:

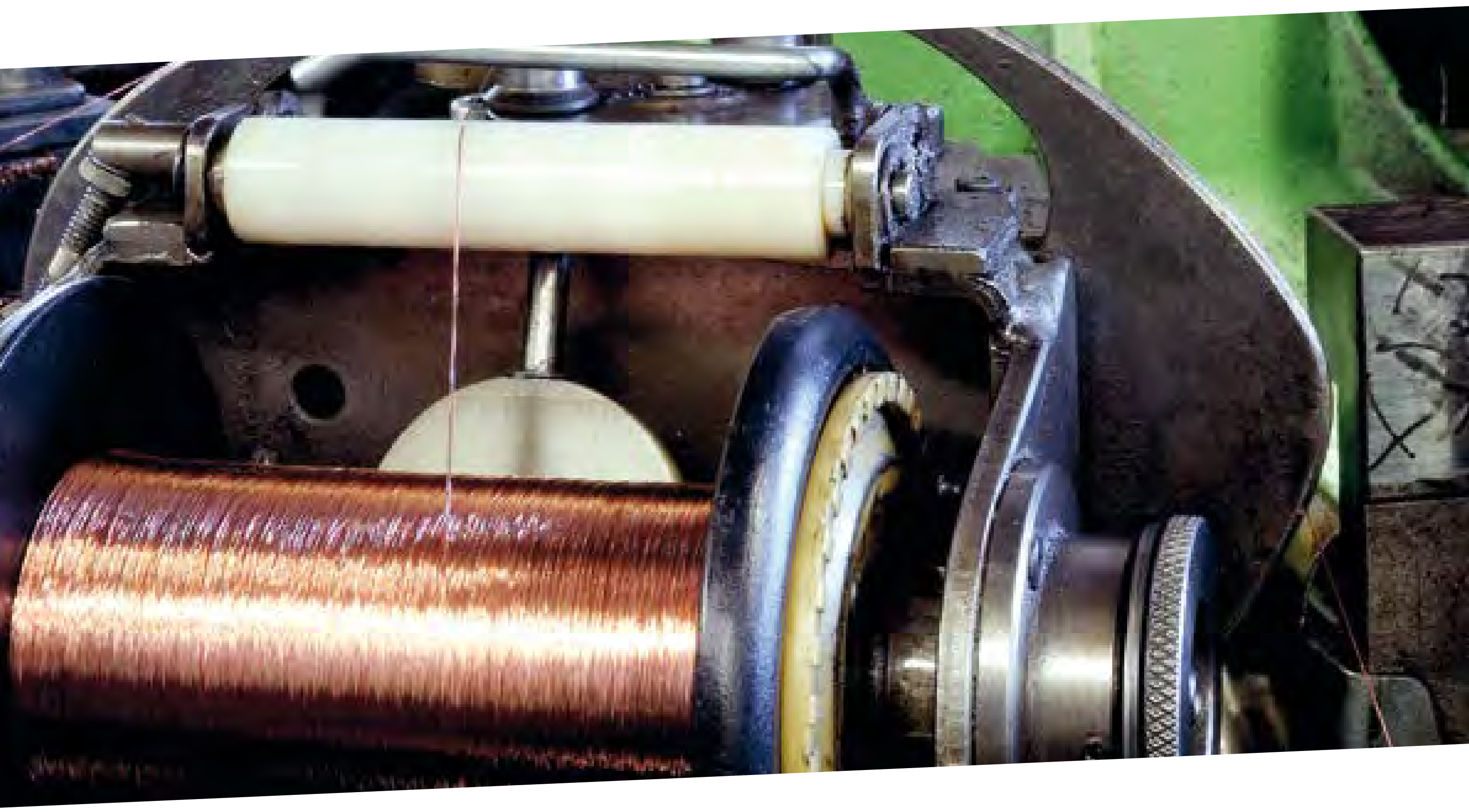
- negative change of Euro 54 million (-2.4%) in sales prices due to fluctuations in metal prices;
- organic decrease in sales of Euro 57 million (-2.6%), with the general downturn in Europe's Mediterranean countries not entirely offset by the recovery in volumes in North and South America;
- positive exchange rate effects of Euro 37 million (+1.7%).

During 2012, Prysmian Group generally defended its market share in the major European markets not only by pursuing a strategy focused on commercial relationships with top international customers, but also by engaging in tactical actions to avoid losing sales opportunities. During the second half of 2012, Prysmian pursued its commercial strategy even more selectively so as to avoid those product segments most susceptible to price pressures, not only by directing its product mix to products for "safety of people and property" (Fire resistant/LSOH), but also by accepting a slight reduction of its share in zero or low-margin markets.
This allowed it to mitigate the decline in profitability, in the presence of initially descending and then more stable metal prices.

In North America, Prysmian Group was able to benefit from the first-half uptrend in demand after completing activities to rationalise its Canadian production site in Prescott and make it more efficient.

Despite tough price competition in the industrial and commercial construction sectors, Prysmian Group increased its market share in South America in the last two quarters thanks to its wide product range.

Thanks to the combined factors described above and the actions to improve industrial efficiency, adjusted EBITDA increased by Euro 4 million (+5.5%) on the prior year to Euro 77 million, despite the market downturn in Southern Europe.



FP TECHNOLOGY IN THE WORLD'S MOST IMPORTANT BUILDINGS

As far as the building wires market is concerned, the Trade & Installers business unit worked on numerous major international projects over the course of 2012. Among the major contracts, the Group has supplied high-tech power cables for the new Macau Taipa ferry terminal in Macao (China), a strategically important infrastructure for shipping routes in the Guangdong area which includes the ports of Macao, Hong Kong and Zhuhai. The contract involves the design, manufacture, installation, and commissioning of special fire-resistant cables, in collaboration with BBC Cable Engineering, a local and very experienced partner in the area.

In Sweden the Group has supplied around 500 km of halogen-free cables for the power, telecommunication and lighting systems of Tele2 Arena, the new, ultra-modern, multi-purpose stadium in Stockholm, after being selected for its frontline technology capable of guaranteeing safety and environmental standards.

Several projects have also been completed in the United Kingdom. These include the supply of Afumex LSX™, FP Plus™ and FP200 Gol® cables for the fire protection system at the famous Old Trafford Cricket Ground in Manchester and for improving safety at the Royal Hospital in Bolton, Lancashire.

INDUSTRIAL

Highly customised solutions in all segments.

(in milions of Euro)

	2012	2011 (*) Pro-forma	% Change	% Organic sales change	2010
Sales to third parties	1,801	1,824	-1.3%	-1.5%	742
Adjusted EBITDA	**139**	**116**			**61**
% of sales	7.7%	6.4%			8.3%
Adjusted operating income	**99**	**79**			**42**
% of sales	5.5%	4.3%			5.7%

(*) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures

The extensive product range, developed specifically for the Industrial market, stands out for the highly customised nature of the solutions offered. These products serve a broad range of industries, including Oil & Gas, Transport, Infrastructure, Mining and Renewable Energy. Prysmian Group offers integrated, high value-added cabling solutions to its customers, who include world-leading industrial groups and OEMs (Original Equipment Manufacturers), such as ABB, AKER, Alstom, SNCF, Petrobras, Peugeot-Citroen, Renault and Siemens.
The continuous specialisation of products and solutions allows them to be customised for specific fields of application, including use in the renewable energy sector, in the chemicals, transportation, aviation and aerospace industries, as well as in elevators.

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

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

MARKET OVERVIEW

Smaller but more technologically complex projects, with tougher demands regarding quality and after-sales service.

Markets for industrial cables were generally stable or growing in the first nine months of 2012, while differences within the various business lines and between the various geographical areas widened in the last quarter.

All sectors of this business area experienced more fragmented and erratic demand, concentrated on smaller scale but technologically more complex projects than in the past, accompanied by tougher demands regarding quality and after-sales service.

In fact, while some market sectors, like Oil & Gas, port infrastructure and renewable energy, reported stable or growing demand, other sectors, such as automotive, saw volumes decline.

The Oil & Gas and port facilities sectors, which had already shown clear signs of recovery from the second half of 2011, reported increased demand, especially in high-growth regions of the world, like South America, the Middle East and the Far East.
During the second half of the year, demand stabilised at the levels reached in the preceding period, even in the more dynamic areas such as Southeast Asia (Malaysia, Indonesia and Singapore) and Australia.

After growing in the first half, the market for oil industry products in Brazil, serving large-scale projects, entered a phase of stability in the second half of 2012.

Within the infrastructure and general transport sector, the major European players adopted a cautious stance because of poor visibility as to when to resume investments and because of recent deficit-cutting policies in the Eurozone's major economies, while other areas of the world had stable demand for cables serving port infrastructure projects.

Despite the restrictive financial policies adopted by the main European governments which have cut special incentives or made access to credit for wind projects more difficult, the renewable energy market was stable in Europe, while confirming an upward trend in other parts of the world. This was thanks to the extension of regulatory measures and investments aimed at generating environmentally sustainable energy in developing countries. In North America, the suspension of wind power incentives led to a sharp drop in demand.

Restrictive financial policies have forced the ending of incentives given in the past two years in support of the automotive industry, leading to a decline in automotive industry volumes in nearly every European country, with the sole exception of Germany. Automotive industry demand in the rest of the world nonetheless remained largely stable relative to the second half of 2011.

FINANCIAL PERFORMANCE

Stable sales and increased profitability thanks to recovery in demand in various parts of the world.

Sales to third parties by the Industrial business area amounted to Euro 1,801 million at 31 December 2012, compared with Euro 1,824 million pro-forma in 2011. The reduction of Euro 23 million (-1.3%) is due to the following factors:

- organic decrease in sales of Euro 27 million (-1.5%), recorded in the last quarter of the year mainly due to a contraction in volumes in the Oil & Gas and Renewables sector;
- positive exchange rate effects of Euro 54 million (+3.0%);
- negative change of Euro 50 million (-2.8%) in sales prices due to fluctuations in metal prices.

In Europe, Prysmian Group focused its commercial efforts on the Oil & Gas industry with products destined for the Norwegian market and for export to the major energy-producing nations, as well as on the Renewables industry with cables for wind and solar applications. This successfully made up for the decline in volumes in the Automotive industry, particularly evident in the French market, and in the rail and civil infrastructure sectors.

Prysmian Group pursued opportunities arising from infrastructure development in the Middle East, a market traditionally served by its European subsidiaries.

The strategy of technological specialisation of the solutions offered boosted elevator market sales in North America, of which the World Trade Center project is the prime example. Similarly, consolidation of the Group's commercial structure in North America made it possible to exploit certain opportunities in the US onshore drilling sector.
During the fourth quarter of the year, the automotive sector was able to respond quickly to market demand in the United States, thanks to investments in the Mexican production facility.

Sales of flexible pipes, manufactured at the new Vila Velha plant and destined for markets in South America, remained stable in the third quarter but declined in the last quarter of the year.

The Asia-Pacific region offered the Group the most attractive growth opportunities in the first half of the year, thanks to recovery of market share in Australia and specific actions to penetrate the Renewables market in China.

Adjusted EBITDA came to Euro 139 million at 31 December 2012, reporting an increase of Euro 23 million (+20%) on the 2011 pro-forma figure, due to a modest recovery in Oil & Gas sector demand in various parts of the world, and to the development of the elevator cables business in North America.

OTHER

(in milions of Euro)

	2012	2011 (*) Pro-forma	2010
Sales to third parties	135	167	124
Adjusted EBITDA	**1**	**5**	**4**
Adjusted operating income	**(3)**	**2**	**3**

(*) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

This business area encompasses occasional sales by Prysmian Group operating units of semi-finished products, raw materials or other products forming part of the production process. These sales are normally linked to local business situations, do not generate high margins and can vary in size from period to period.

AT THE HEART OF NEW YORK'S NEW WORLD TRADE CENTER

Prysmian Group, through its Draka Elevator brand, has been selected for the major project to rebuild the World Trade Center in New York City. The Group will supply high-tech cables and accessories for the construction of the elevators.

The various contracts entail supplying a wide range of cables and related accessories for installation in more than 100 elevators in the complex's four buildings, which will reach a height of over 634 metres. The cables are being used to provide power for elevator buttons, communications and emergency safety devices and more. Some of the cables include fibre optic sub-units, being used for high-speed communications throughout the World Trade Center complex. Prysmian Group has also provided its Extended Factory Model (EFM) programme as a value-added service, which involves the storage of a range of components and materials at a distribution centre capable of making just-in-time delivery to the customer, for incorporation into the relevant equipment and subsequent shipment to the building site.

The high profile of this project confirms the Group's leadership in offering an extensive range of quality elevator products, manufactured worldwide and supported by the necessary expertise to ensure optimal elevator operation.

SEGMENT PERFORMANCE TELECOM BUSINESS

Phil Edwards
Executive Vice President
Telecom Business

How has optical cable demand evolved over 2012?
Demand has slowed in North and South America, reflecting the suspension of government incentives, but we are expecting to see a recovery with the reintroduction of stimulus plans in Brazil. Demand in Europe and China has shown an upward trend for all applications, while future prospects remain positive in Australia thanks to the National Broadband Network project.

What areas of the telecom business received positive market feedback in 2012?
The Multimedia Solutions segment confirmed its competitive position with a growth in profits; this result is definitely linked to our proven commitment to optimising costs and to constantly searching out new markets thanks to a comprehensive, well-diversified product range that allows us to achieve important breakthroughs. Even sales in the OPGW segment enjoyed an upward trend, particularly in Spain, the Middle East and Africa.

What trends do you see for 2013?
We expect demand for optical fibre cables to recover by the second half of the year. In the meantime, our focus continues to be on integrating and rationalising the business, with the goal of achieving efficient cost synergies and consolidation of our position in the segments served.

TELECOM BUSINESS

In the key fibre sector, the Group is in the unique position of being able to use all existing manufacturing processes within its own plants.

(in milions of Euro)

	2012	2011 (*)	% Change	2010
Sales to third parties	1,466	1,315	11.5%	450
Adjusted EBITDA	**160**	**121**	**32.1%**	**36**
% of sales	10.9%	9.1%		7.9%
EBITDA	**138**	**103**	**33.9%**	**36**
% of sales	9.4%	7.7%		7.9%
Amortisation and depreciation	(56)	(43)	31.3%	(7)
Adjusted operating income	**104**	**78**	**33.9%**	**29**
% of sales	7.1%	5.8%		6.3%
RECONCILIATION OF EBITDA TO ADJUSTED EBITDA				
EBITDA (A)	**138**	**103**	**33.9%**	**36**
Non-recurring expenses/(income):				
Company reorganisation	16	12		-
Draka integration costs	1	-		-
Tax inspections	2	-		-
Other non-recurring risks	3	-		-
Release of Draka inventory step-up	-	6		-
Total non-recurring expenses/(income) (B)	**22**	**18**		**-**
Adjusted EBITDA (A+B)	**160**	**121**	**32.1%**	**36**

(in milions of Euro)

	2012	2011(**) Pro-forma				% Change
		Prysmian	Drak	Adjustments	Total	
Sales to third parties	1,466	534	911	(14)	1,431	2.4%
Adjusted EBITDA	**160**	**46**	**82**	**-**	**128**	**24.9%**
% of sales	10.9%	8.5%	8.8%		8.8%	
Adjusted operating income	**104**	**38**	**55**	**(12)**	**81**	**28.9%**
% of sales	7.1%	7.0%	4.6%		5.6%	

(*) Includes the Draka Group's results for the period 1 March – 31 December 2011.
(**) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

As partner to leading telecom operators worldwide, Prysmian Group produces and manufactures a wide range of cable systems and connectivity products used in telecommunication networks. The product portfolio includes optical fibre, optical cables, connectivity components and accessories and copper cables.

Optical fibre

Prysmian Group is a leading manufacturer of the fundamental component of every type of optical cable: optical fibre.
The Group is in the unique position of being able to use all existing manufacturing processes within its plants: MCVD (Modified Chemical Vapour Deposition), OVD (Outside Vapour Deposition), VAD (Vapour Axial Deposition) and PCVD (Plasma-activated Chemical Vapour Deposition). The result is an optimised product range for different applications.
With centres of excellence in Battipaglia (Italy), Eindhoven (Netherlands) and Douvrin (France), and 5 production sites around the world, Prysmian Group offers a wide range of optical fibres, designed and manufactured to cater to the broadest possible spectrum of customer applications, such as single-mode, multimode and specialty fibres.

Optical cables

Optical fibres are employed in the production of standard optical cables or those specially designed for challenging or inaccessible environments. The optical cables, constructed using just a single fibre up to as many as 1728 fibres, 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, gas and sewage networks and inside various buildings where they must satisfy specific fire-resistant requirements.
Prysmian Group designs cables specially to meet all these needs, including solutions such as Optical Ground Wire (OPGW) protection cables, Rapier (easy break-out), JetNet (mini blown cable), Airbag (dielectric direct buried cable) and many more.

Connectivity

Business and residential customers are demanding ever faster connections that can be provided only by high-performance networks with high standards of fibre management. Prysmian Group supplies passive connectivity solutions that ensure efficient management of optical fibre within networks.
Prysmian's highly versatile range of OAsys® products covers every section of the network connection, from overhead and underground installations to optical distribution frames, through to residential buildings where the ultimate goal is Fibre To The Home (FTTH).

FTTx

Growing customer demand for higher bandwidth has seen the deployment of optical fibre moving closer to the end user. Prysmian Group is extremely active in this rapidly growing sector of the market where its approach is based on combining existing technologies - such as the SiroccoXS blown fibre system – with innovative new solutions such as the QuickdrawXS pre-connectorised cable and the new VertiCasaXS system, which provide efficient solutions for deploying fibres in high-rise buildings and multi-dwelling units.
The Group has developed a portfolio of solutions for this market called xsNet. Products such as VerTVxs, RetractaNetxs, EaseNetxs and JetNetxs have been designed to solve telecom infrastructure's most complex problems. Many of the cables used in FTTx/FTTH systems feature Prysmian's bend-insensitive BendBrightxs optical fibre, which has been specially developed for this application.

Copper cables

Prysmian Group also produces a wide range of copper cables for underground and overhead cabling solutions and for both residential and commercial buildings. The product portfolio comprises cables of different capacity, including broadband xDSL cables and those designed for high transmission, low interference and electromagnetic compatibility.

Multimedia Solutions

The Group produces cable solutions for a variety of applications serving communication needs in infrastructure, industry and transport: cables for television and film studios, cables for rail networks such as underground cables for long-distance telecommunications, light-signalling cables and cables for track switching devices, as well as cables for mobile telecommunications antennae.

MARKET OVERVIEW

Demand for fibre cables remained stable in North America and Europe but grew in fast-developing markets.

The market for optical fibre cables is a global one. Forecasts at the start of the year predicted that the size of the global market would have grown in 2012 although with large regional differences. In fact, the first half saw demand grow in fast-developing markets (China) and in those with high communication infrastructure needs (India, Brazil, Turkey), while markets in North America and Europe were basically stable. During the second half of the year, demand was stable or in slight decline in the USA, due to the ending of government incentives, and in Brazil, where operators were waiting for the government to introduce tax incentives for investment.

The Access/Broadband/FTTx market was stable in 2012, with growth driven by the development of optical fibre communication infrastructure, although the low maturity of these products implies different evolution in demand by geographical area.

The copper cables market is experiencing a slowdown not only because of the economic downturn in the past two years, which has driven some major operators to revise their larger investment projects, but also because of product maturity. The downturn in demand was increasingly evident during the third and fourth quarters of 2012 with soaring demand for internet access leading major operators to opt to renew their networks using optical fibre, rather than perform maintenance or upgrade work on existing networks. xDSL cables have provided an opportunity for product technological diversification in a market that would have not otherwise significantly changed in recent years.

FINANCIAL PERFORMANCE

Higher sales accompanied by a sharp increase in profitability.

Sales to third parties by the Telecom segment amounted to Euro 1,466 million in 2012, compared with Euro 1,315 million at the end of 2011, posting an increase of Euro 151 million (+11.5%). Compared with the 2011 pro-forma figure of Euro 1,431 million, Telecom sales to third parties posted an increase of Euro 35 million (+2.4%).

This change is attributable to the following factors:

- positive exchange rate effects of Euro 44 million (+3.1%);
- positive change of Euro 46 million (+3.2%) for the line-by-line consolidation of Telcon Fios e Cabos para Telecomuniçaoes S.A. as from the second quarter;
- organic decrease in sales of Euro 50 million (-3.5%), due to the second-half downturn in demand for optical fibre cables;
- negative change of Euro 5 million (-0.4%) in sales prices due to fluctuations in metal prices.

The organic decrease in sales, especially pronounced in the second half, primarily reflects the downturn in demand for optical fibre cables in North and South America which tempered the positive trend in preceding months, driven not only by large-scale projects such as those started for BT (United Kingdom), NBN (Australia) and Telefonica (Brazil), but also by emerging markets and channels, such as Eastern Europe, South America and India. The sudden decline in demand in Brazil was due to growing expectations about government incentives to support communications infrastructure.

Adjusted EBITDA came to Euro 160 million at 31 December 2012, reporting an increase of Euro 39 million (+32.1%) on Euro 121 million at the end of 2011, and an increase of Euro 32 million on the 2011 pro-forma figure.

PRYSMIAN BRINGS FIBRE TO BUENOS AIRES HOMES

In the telecom business, the Group has secured a contract from Telecom Argentina to supply and install the passive optical infrastructure for a new FTTH (Fibre To The Home) network. The contract involves building a network serving 4,000 homes with an initial connection rate of just under 40%.

Telecom Argentina is currently expanding its broadband services by deploying a FTTH network utilising GPON technology that addresses three discreet urban scenarios: the closed (condominium) environment, individual new buildings - both of which are considered greenfield - and open neighbourhood configuration. This project is the first stage in Telecom Argentina's master plan to roll out broadband, mainly in the city of Buenos Aires – across all three urban scenarios – in response to growing consumer demand for faster connectivity services.

Telecom Argentina selected Prysmian Group as its preferred partner in an open tender process which attracted interest from system suppliers around the world. As a leading global supplier of FTTH passive technology, Prysmian Group was recognised as having the necessary products and experience to fulfil the project requirements.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2012	31 December 2011	Change	31 December 2010
Net fixed assets	2,311	2,255	56	1,029
Net working capital	479	552	(73)	494
Provisions	(369)	(371)	2	(120)
Net capital employed	**2,421**	**2,436**	**(15)**	**1,403**
Employee benefit obligations	344	268	76	145
Total equity	1,159	1,104	55	799
of which attributable to non-controlling interests	47	62	(15)	43
Net financial position	918	1,064	(146)	459
Total equity and sources of funds	**2,421**	**2,436**	**(15)**	**1,403**

Net fixed assets amounted to Euro 2,311 million at 31 December 2012, compared with Euro 2,255 million at 31 December 2011, having increased by Euro 56 million mainly due to the combined effect of the following factors:

- Euro 152 million in investments in property, plant and equipment and intangible assets;
- Euro 4 million in retirements and disposals of property, plant and equipment;
- Euro 188 million in depreciation, amortisation and impairment charges for the period;
- line-by-line consolidation of Telcon Fios e Cabos para Telecomuniçaoes S.A. as from the second quarter, involving the addition of Euro 17 million (including Euro 4 million in acquisition-related goodwill), and of Global Marine Systems Energy Ltd as from the fourth quarter, involving the addition of Euro 92 million (including Euro 49 million in acquisition-related goodwill);
- Euro 15 million for the deconsolidation of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated).

Net working capital of Euro 479 million at 31 December 2012 was lower than the corresponding figure at 31 December 2011 (Euro 552 million) by Euro 73 million (a reduction of Euro 93 million excluding the impact of the fair value change in derivatives), reflecting the following main factors:

- reduction in inventories relative to December 2011, thanks to the Group's actions to keep stock levels down as far as possible in view of lower levels of demand;
- improvement of collections in the Submarine business, particularly thanks to on-time achievement of milestones in certain large, multi-year projects and to advances received against some major orders secured during the year;
- general stability in the working capital committed in multi-year High Voltage and Submarine projects, linked to their state of completion relative to the agreed delivery dates; such stability was achieved during the final quarter of the year, after a significant increase in the first nine months;
- increase of Euro 12 million arising from the line-by-line consolidation of Telcon Fios e Cabos para Telecomuniçaoes S.A. since the second quarter;
- reduction of Euro 13 million linked to the deconsolidation of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated);
- increase of Euro 7 million linked to exchange rate differences.

The net financial position of Euro 918 million at 31 December 2012 has decreased by Euro 146 million since 31 December 2011 (Euro 1,064 million), mainly reflecting the following factors:

- positive cash flows from operating activities (before changes in net working capital) of Euro 545 million;
- positive impact of Euro 75 million from changes in working capital;
- payment of Euro 74 million in taxes;
- net operating investments of Euro 141 million;
- receipt of Euro 6 million in dividends;
- purchase of the remaining Draka shares under the squeeze-out procedure for Euro 9 million;
- cash outlays of Euro 77 million for acquisitions, of which Euro 51 million for the acquisition of GME;
- payment of Euro 129 million in net finance costs;
- distribution of Euro 45 million in dividends.

EQUITY

The following table reconciles the Group's equity at 31 December 2012 and net profit/(loss) for 2012 with the corresponding figures reported by Prysmian S.p.A., the Parent Company:

(in millions of Euro)

	Equity 31 December 2012	Net profit/(loss) for 2012	Equity 31 December 2011	Net profit/(loss) for 2011
Parent Company Financial Statements	**872**	**112**	**786**	**99**
Recognition of equity and net profit/(loss) of consolidated companies, net of their carrying amount	309	210	396	(54)
Elimination of dividends received from consolidated companies	-	(150)	-	(173)
Deferred taxes on net profit/(loss) and distributable reserves from consolidated companies	(18)	(4)	(14)	-
Elimination of intercompany profits and losses included in inventories and other consolidation adjustments	(35)	1	(36)	(1)
Non-controlling interests	31	2	(28)	(16)
Other consolidation adjustments	(47)	(3)	(62)	9
Consolidated Financial Statements	**1,112**	**168**	**1,042**	**(136)**

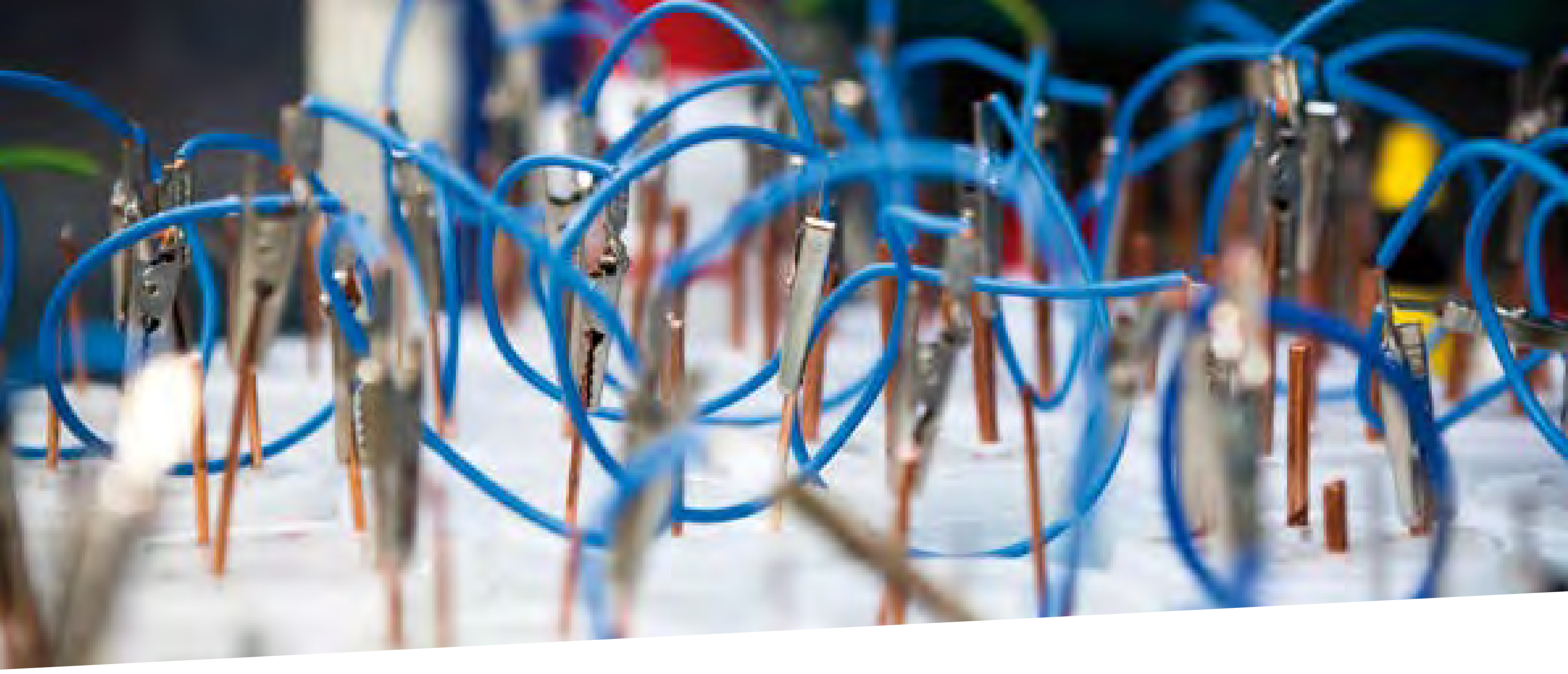
NET WORKING CAPITAL

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

(in millions of Euro)

	31 December 2012	31 December 2011	Change	31 December 2010
Inventories	897	929	(32)	600
Trade receivables	1,163	1,197	(34)	764
Trade payables	(1,450)	(1,421)	(29)	(862)
Other receivables/(payables)	(124)	(126)	2	(45)
Net operating working capital	**486**	**579**	**(93)**	**457**
Derivatives	(7)	(27)	20	37
Net working capital	**479**	**552**	**(73)**	**494**

Net operating working capital amounted to Euro 486 million (6.3% of fourth-quarter annualised sales) at 31 December 2012, compared with Euro 579 million (7.3% of sales) at 31 December 2011.



NET FINANCIAL POSITION

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

(in millions of Euro)

	31 December 2012	31 December 2011	Change	31 December 2010
Long-term financial payables	946	400	546	671
Term Loan Facility	(11)	(6)	(5)	(2)
Bank fees	398	397	1	396
Bond	35	31	4	44
Derivatives	100	89	11	46
Other financial payables	**1,468**	**911**	**557**	**1,155**
Total long-term financial payables				
Term Loan Facility	125	676	(551)	101
Bond	15	15	-	15
Securitization	75	111	(36)	-
Derivatives	7	24	(17)	9
Other financial payables	146	180	(34)	85
Total short-term financial payables	**368**	**1,006**	**(638)**	**210**
Total financial liabilities	**1,836**	**1,917**	**(81)**	**1,365**
Long-term financial receivables	9	10	(1)	1
Long-term derivatives	-	1	(1)	3
Long-term bank fees	4	15	(11)	16
Short-term financial receivables	7	9	(2)	42
Short-term derivatives	3	4	(1)	3
Short-term bank fees	5	7	(2)	3
Short-term available-for-sale financial assets	-	-	-	142
Financial assets held for trading	78	80	(2)	66
Cash and cash equivalents	812	727	85	630
Total financial assets	**918**	**853**	**65**	**906**
Net financial position	**918**	**1,064**	**(146)**	**459**

STATEMENT OF CASH FLOWS

(in millions of Euro)

	31 December 2012	31 December 2011	Change	31 December 2010
EBITDA	**546**	**269**	**277**	**365**
Changes in provisions (including employee benefit obligations)	13	200	(187)	(17)
Inventory step-up	-	14	(14)	-
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(14)	(2)	(12)	-
Net cash flow provided by operating activities (before changes in net working capital)	**545**	**481**	**64**	**348**
Changes in net working capital	75	183	(108)	(6)
Taxes paid	(74)	(97)	23	(59)
Net cash flow provided/(used) by operating activities	**546**	**567**	**(21)**	**283**
Acquisitions	(86)	(419)	333	(21)
Net cash flow used in operational investing activities	(141)	(145)	4	(95)
Net cash flow provided by financial investing activities (1)	8	4	4	5
Free cash flow (unlevered)	**327**	**7**	**320**	**172**
Net finance costs	(129)	(130)	1	(52)
Free cash flow (levered)	**198**	**(123)**	**321**	**120**
Increases in share capital and other changes in equity	1	1	-	13
Dividend distribution	(45)	(37)	(8)	(75)
Net cash flow provided/(used) in the year	**154**	**(159)**	**313**	**58**
Opening net financial position	**(1,064)**	**(459)**	**(605)**	**(474)**
Net cash flow provided/(used) in the year	154	(159)	313	58
Other changes	(8)	(446)	438	(43)
Closing net financial position	**(918)**	**(1,064)**	**146**	**(459)**

(1) This does not include cash flow relating to "Financial assets held for trading" and non-instrumental "Available-for-sale financial assets", classified in the net financial position.

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 545 million at the end of 2012.
Cash flow also benefited from the reduction of Euro 75 million in net working capital described earlier. Therefore, after deducting Euro 74 million in tax payments, net cash flow from operating activities in the period was a positive Euro 546 million.

Net cash flow used for acquisitions came to Euro 86 million, of which Euro 9 million for the purchase of the remaining Draka shares under the squeeze-out procedure, Euro 25 million for the purchase of shares in both Telcon Fios e Cabos para Telecomuniçaoes S.A. and Draktel Optical Fibre S.A., Euro 51 million for the purchase of shares in Global Marine Systems Energy Ltd, and Euro 1 million for the Neva Cables Ltd share purchase.

Net operating investments in 2012 amounted to Euro 141 million and mainly refer to expansion of production capacity for high voltage cables in Russia, China and France, for submarine cables in Italy and Finland, to the investment in the Telecom segment in Australia in connection with the long-term project to produce cables using "ribbon" technology and lastly to the increase in optical fibre production capacity in Brazil.
Around 58% of total investment expenditure related to projects to increase production capacity, while some 16% of the total went on projects to improve industrial efficiency. About 14% of the total related to structural work on buildings or entire production lines for compliance with the latest regulations, while the remaining 12% referred to investments in information technology.
Dividends paid out in 2012 amounted to Euro 45 million.

OFFSHORE OIL & GAS CONNECTIONS IN THE MIDDLE EAST

The Group has won a major contract from Hyundai Heavy Industries to design and manufacture energy and telecom cable connections between four oil platforms in the Barzan offshore field of Ras Gas, in Qatar.

The Barzan project provides further confirmation of the validity of the Prysmian Group's know-how and technologies used in the oil industry, and also strengthens its market penetration in a strategic region like the Middle East. The new contract comes a few months after acquiring other important Oil & Gas industry projects which the Group is developing in Kuwait and the United Arab Emirates for Saipem.

In detail, the project includes the design and supply of over 80 km of EPR (Ethylene Propylene Rubber) insulated submarine cables for distributing power to the platforms, as well as about 28 km of optical telecom cables, plus network components. All the cables are double wire armoured, which is necessary to ensure stability on the seabed, and are being manufactured at the Drammen plant, in Norway.

MILESTONE

ALTERNATIVE PERFORMANCE INDICATORS

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

- **Adjusted net profit/(loss):** net profit/(loss) before non-recurring income and expenses, the fair value change in metal derivatives and in other fair value items, the effect of currency and interest rate derivatives, exchange rate differences and the related tax effects;
- **Adjusted operating income:** operating income before non-recurring income and expenses and the fair value change in metal derivatives and in other fair value items, as reported in the consolidated income statement. The purpose of this indicator is to present the Group's operating profitability without the effects of events considered to be outside its recurring operations;
- **EBITDA:** operating income before the fair value change in metal price derivatives and in other fair value items and before amortisation, depreciation and impairment. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **Adjusted EBITDA:** EBITDA as defined above calculated before non-recurring income and expenses, as reported in the consolidated income statement. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items, without the effects of events considered to be outside the Group's recurring operations;
- **Organic growth:** change in sales calculated net of changes in the scope of consolidation, changes in metal prices and the effect of exchange rates;
- **ROCE:** the ratio between adjusted operating income and the sum of equity, net financial position and employee benefit obligations.

The alternative indicators used for reviewing the reclassified statement of financial position include:

- **Net fixed assets:** sum of the following items contained in the statement of financial position.
  - Intangible assets
  - Property, plant and equipment
  - Investments in associates
  - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in the net financial position
- **Net working capital:** sum of the following items contained in the statement of financial position.
  - Inventories
  - Trade receivables
  - Trade payables
  - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
  - Other current receivables and payables, net of short-term financial receivables classified in thenet financial position
  - Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the net financial position
  - Current tax payables
- **Net operating working capital:** sum of the following items contained in the statement of financial position.
  - Inventories
  - Trade receivables
  - Trade payables
  - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
  - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
  - Current tax payables
- **Provisions:** sum of the following items contained in the statement of financial position.
  - Provisions for risks and charges – current portion
  - Provisions for risks and charges – non-current portion
  - Provisions for deferred tax liabilities
  - Deferred tax assets
- **Net capital employed:** sum of Net fixed assets, net working capital and Provisions.
- **Employee benefit obligations** and **total equity:** these indicators correspond to employee benefit obligations and Total equity reported in the statement of financial position.
- **Net financial position:** sum of the following items.
  - Borrowings from banks and other lenders - non-current portion
  - Borrowings from banks and other lenders - current portion
  - Derivatives for financial transactions recorded as non-current derivatives and classified under long-term financial receivables
  - Derivatives for financial transactions recorded as current derivatives and classified under short-term financial receivables
  - Derivatives for financial transactions recorded as Non-current derivatives and classified under long-term financial payables
  - Derivatives for financial transactions recorded as Current derivatives and classified under short-term financial payables
  - Medium/long-term financial receivables recorded in other non-current receivables
  - Bank fees on loans recorded in other non-current receivables
  - Short-term financial receivables recorded in other current receivables
  - Bank fees on loans recorded in other current receivables
  - Short/long-term available-for-sale financial assets, not instrumental to the Group's activities
  - Financial assets held for trading
  - Cash and cash equivalents

Reconciliation between the Reclassified Statement of Financial Position presented in the Directors' Report and the Statement of Financial Position contained in the Consolidated Financial Statements and Explanatory Notes at 31 December 2012

(in millions of Euro)

		Note	31 December 2012		31 December 2011	
			Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
NET FIXED ASSETS						
Property, plant and equipment				1,539		1,539
Intangible assets				655		618
Investments in associates				99		87
Available-for-sale financial assets				14		6
Assets held for sale				4		5
Total net fixed assets	**A**			**2,311**		**2,255**
NET WORKING CAPITAL						
Inventories	**B**			**897**		**929**
Trade receivables	**C**			**1,163**		**1,197**
Trade payables	**D**			**(1,450)**		**(1,421)**
Other receivables/payables - net of which:	**E**			**(124)**		**(126)**
Other receivables - non-current		*5*	*28*		*27*	
Tax receivables		*5*	*18*		*13*	
Receivables from employees		*5*	*1*		*1*	
Other		*5*	*9*		*13*	
Other receivables - current		*5*	*558*		*500*	
Tax receivables		*5*	*100*		*124*	
Receivables from employees and pension funds		*5*	*5*		*4*	
Advances		*5*	*26*		*14*	
Other		*5*	*100*		*139*	
Construction contracts		*5*	*327*		*219*	
Other payables - non-current		*13*	*(27)*		*(32)*	
Tax and social security payables		*13*	*(14)*		*(16)*	
Accrued expenses		*13*	*(3)*		*-*	
Other		*13*	*(10)*		*(16)*	
Other payables - current		*13*	*(654)*		*(571)*	
Tax and social security payables		*13*	*(96)*		*(95)*	
Advances		*13*	*(219)*		*(132)*	
Payables to employees		*13*	*(68)*		*(65)*	
Accrued expenses		*13*	*(137)*		*(131)*	
Other		*13*	*(134)*		*(148)*	
Current tax payables			(29)		(50)	
Total operating working capital	**F=B+C+D+E**			**486**		**579**
Derivatives of which:	**G**		**(7)**		**(27)**	
Forward currency contracts on commercial transactions (cash flow hedges) - non-current		*8*	*-*		*(5)*	
Forward currency contracts on commercial transactions (cash flow hedges) - current		*8*	*(2)*		*(2)*	
Forward currency contracts on commercial transactions - current		*8*	*-*		*(2)*	
Forward currency contracts on commercial transactions - non-currenti		*8*	*-*		*1*	
Metal derivatives non-current		*8*	*(3)*		*-*	
Metal derivatives current		*8*	*(2)*		*(19)*	
Total net working capital	**H=F+G**			**479**		**552**

(in millions of Euro)

		Note	31 December 2012		31 December 2011	
			Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Provisions for risks and charges - non-current				(76)		(67)
Provisions for risks and charges - current				(325)		(295)
Deferred tax assets				127		97
Deferred tax liabilities				(95)		(106)
Total provisions	**I**			**(369)**		**(371)**
Net capital employed	**L=A+H+I**			**2,421**		**2,436**
Employee benefit obligations	**M**			**344**		**268**
Total equity	**N**			**1,159**		**1,104**
Equity attributable to non-controlling interests				*47*		*62*
NET FINANCIAL POSITION						
Total long-term financial payables	**O**			**1,468**		**911**
Term Loan Facility		12	946		400	
Bank fees		12	(11)		(6)	
Bond		12	398		397	
Derivatives			35		31	
of which:						
Forward currency contracts on financial transactions		*8*	*-*		*4*	
Interest rate swaps		*8*	*35*		*27*	
Other payables			100		89	
of which:						
Finance lease obligations		*12*	*12*		*14*	
Other financial payables		*12*	*88*		*75*	
Short-term financial payables	**P**			**368**		**1,006**
Term Loan Facility		12	126		676	
Bank fees		12	(1)		-	
Bond		12	15		15	
Securitization		12	75		111	
Derivatives			7		24	
of which:						
Interest rate swaps		*8*	*-*		*2*	
Forward currency contracts on financial transactions		*8*	*7*		*22*	
Other payables			146		180	
of which:						
Finance lease obligations		12	2		3	
Other financial payables		12	144		177	
Total financial liabilities	**Q=O+P**			**1,836**		**1,917**
Long-term financial receivables	R	5	(9)		(10)	
Long-term derivatives	R		-		(1)	
of which:						
Interest rate swaps (non-current)		*8*	*-*		*-*	
Forward currency contracts on financial transactions (non-current)		*8*	*-*		*(1)*	
Long-term bank fees	R	5	(4)		(15)	
Short-term financial receivables	R	5	(7)		(9)	
Short-term derivatives	R		(3)		(4)	
of which:						
Forward currency contracts on financial transactions (current)		*8*	*(3)*		*(4)*	
Short-term bank fees	R	12	(5)		(7)	
Available-for-sale financial assets (current)	**S**			**-**		**-**
Financial assets held for trading	**T**			**(78)**		**(80)**
Cash and cash equivalents	**U**			**(812)**		**(727)**
Total financial assets	**V=R+S+T+U**			**(918)**		**(853)**
Total net financial position	**W=Q+V**			**918**		**1,064**
Total equity and sources of funds	**Z=M+N+W**			**2,421**		**2,436**

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 31 December 2012

(in millions of Euro)

	Note	2012 Amounts from income statement
Sales	A	7,848
Change in inventories of work in progress, semi-finished and finished goods		(31)
Other income		71
Raw materials, consumables used and goods for resale		(5,083)
Personnel costs		(1,041)
Other expenses		(1,228)
Operating costs	**B**	**(7,312)**
Remeasurement of minority put option liability	C	*(7)*
Fair value stock options	C	*17*
EBITDA	**D=A+B+C**	**546**
Other income		
of which non-recurring other income	E	*15*
Personnel costs		
of which non-recurring personnel costs	F	*(65)*
Other expenses		
of which non-recurring other expenses	G	*(51)*
Change in inventories of work in progress, semi-finished and finished goods		
of which non-recurring change in inventories of work in progress, semi-finished and finished goods	I	-
Adjusted EBITDA	**H=D-E-F-G-I**	**647**

(in millions of Euro)

	Nota	2012 Amounts from income statement
Operating income	**A**	**362**
Non-recurring other income		15
Non-recurring personnel costs		(65)
Non-recurring other expenses		(51)
Non-recurring change in inventories of work in progress, semi-finished and finished goods		-
Total non-recurring expenses	**B**	**(101)**
Remeasurement of minority put option liability		7
Total other non-recurring income/(expenses)	**C**	**7**
Fair value change in metal derivatives	D	14
Fair value stock options	E	(17)
Non-recurring amortisation, depreciation and impairment	F	(24)
Adjusted operating income	**G=A-B-C-D-E-F**	**483**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RISK FACTORS

Work started to develop a dynamic Enterprise Risk Management (ERM) system intended to identify, measure, analyse and evaluate situations or events that could impact the achievement of the Group's strategic objectives and priorities.

The Prysmian Group is exposed in the normal conduct of its business to a number of financial and non-financial risk factors which, if they should arise, could also have a material impact on its results of operations and statement of financial position. The Group has always worked to maximise value for its shareholders by putting in place all necessary measures to prevent or mitigate the risks inherent in the Group's business and this is why it has adopted specific procedures to manage the risk factors that might influence its business results.
In light of the increasing complexity of its activities, the constant evolution in legislation and regulations, and the continued instability of the economy and financial markets, the Board of Directors decided in the course of 2012 to devote even greater attention to risk management. In accordance with the "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2011" (Self-Regulatory Code) and international best practices, the Prysmian Group has started to develop a dynamic Enterprise Risk Management (ERM) system intended to identify, measure, analyse and evaluate risk situations or events that could affect the achievement of the Group's strategic objectives and priorities. The system is managed in a structured and systematic way and will support the Board of Directors and management in knowingly evaluating the most effective approach to adopt in order to mitigate the impact of such risks and thus enable the achievement of strategic objectives.
The ERM system will become an integral part of the essential system of internal control and risk management to ensure the effectiveness of the Group's corporate governance structure. This structure is based in turn on the recommendations and rules contained in the "Self-Regulatory Code", which the Company has adopted; the "Corporate Governance" section of this report provides information about the structure adopted and related responsibilities and also outlines the contents of the documents that comprise the Organisational Model, adopted by the Group on 27 August 2008. This model of organisation, management and control is specifically designed to prevent the commission of the crimes envisaged by Legislative Decree 231/01 and to directly support the effective application of specific risk management procedures. Prysmian constantly updates its Organisational Model to reflect changes

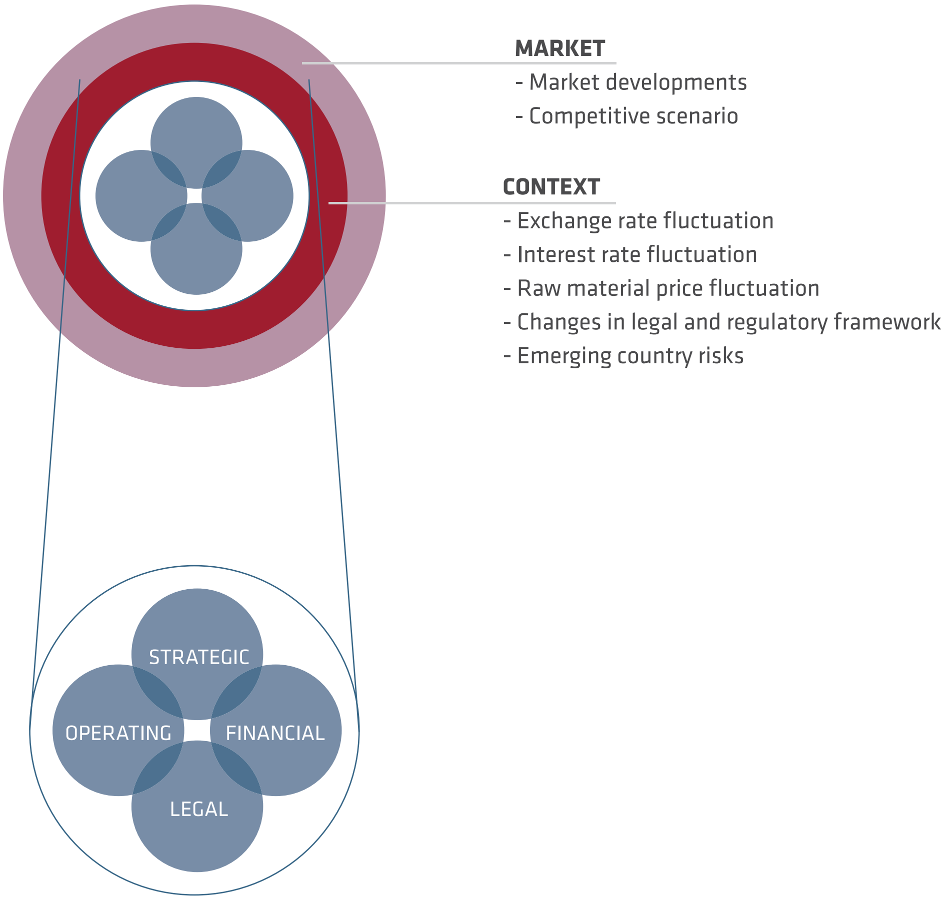
in regulations, new legal interpretations and pronouncements and the guidelines of Confindustria (Italian confederation of industry).

The Prysmian Group adopts and will continue to adopt a global approach to the risk factors to which it is exposed, whether of external or internal origin. This classification is used below to describe the significant risk factors by type and the strategies adopted to mitigate such risks. Financial risks are discussed in detail in the Explanatory Notes to the Consolidated Financial Statements in Section C (Financial risk management).

As stated in the Explanatory Notes to the Consolidated Financial Statements (Section B.1 Basis of preparation), there are no financial, operating or other kind of indicators that might cast doubt on Prysmian Group's ability to meet its obligations in the foreseeable future (and particularly in the next 12 months). In particular, based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2012, the Company believes that, barring any extraordinary events, there are no significant uncertainties, such as to cast significant doubt upon the business's ability to continue as a going concern.

EXTERNAL RISKS

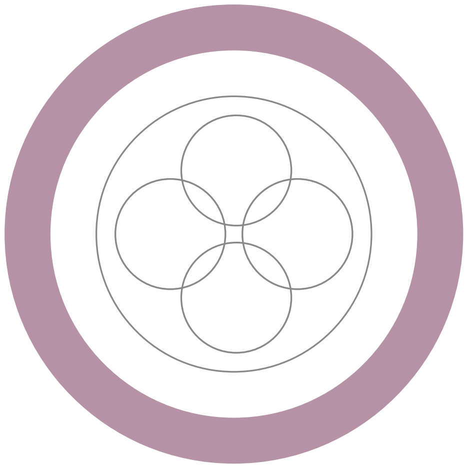
INTERNAL RISKS



EXTERNAL RISKS

MARKET RISKS

Risks associated with trends on the Group's markets
Some of the markets for the Prysmian Group's products, mainly relating to the Trade & Installers business area, the Power Distribution business line and certain applications in the Industrial business area, are subject to cyclical fluctuations in demand and are influenced by overall trends in GDP growth. Although the diversified nature of the Group's markets and products reduces its exposure to cyclical trends in demand on certain markets, it is not possible to guarantee that such cyclical trends will not have a significant impact on the Group's activities, results of operations and statement of financial position.
In addition, demand for products in the energy cables market is also influenced by the spending plans of Utilities companies and by overall energy consumption, and also in part by construction sector trends, while demand for products in the telecom cables industry is heavily influenced by the spending plans of telecom operators.
Financial year 2012 reported general global stability in volumes on the prior year, although several business segments more exposed to cyclical trends recorded a slowdown in demand in the course the year, partly due to growing concerns about Eurozone and US debt sustainability. The general stability in volumes did not permit a significant improvement in plant utilisation, which remained well below pre-crisis levels, with a consequent maintenance of competitive pressure on sales prices and therefore on margins.
Despite these conditions, the Prysmian Group achieved satisfying results both in terms of profits and cash flow; however, if another significant downturn in demand should recur in coming quarters in the Trade & Installers, Power Distribution (partly linked to trends in the construction market), Industrial and Telecom businesses, combined with a slowdown in order intake in the High Voltage underground cables business, the Group cannot exclude that the consequent sharp downturn in business might have a material impact on its activities, results of operations and statement of financial position.

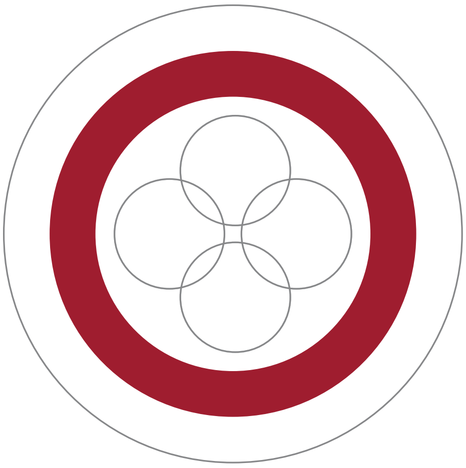


Risks associated with the competitive scenario
Primarily in the Trade & Installers business area and in the Power Distribution business line, although less so, competitive pressure due to a possible further reduction in demand could translate into additional pressure on prices. Many of the products offered by the Prysmian Group in this business are made in compliance with specific industrial standards and are largely interchangeable with those offered by its major competitors; therefore, in such cases, price is a key factor in customer choice of supplier. Although the competitive scenario for this business may vary by country or region, one constant is the ever larger number of competitors, ranging from those capable of competing globally to smaller ones whose presence, in an individual country or region or an individual business line, may be comparable to that of the principal players.
Even though the Prysmian Group believes it will be able to cut costs in the face of contracting sales volumes, it may not be able to reduce them sufficiently to match the possible contraction in sales prices, with a consequently adverse impact on its activities, results of operations and statement of financial position.

CONTENXT RISKS

Exchange rate risk
The Prysmian Group operates internationally and is therefore exposed to exchange rate risk in the various currencies in which it operates (principally the US dollar, British pound, Brazilian real and Qatari riyal). Exchange rate risk occurs when future transactions or assets and liabilities recognised in the statement of financial position are denominated in a currency other than the functional currency of the company which undertakes the transaction.
To manage exchange rate risk arising from future trade transactions and from the recognition of foreign currency assets and liabilities, most Prysmian Group companies use forward contracts arranged by Group Treasury, which manages the various positions in each currency.
However, since Prysmian prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statements of subsidiaries, originally expressed in a foreign currency, could affect the Group's results of operations and statement of financial position.
A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

Interest rate risk
Changes in interest rates affect the market value of the Prysmian Group's financial assets and liabilities as well as its net finance costs. The interest rate risk to which the Group is exposed is mainly on long-term financial liabilities, carrying both fixed and variable rates.
Fixed rate debt exposes the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts since it considers this risk to be immaterial. Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). The Group uses interest rate swaps (IRS) to hedge this risk, which transform variable rates into fixed ones, thus reducing the rate volatility risk. Under such IRS contracts, the Group agrees with the other parties to swap on specific dates the difference between the contracted fixed rates and the variable rate calculated on the loan's notional value. A potential rise in



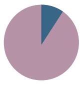
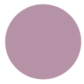
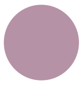
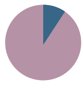
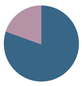
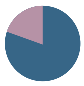
interest rates, from the record lows reached in recent years, is a risk factor in coming quarters.
In order to limit this risk, during 2012 the Prysmian Group took out additional IRS contracts to mitigate the risk of a rise in interest rates until the end of 2016. A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

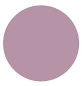
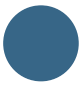
Risks associated with fluctuations in raw material prices
The principal material used for making the Prysmian Group's products is copper. The other raw materials used are aluminium, lead and steel, as well as various petroleum derivatives, such as PVC and polyethylene.
All raw materials have experienced particularly significant price fluctuations in recent years, which could continue in coming quarters. The Group neutralises the impact of possible rises in the price of copper and its other principal raw materials through automatic sales price adjustment mechanisms or through hedging activities; the exception is petroleum derivatives (polyethylene, plastifying PVC, rubber and other chemical products), where the risk cannot be offset

through hedging. Established commercial practice and/or the structural characteristics of the markets concerned mean that hedging of certain products (mainly in the Trade & Installers business area) involves the periodic updating of price lists (since it is not possible to use automatic sales price adjustment mechanisms). In such cases, it is possible that, in the current market context, the Prysmian Group would be unable to quickly pass on the impact of fluctuations in raw material prices to sales prices. In particular, in the case of petroleum derivatives, it is standard practice for changes in purchase price to systematically lag behind changes in the petroleum price.

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

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

Supply Contract	Main Application	Metal influence on Cable Price	Impact	Hedging of Metal Price Fluctuations	Impact
Predetermined delivery date	Projects (Power trasmission) Cables for industrial applications (eg.OGP)	Technology and Design content are the main elements of the "solutions" offered. Pricing little affected by metals		Princing locked in at order intake Profitability protection through systematic hedging (long order-to-delivery cycle)	
Frame contracts	Cables for Utlilities (eg. power distribution cables)	Pricing defined as hollow thus automatic price adjustment through formulas linked to publicly available metal quotation		Price adjusted through formulas linked to publicly avaible metal quatation (avarage 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		Princing managed through price lists (frequently updated) Competitive pressure may result in delayed price adjustment. Hedging based on forecasted volumes rather than orders	

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

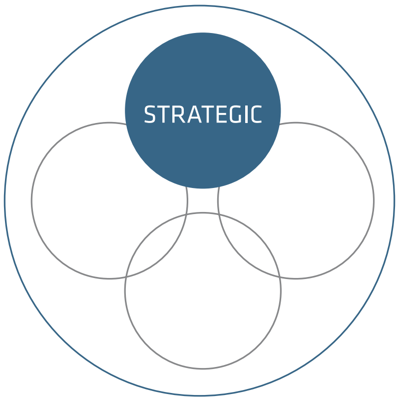
A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

Risks relating to changes in the legal and regulatory framework
The Prysmian Group, as a manufacturer and distributor of cables, is subject to numerous legal and regulatory requirements in the various countries where it operates, as well as technical regulations, both national and international, applicable to companies operating in the same sector and to products manufactured and marketed by the Group. Environmental protection legislation is particularly important in this regard. Although the Group constantly endeavours to reduce its exposure to environmental risks and has taken out insurance against potential liabilities arising from third-party environmental damage, it is nonetheless possible that not all environmental risks have been adequately identified and that not all the insurance coverage is fully effective. In particular, the publication of additional regulations applicable to the Group or its products, or changes in the current national and international laws in the segments in which the Group operates, could require the Group to adopt stricter standards or could limit its freedom of action in its own areas of business. These factors could involve compliancy costs, even of significant amount, for its manufacturing facilities or product specifications.

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

INTERNAL RISKS

STRATEGIC RISKS



Strategy implementation risks
The Prysmian Group's ability to improve its profitability depends, among other things, on its success in implementing its business strategy. The Prysmian Group's strategy is based, among other things: on increasing the proportion of sales from high value-added business lines, on developing its industrial structure to support its strategy and on continuously improving the structure of variable costs, on improving logistics and customer service and on constantly researching and developing new products and processes. The Group intends to achieve its strategy through both internal and acquisition-led growth; however, it is not possible to guarantee that this strategy will be fully or partly achieved in the timescale and manner planned.

Risks relating to the Draka Group's integration process
The public offer for all the shares in Draka Holding N.V. was completed on 22 February 2011 with acceptances received from more than 99% of the shares. After the integration process's initial preparatory phase, the new organisational structure was officially launched with effect from July 2011 and will guide the new Group with the goal of promoting both the Prysmian and Draka commercial brands and of realising the expected synergies.
Over the course of the integration process Prysmian expects to incur a total of some Euro 200 million in restructuring costs (net of any divestments) and to generate growing cost synergies starting from year one of the integration with the goal of achieving total annual synergies of Euro 150 million by 2015, mainly by reducing fixed costs, by optimising the industrial footprint and procurement, by making organisational savings and improving operating efficiency and optical fibre sourcing, and by exploiting complementarities in the product portfolios. However, the Group cannot rule out potential difficulties or delays in implementing the new organisational structure and the new operating processes, with a possible consequent adverse impact both on the timing and amount of expected synergies and restructuring costs.

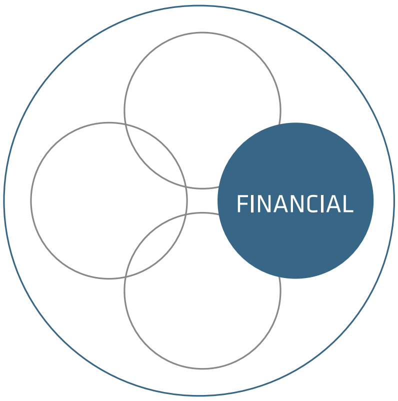
FINANCIAL RISKS

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

Risks associated with sources of finance
The effects of the recent major instability in the international banking and financial system could represent a potential risk factor in terms of obtaining financial resources and the associated cost. Prysmian Group believes that it has significantly mitigated such a risk after taking advantage of favourable market conditions to enter into a long-term loan agreement in March 2011 for Euro 800 million (Credit Agreement 2011) with a syndicate of major banks. This five-year agreement comprises a loan for Euro 400 million (Term Loan Facility 2011) and a revolving facility for Euro 400 million (Revolving Credit Facility 2011). It will be recalled that in January 2010 Prysmian entered into a forward start credit agreement for Euro 1,070 million, of which Euro 670 million related to a Term Loan Facility and Euro 400 million to a Revolving Credit Facility, maturing on 31 December 2014. This agreement was used on 3 May 2012 to replace at its natural maturity the Credit Agreement entered into in 2007. In addition, the placement of an unrated bond with institutional investors on the Eurobond market was completed in March 2010 for a nominal total of Euro 400 million with a 5.25% coupon and maturity in April 2015.
The annual interest rate on the cash credit facilities is equal to the sum of:

- LIBOR or EURIBOR, depending on the currency;
- an annual spread determined on the basis of the ratio between consolidated net financial position and consolidated EBITDA.

As at 31 December 2012, the Group had financial resources, including cash and cash equivalents and undrawn committed credit lines, in excess of Euro 1 billion.
A detailed analysis of "Borrowings from banks and other lenders" can be found in the Explanatory Notes to the Consolidated Financial Statements.



Financial covenants
The credit agreements mentioned in the preceding paragraph all contain a series of financial and non-financial covenants with which the Group must comply. These covenants could restrict Prysmian's ability to increase its net debt, other conditions remaining equal; should it fail to satisfy one of the covenants, this would lead to a default event which, unless resolved under the terms of the respective agreements, could lead to their termination and/or an early repayment of any amounts drawn down. In such an eventuality, the Group might be unable to repay the amounts demanded early, which in turn would give rise to a liquidity risk.
The financial covenants are measured at the half-year close on 30 June and at the full-year close on 31 December. All covenants, financial or otherwise, were fully observed at 31 December 2012. In particular:

(i) the ratio between EBITDA and Net finance costs, as defined in the two credit agreements, was 6.78 (against a required covenant of not less than 4.25x);
(ii) the ratio between Net Financial Position and EBITDA, as defined in the two credit agreements, was 1.32 (against a required covenant of below 3.00x).

Furthermore, during February 2011, concurrently with the Draka acquisition, the Group had obtained from the syndicate of financing banks a significant extension to its financial covenants, as reported above, with respect to the previous ones.
As things stand and in view of the above widening of the financial covenants, Prysmian Group believes that it will not have to face this risk in the near future.

Credit risk

Credit risk is the Prysmian Group's exposure to potential losses arising from the failure of trade or financial counterparties to discharge their obligations. This risk is monitored centrally by the Group Finance Department, while customer-related credit risk is managed operationally by the individual subsidiaries. The Group does not have significant concentrations of credit risk. It nonetheless has procedures for ensuring that its trade counterparties are of recognised reliability and that its financial counterparties have high credit ratings.

As part of the integration process, the Group has negotiated and concluded a global trade credit insurance policy to replace the two existing policies. The scope of coverage has been extended to all Group companies and the insurability criteria for trade receivables has been revised in order to maximise coverage.

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

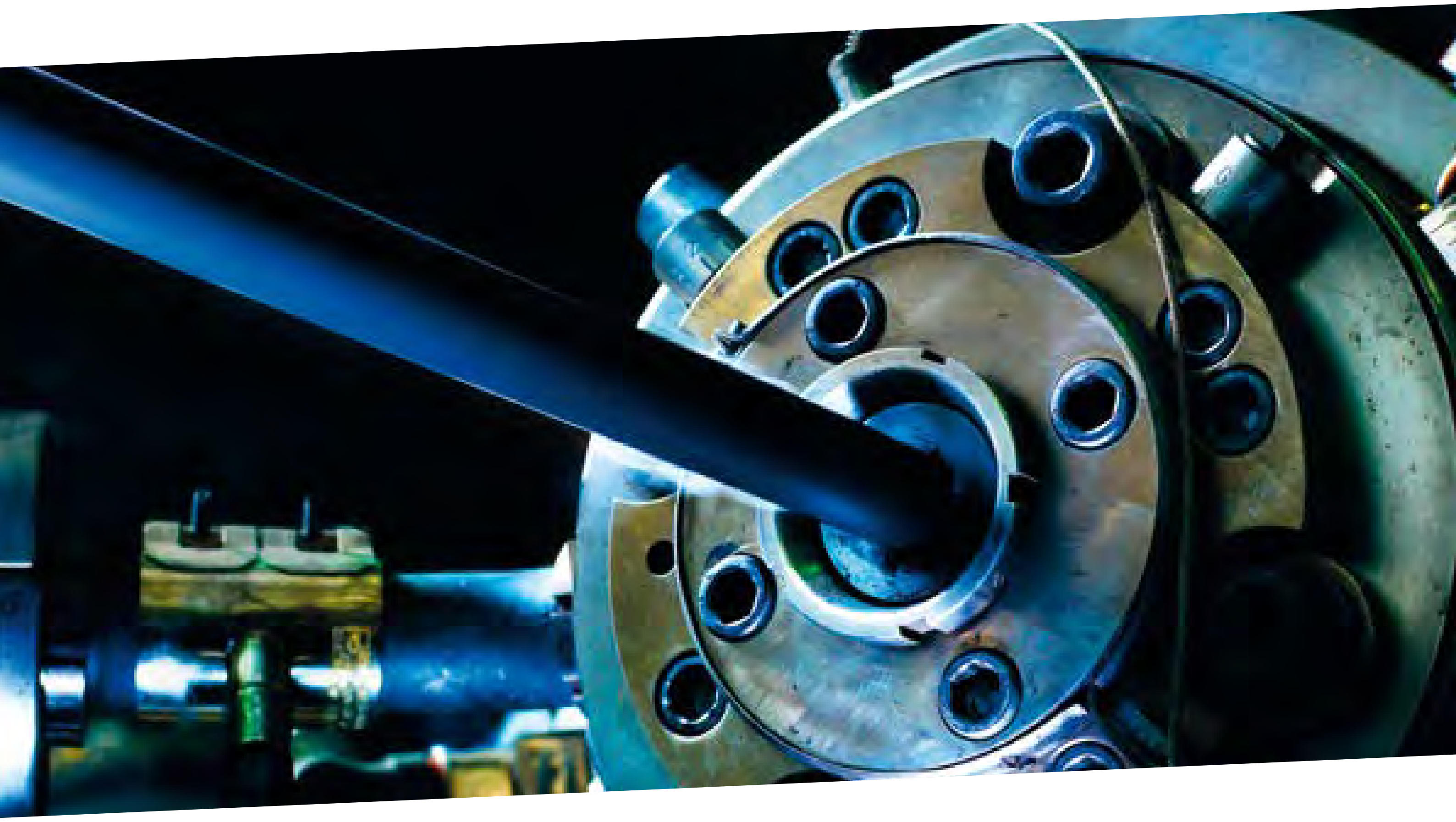
Liquidity risk

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

With regard to the Prysmian Group's working capital cash requirements, these increase significantly during the first half of the year when it commences production in anticipation of order intake, with a consequent temporary increase in net financial debt.

Prudent management of liquidity risk involves the maintenance of adequate levels of cash, cash equivalents and short-term securities, the maintenance of an adequate amount of committed credit lines, and timely renegotiation of loans before their maturity. Due to the dynamic nature of the business in which the Prysmian Group operates, the Group Finance Department favours flexible arrangements for sourcing funds in the form of committed credit lines.

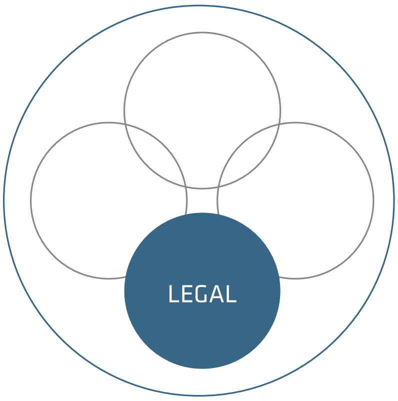
As at 31 December 2012, the Group had financial resources, including cash and cash equivalents and undrawn committed credit lines, in excess of Euro 1 billion. A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.



LEGAL RISKS

Product liability

Any defects in the design and manufacture of the Prysmian Group's products could give rise to civil or criminal liability in relation to customers or third parties. Therefore, the Group, like other companies in the industry, is exposed to the risk of legal action for product liability in the countries where it operates. In line with the practice followed by many industry operators, the Group has taken out insurance which it considers provides adequate protection against the risks arising from such liability. However, should such insurance coverage be insufficient, the Group's results of operations and statement of financial position could be adversely affected. In addition, the Group's involvement in this kind of action and any resulting liability could expose it to damage in reputation, with potential additional adverse consequences for its results of operations and statement of financial position.



Compliance risks

Compliance risk is the risk of incurring legal or administrative sanctions, material financial losses or reputational damage as a result of violations of laws, regulations, procedures, codes of conduct and best practices. Since its inception, the Prysmian Group has had an approved Code of Ethics, a document which contains principles of ethics and guidelines for conduct to be observed by all those engaged in activities on behalf of Prysmian or its subsidiaries, including managers, officers, employees, agents, representatives, contractors, suppliers and consultants. In particular, the Code of Ethics requires full compliance with current regulations and the avoidance of any kind of misconduct or illegal behaviour. The Company puts in place organisational mechanisms designed to prevent the violation of the principles of legality, transparency, fairness and honesty and is committed to ensuring their observance and practical application. Although the Group is committed to continuous compliance with the applicable regulations and to close monitoring to check for any misconduct, it is not possible to exclude that in the future there may be episodes of non-compliance or violations of laws, regulations, procedures or codes of conduct, which could result in judicial sanctions, fines or reputational damage, even on a material scale.

Risks associated with intellectual property rights

Although the Group believes it has adopted a suitable system for protecting its own intellectual property rights, it is not possible to rule out that it could face difficulties in defending such rights.
Intellectual property rights owned by third parties could hinder or limit the Group's ability to introduce new products to the market. In addition, it is not possible to rule out the Group's possible involvement in legal actions involving intellectual property rights, the outcome of which is often unpredictable. Such circumstances could have an adverse impact on the Group's activities, results of operations and statement of financial position.

Risks relating to legal and tax proceedings
Prysmian S.p.A. and some Prysmian Group companies are currently involved in tax and legal proceedings in connection with their business, involving civil, criminal and administrative actions. In some of these cases, the company might not be able to accurately quantify the potential losses or penalties and, if the proceedings have an adverse outcome, this could have even a material impact on the Group's activities, results of operations and statement of financial position.

More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority started an investigation in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan and New Zealand ended in previous years without any sanctions for Prysmian. The other investigations are still in progress.
In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. (formerly Prysmian Cavi e Sistemi Energia S.r.l.) and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. was officially served with this claim in April 2010. It has since filed its objections and will now have to defend itself.
In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, in the high voltage underground and submarine cables market (this is the only investigation for which the Group has been unable to estimate the size of the provision). Prysmian has taken steps to present its preliminary defence.
At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudge its final decision. Prysmian has submitted its defence which it was also able to present at the hearing before the European Commission held during the month of June 2012.
Already during 2011, in view of the developments in the European Commission investigation, management believed that it was able to estimate the risk relating to the investigations underway in the various jurisdictions, except for Brazil. As at 31 December 2012, the Prysmian Group has recognised approximately Euro 207 million in provisions for risks and charges in connection with these investigations. This amount has been determined on the basis of partly subjective considerations and is only an estimate since the outcome of the investigations in progress is still uncertain. It is therefore not possible to exclude that the Group could be required to meet liabilities not covered by the provisions for risks should such litigation have an adverse outcome, with a consequently negative, even material, impact on its activities, results of operations and statement of financial position.

OPERATING RISKS

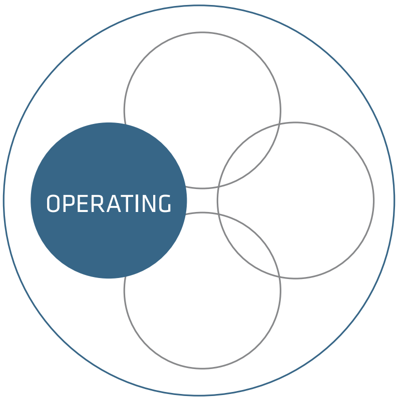
Risks associated with delivery dates, product quality and execution of turnkey projects
Some supply and/or installation contracts entered into by the Prysmian Group include penalties if the agreed delivery date or qualitative standards are not met.

Contracts awarded for large turnkey projects, notably those related to the development of submarine links, may include penalties of this nature which are substantial. If such penalties were to be applied, in conjunction with any obligation to compensate any damages as well as the impact of delayed deliveries on the supply chain for other projects, this could adversely affect the Group's activities, results of operations and statement of financial position.

In order to avert or mitigate such risks the Company conducts extensive testing of cables and accessories before they are delivered or installed, will always attempt to limit its potential contractual liabilities for penalties or damages to the fullest extent possible, and, in addition, also maintains project specific insurance policies during the shipping and erection phases of all submarine turnkey projects.

The scope and level of such insurance policies, however, may in some cases be restricted by the capacity of the relevant insurance markets. As a result all potential liabilities may not be insured or only insured up to a level which is below any contractually agreed limits.

It is not possible to guarantee that in the future the Group will always manage to fully and promptly meet commitments arising from the occurrence of such risks. However, the



Company has not previously received any claims which have resulted in material, and uninsured, adverse effects.

Risks relating to the operation of industrial facilities
Being an industrial group, the Prysmian Group is potentially exposed to the risk of stoppage of production at one or more of its facilities, due, for example, to machinery breakdown, cancellation of or challenge to permits and licences by the competent public authorities (also due to changes in legislation), strikes or shortage of labour, natural disasters, major disruptions in the supply of raw materials or energy, sabotage or terrorist attacks.
There has not been any significant disruption in business over the past three years, except for a prolonged stoppage in late 2011 at the Aubevoye plant in France due to the precautionary need for asbestos decontamination within the production site and some temporary disruptions for strikes at the plants involved in restructuring (Livorno Ferraris in Italy, Derby in

Great Britain, Fercable in Spain and Wuppertal in Germany). Furthermore, there were other strikes in France (Calais and Douvrin) and Brazil for reasons related to contract renewals. Precisely because of these recent events, it is not possible to exclude further disruption in the future and, if this occurs for significantly longer periods and the cost exceeds the Group's current insurance coverage, its activities, results of operations and statement of financial position could be adversely affected.

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

In order to avert such operating risks, the Risk Management function systematically reviews risk at all Group companies in order to identify and quantify operating risks and establish and manage policies that address such risks. In particular, it periodically reviews the level of insurance coverage, premiums paid, losses incurred and the damages recovered by the Group. A plan for preventing such risks is prepared for every Group company, indicating the key areas of control.

As part of the "Loss Prevention" programme, applied at every plant in the pre-acquisition Prysmian Group and currently being implemented at the Draka plants (about 1/3 of which were covered by the programme at the end of 2012), the Risk Management function periodically inspects the Group's plants to identify and prevent 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 not 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 an "Excellent HPR" classification for all the Group's facilities.

As at 31 December 2012, all of the plants inspected were classified as "Excellent HPR", "Good HPR" or "Good not HPR"; no plant was classified as medium or high risk.

Risks associated with the supply and availability of raw materials

Copper is the principal raw material used by the Prysmian Group for its manufacturing processes. The other raw materials used are aluminium, lead and steel, as well as various petroleum derivatives, such as PVC and polyethylene. The Group has always been able to obtain sufficient supplies of metals and other raw materials to meet its production needs and does not consider itself dependent on any one supplier. As far as possible, the Group seeks to diversify its sources of supply. The Group procures most of its resins and plastic materials from the major world suppliers, signing supply contracts normally for a year with monthly deliveries, and satisfies the remainder of its needs by producing such materials directly at some of its plants. In addition to the policies of diversifying the sources of supply for more critical materials, the availability of such materials is also based on building long-term partnership relationships and arrangements with leading suppliers in the respective sectors.

With particular reference to optical fibre, the Group believes it has sufficient production capacity to meet its needs for the production of optical fibre cables and for sales of such material to third parties. Nonetheless, for commercial and strategic reasons, the Group has decided to adopt a policy of sourcing part of its optical fibre from third-party manufacturers.

Risks associated with information systems

To support integration of the Draka business, the Prysmian Group has initiated a major project to upgrade and consolidate its various information systems into standard platforms using a common model based on the latest technological processes. The Prysmian Group is aware of the risks associated with such projects, primarily in connection with possible inaccuracies in data uploading. However, the Group believes that it has taken every step necessary to limit such risks through testing, training, and preparation, as well as through appropriate contracts with the suppliers of the replacement technology.

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

HUMAN RESOURCES

HR processes are based on a full expression of the Group's value system that must guide how management and employees act and behave towards customers, partners, suppliers, shareholders and communities.

The goal of rapid and effective integration between the distinct businesses of Prysmian and Draka has necessitated a redesign of corporate strategy for Human Resources, as an essential prerequisite for improving business performance. The new HR strategy, launched at the end of 2011, consists of four fundamental processes:

- **Leadership Alignment**, aimed at aligning organisation and management in a common model during the integration process;
- **People Development**, to recruit, develop and recognise the value of people, with the aim of fostering the necessary talent, skills and motivation to develop the business;
- **Organisational Development**, to keep the organisation constantly in step with business needs;
- **Social and internal relations**, aimed at managing industrial relations and internal relations (communication) in line with the Group's values and policies.

HUMAN RESOURCES

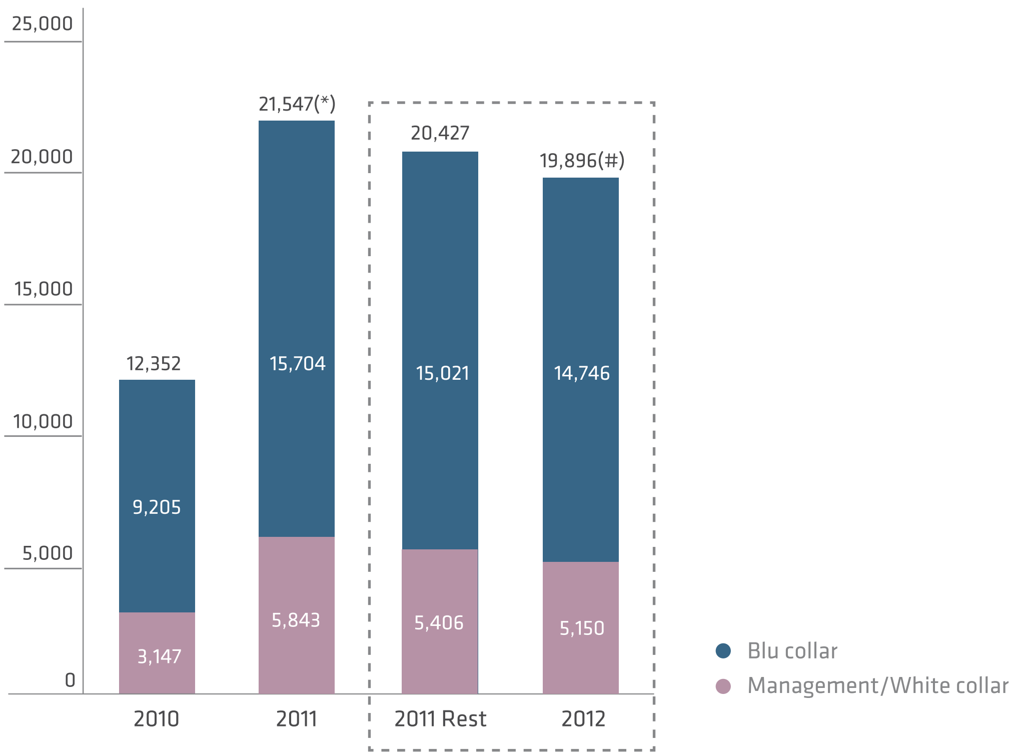
The fundamental processes of the HR function are based on a full expression of the Group's value system that has to guide how management and employees act and behave towards customers, partners, suppliers, shareholders and communities.

Leadership Alignment / Organisational Efficiency
During 2012 the Group continued to implement the matrix organisational model, introduced in July 2011, in those countries where structures and processes of former Draka and Prysmian units were still being duplicated. The analyses and subsequent actions have aimed to harmonise processes, boost the efficiency of these structures and develop potential synergies arising from the integration, leading to a real improvement in the level of management control.
An assessment of the new structure's implementation status and effectiveness was conducted during the year with the involvement of about 200 managers; as a result, 8 working groups, comprising 70 senior managers, have been set up to define the immediate actions for improvement in the key business processes and to facilitate a full understanding of the Group's new structure and organisational dynamics.

The integration process is particularly advanced in the major European countries (UK, Germany, France, Netherlands etc.) and in the USA.

Headcount
The Prysmian Group had a total of 19,896 employees at 31 December 2012, of whom 5,150 management/white collar staff and 14,746 blue collar staff.

HEADCOUNT



(*) December 2011 including Acquisition of Draka.
(#) December 2012 including Acquisition of GME.
Restatement 2011 and 2012:
1) Methodological note - the figures include 100% of the workforce of:
o Companies in which Prysmian Group has a majority interest;
o Companies managed by Prysmian Group but in which it does not have a majority interest.
2) YOFC (China): based on the rationale in point 1, this company is no longer included in the Headcount figures.

During 2012 resources continued to be optimised as part of the Draka Group's post-acquisition integration process, while in parallel, there was the induction of an initial group of 30 graduates, the insourcing of 13 Information Technology staff, and the acquisition in December of Global Marine Ltd, a British company active in the installation of submarine cables and systems.

The Group had a 5% staff turnover for voluntary resignations in 2012, down from 5.8% in 2011.

People Development: investing in people
Prysmian Group has created a staff development programme in 2012 based on the following four initiatives: Graduate Program, Prysmian Group Academy, Talent and Succession Management and Performance Management.

Graduate Program, launched in 2012, is an international graduate recruitment and induction program, created with the aim of helping to build the Group's future management and professional staff, through the placement of young high-potential graduates in different business functions and geographical areas. The program involves an initial phase of induction and training at the Group's headquarters, followed by a 12-month job rotation in the graduate's home country and a further 24 months in a location abroad. At the end of the three years, the person will be assigned a junior management role in Italy or abroad, according to the business needs at that time and taking into account their performance appraisal, personal ability and achievements. A very important part of the program is the mentoring role played by senior managers, who act as a point of reference for the young recruit and follow their entire training path.

Prysmian Group Academy is an initiative, also launched during 2012, with the aim of creating within the Group, an international school for management and professional education and training, divided into two main areas of action: a School of Management, set up in partnership with SDA Bocconi, with the mission of strengthening leadership and management skills, and a Professional School, whose mission is to develop and consolidate technical skills and know-how, ensuring that these are passed on from more senior, experienced staff to younger ones.
About 200 employees experienced the Prysmian Group Academy in 2012, with another 500 expected to be involved in 2013 (roughly 10% of the combined management and white-collar workforce).

Talent and Succession Management is a process intended to improve the management of key people with the specific aim of identifying, developing and retaining talent to support long-term business growth and of developing and protecting critical know-how, meaning those people with the essential knowledge and skills needed for continuously improving product quality, expanding markets, managing customers and acquiring new business.
In particular, actions and processes have been developed such as:

- Assessment of Management performance and potential;
- Succession Management, with the goal of establishing a series of special measures to ensure the smooth succession of the Company's leadership;
- Internal Talent Scouting, aimed at promoting young talent.

Performance Management, a program for the gradual introduction of performance appraisal. During the year, a pilot project was started to implement a new system of performance appraisal, called **Prysmian People Performance** (P3), which is due to be fully rolled out in the course of 2013. The new process, supported by an online system, aims to introduce a Group culture based on the importance of

constructive feedback, of manager-employee communication, of people development and reward of the most meriting, based on objective data. In addition, the P3 will be an important motivational tool, through the process of appraising improvement in performance.

International mobility

International mobility within the Prysmian Group provides an opportunity for career development in an international context, with attention to both professional staff and new young talent. The program involves a structured and effective process that starts with identification of needs through discussion with colleagues and analysis of organisational structures in the different countries. In this way it is possible to identify the requirements for managerial or highly specialised know-how for which the international transfer of resources is the solution. But this is not the only thing: developing people through international experience helps achieve better performance and results.

The expatriate is a professional who must be able to integrate with his/her colleagues, by transferring experience, skills, knowledge and leadership that may be the key to overcoming organisational difficulties involving critical business issues, new projects, new production requirements or integration with new industrial units.

Around 100 qualified staff are currently involved in the International Mobility program.

Remuneration policies

During 2012 the Group continued to develop remuneration policies focused on business objectives, consistent with the expectations of investors and with performance targets based on sufficiently long time horizons to ensure the creation and sustainability of value in the long run.

It is reported in this connection that the three-year long-term incentive plan, launched in September 2011, has been fully implemented and has succeeded in achieving a high retention rate amongst participants.

Such remuneration policies are designed to attract and retain talented people capable of achieving objectives, to motivate management to perform even better, and to align compensation with levels of responsibility, including through a correct mix of fixed and variable short and long-term remuneration.

Social and internal relations

The phase of industrial restructuring, following the acquisition of Draka, was started during the year with the closure of 6 plants around the world and the concentration and reduction of the number of offices and other sites in various countries, with the goal of optimising costs. These operations were conducted in compliance with local laws and with the agreement of the social partners concerned, including through the use of tools for the outplacement of staff made redundant. For example, in the case of the closure of the plant in Livorno Ferraris (Vercelli, Italy), the Group has implemented, with the consent of the local authorities and trade unions, outplacement policies for the staff involved, thanks to which some have found new employment at other Group plants or at other companies.

Agreement was reached to unify the two separate European Works Councils of Prysmian and Draka (supranational organisations representing employees provided for under EU legislation) into a single European Works Council for the Group, also in light of the recent Italian law that introduces European Directive 38/2009 on works councils.

For a more detailed understanding of the Prysmian Group's commitment to human resources, please refer to the 2012 Sustainability Report.

RESEARCH AND DEVELOPMENT

The Prysmian Group has 5,644 patents and patent applications, covering 914 inventions, of which 258 in the Energy business and 656 in the Telecom business.

Prysmian Group has always attributed key strategic importance to Research & Development to maintain its market leadership, by providing its customers with technologically innovative solutions at increasingly competitive costs. The acquisition of Draka in 2011 has added to the Group's know-how and expanded its expertise in specific high value-added fields. The Group currently has 17 Centres of Excellence, with headquarters in Milan, and about 570 qualified professionals. With more than 5,600 patents granted or filed and partnerships with major universities and research centres in Italy, Spain, the Netherlands and Brazil, the Prysmian Group means to be industry leader in R&D.
The Group's total expenditure on Research, Development and Innovation amounted to approximately Euro 69 million in 2012, broadly in line with the previous year.
The main achievements during the year in the **Energy business** included:

- in the area of Submarine cables, completion of development and internal qualification testing for the 600kV DC layered insulation cables for the Westernlink project in the UK; production and industrialisation was started at the Arco Felice plant in August 2012. Development and internal qualification testing were also completed for a new-design 48-strand optical fibre submarine cable with both interstitial and unipolar steel tubes; this product has already been put into production for a project for the Dutch operator TenneT;
- in the area of High Voltage cables, a Milliken 2500 mm² Cu conductor was developed with enamelled oxidised low AC resistant wires for production at the Abbeville plant (USA); the Abbeville plant also obtained HVDC qualification with the development of a 2500 mm² conductor with prototype insulation; 150 kV EPR insulated cables with class 5 conductor successfully continued to be developed and produced for the Feltoflex offshore platform project. Lastly, the transfer of Welded Aluminium Sheath technology to the Pignataro plant in Italy was completed;

- in the area of P-Laser technology for Utilities products, the Delft plant has obtained qualification of the P-Laser system for 30 kV applications in the Netherlands, while the new version of the high-performance insulation package has been put into production; in Italy, cables using the P-Laser design and Air Bag protection technology have been supplied to renewable energy plants; internal qualification has been carried out for a prototype HVAC P-Laser cable that operates at a temperature equal to or higher than that of cables insulated with traditional materials;
- in the Trade & Installers and Power Distribution businesses, the product portfolio was rationalised by taking advantage of synergies arising from the integration of Prysmian and Draka; there was also continued development of green products using raw materials derived from sugar cane fermentation;
- in the renewable energy field, the Group's solar cables obtained VDE qualification in China and the Underwriter Laboratories (UL) certification in Germany; two patents were also filed for an innovative cable for solar cogeneration;
- in the petrochemicals sector, a Sea-Flam cable for the offshore market was developed in Italy, featuring resistance to temperatures of up to 1000°C, as well as to mechanical shock and water spray; specific activities were also started to transfer know-how between the Group's different plants and research centres in Europe, North America, Brazil and China; in the umbilical cables field, a special cable using Pre-Salt technology for deepwater exploration in Brazil's oil fields was manufactured and qualified; production of high-tech 2.5" and 4.0" flexible pipes started at the Vila Velha plant in Brazil, with the first deliveries made to Petrobras.

Achievements in the **Telecom business** included:

- in the field of optical fibre and optical fibre cables for telecommunications, the Prysmian Group strengthened its market leadership with the development of bend-resistant fibre (BendBright-XS) and special cabling solutions for Fibre to the Home applications and mobile networks (LTE and 4G networks); in particular, during 2012 the LT 2.0mm BendBright-XS family of cables was launched in the United States; the reduced diameter and weight of these cables means that less material is needed for their manufacture, resulting in a lower environmental impact; new "RetractaNet" technology, able to reduce subscriber connection costs by 25%, was introduced in the Netherlands;
- in the Connectivity field, several connectivity accessories were developed for use in FTTH (Fibre to the Home) and FTTA (Fibre to the Antenna) applications;
- in the Multimedia & Specials business, the innovative "MaxCap-BendBright" fibre was introduced and has replaced more traditional standard fibres in local network and data centre applications; a new family of cables, called OM4+, was also introduced, featuring chromatic dispersion compensation and longer connection distances for 10 Gbit/s transmission; furthermore, with the launch of the new Cat 6a UTP cable, suitable for business critical applications, the Prysmian Group has reaffirmed its leadership in Category cables.

In terms of Industrial Innovation, the strategic role played by materials in cable and accessories technology had led Prysmian Group to step up its exploratory studies in this area. Among the main achievements in the year:
- the development of innovative insulating materials for high voltage applications of P-Laser technology, in HVAC and HVDC cables;
- the qualification by REE (Red Electrica Española) of a cable monitoring system allowing the real-time measurement of various parameters, particularly electrical ones, thus facilitating all maintenance activities during operation of medium and high voltage networks;
- the development and launch of the Prycam partial discharge measurement and monitoring system, which allows precise measurement of partial discharges by different network components during normal operation;
- the development of optical fibre phase conductors, a technology that allows optical fibre to be installed within phase conductors of distribution networks that have no protection cables; this opens up the way to build a genuine Smart Grid through a communication channel without bandwidth limitation;
- the definition of new design criteria to significantly reduce losses in the armouring of tripolar submarine cables; this system makes it possible to achieve a considerable reduction in the losses generated in the cable at the same power rating, to increase the power rating or even to optimise cable design at the same power.

In addition, work continued on optimising costs: the package of DTC (Design to Cost) projects was extended to more than 1,000 projects, enabling the Group to achieve considerable cost savings, also thanks to rationalisation of compounds and better use of materials.

Intellectual property rights

Protecting its portfolio of patents and trademarks is a key part of the Group's business, particularly due to its strategy of growth in high-tech market segments. In particular, the Group's intense R&D activities, in both the Energy and Telecom businesses, have allowed it to continue to increase its patent portfolio, especially in the high-tech and higher value-added segments, to support its major investments in these fields in recent years and to protect the related businesses, both now and in the future.

As at 31 December 2012, the Prysmian Group had 5,644 patents and patent applications throughout the world, covering 914 inventions (of which 258 in the Energy business and 656 in the Telecom business). During 2012, 30 new patent applications were filed, split equally between the two business sectors, and 194 patents were granted after examination, of which 36 by the European Patent Office (EPO) and 49 in the United States.

The most important products, typically distinguished by particular characteristics or a specific production process, are protected by trademarks that allow them to be identified and guarantee their uniqueness. At the end of 2012, the Prysmian Group also owned more than 3,000 trademarks in its countries of operation, covering its companies, activities, products and product lines.

AT THE CENTRE OF THE EUROPEAN TLC MARKET WITH SLATINA

The Romanian factory in Slatina has recently started to manufacture optical fibre cables in its new telecom cables facility, allowing the site to expand production from its existing base of low/medium voltage power cables and ADSL telecom cables. The Slatina plant was originally acquired from Siemens in the 1990s by Pirelli Cavi, which carried out the first work allowing it to manufacture copper telecom cables. Subsequently, in 2007 Prysmian approved the SLOPTCA project (SLatina OPTical CAbles) to build a new facility on the same site in order to expand annual production to about 1 million km of optical fibre cables (OFC) with the possibility of reaching a maximum of 3 million km.

Construction work and machinery purchases started in 2008; in 2010, the old site started to produce the first optical fibre cables (manufacturing 243,000 km by the end of the year), while work was completed on the new facility, which commenced production in October 2012.

Thanks to its extension and upgrade, the Slatina factory now joins the ranks of strategic sites for OFC production in Europe.

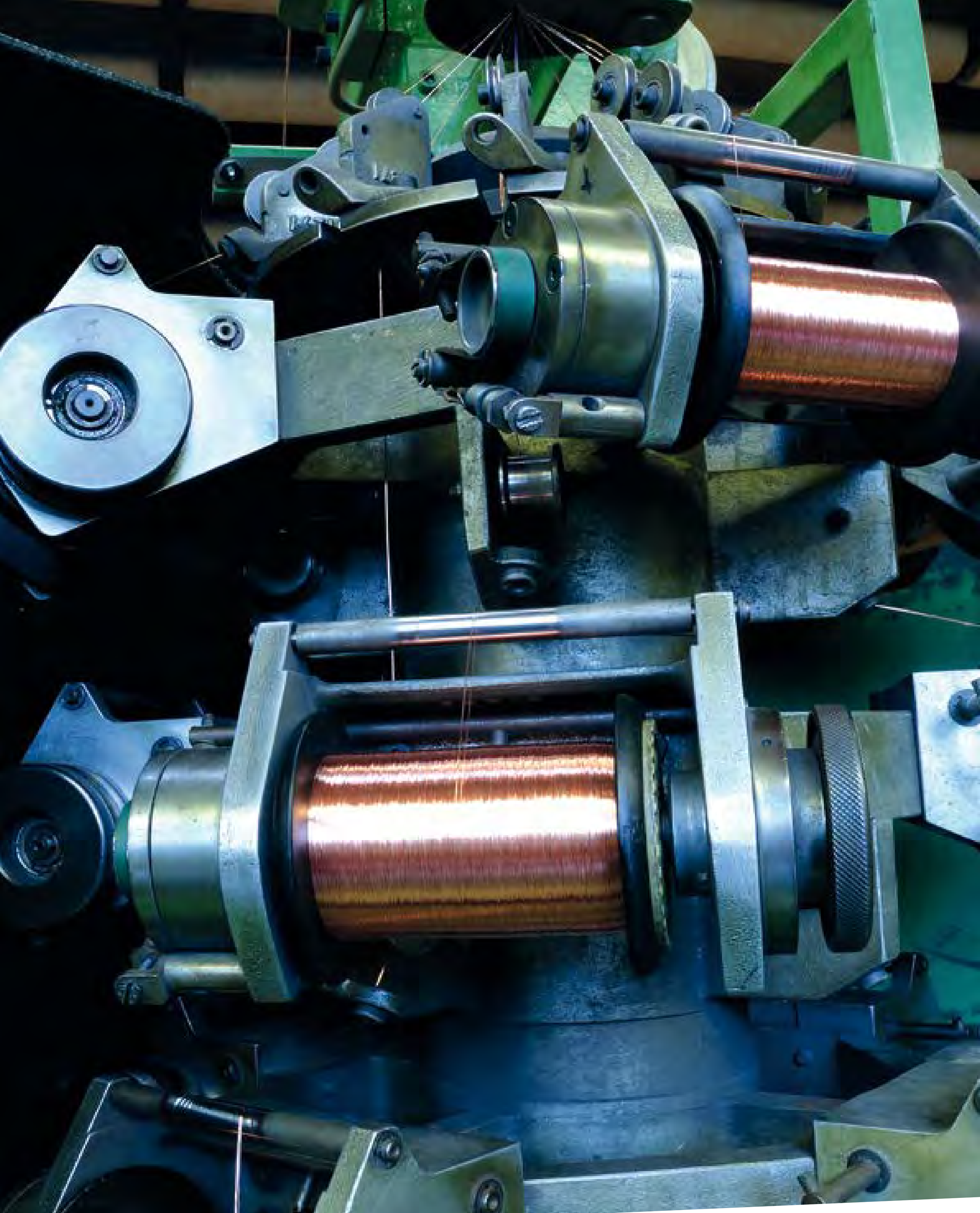
AN INTEGRATED SUPPLY CHAIN

Massimo Battaini
Chief Operating Officer

In an extremely tough economic climate, what lines of action have been taken to optimise resources and achieve positive performance?
Fluctuations in the price of the key raw materials, copper, lead, aluminium and oil, have been rigorously managed using hedging policies and daily monitoring of the match between purchase and sales commitments. This pre-emptive policy has helped to shield the impact on profit and loss. In addition, we have taken advantage of the integration with Draka to negotiate better terms with suppliers based on the higher volumes now purchased. We have also managed to optimise all the warehouses and distribution centres in our distribution network and to achieve significant cost savings by rationalising road transport in Europe and North America.

What impact has the swift integration with Draka had on the new structure?
The integration has allowed us to realise higher-than-expected synergies thanks to a reduction in the cost structure, to benefits from optimising the industrial footprint and to a matrix structure successfully able to confront market competition. The combination of managerial responsibilities and expertise with integration of the commercial product offerings has made our products and services more competitive and strengthened the Group's position in the strategic markets of power transmission, Oil & Gas, optical cables and connectivity for telecommunications.

In keeping with the Group's growth and development objectives, what investment policies were pursued in 2012?
Net operating investments amounted to Euro 141 million, of which approximately 58% in projects to increase production capacity. We have focused on organic growth as well as acquisitions to enhance our business, for example by gaining full control of the companies Telcon and Draka Optical Fibre in Brazil and of Global Marine Energy in the UK; in addition, part of these investments have gone into innovative projects in both the Energy and Telecom business segments.



AN INTEGRATED SUPPLY CHAIN

SOURCING

The Prysmian Group deals with fluctuations in base metals through strict application of its hedging policies and daily matching between purchase and sales commitments.

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

In a market with basically stable volumes on the previous year and a still weak global economic scenario, the average prices of the principal commodities in 2012 experienced contrasting trends: in the case of Base Metals, prices fell significantly on the previous year, with declines in the region of 10% -15% in USD prices (2-10% in Euros), reflecting a gradual slowdown in the emerging economies and consequent concerns about a possible reduction in future demand for commodities by these countries. Among the various petroleum derivatives, the price of polyethylene was driven up by higher ethylene prices in Euros, while PVC and plasticizers experienced less price fluctuation due to lower demand than the previous year.

- Copper: the average cash settlement price per tonne of copper on the London Metal Exchange (LME) reached USD 7,950 (Euro 6,181) in 2012, signifying a fall of 10% on the prior year USD price (-2% in Euro). The year 2012 was marked by lower growth in the Chinese economy, with diminished growth in demand for the red metal. Fluctuating between a low of USD 7,252 and a high of USD 8,658, the price was much less volatile than in 2011 (low 6,785 – high 10,148).

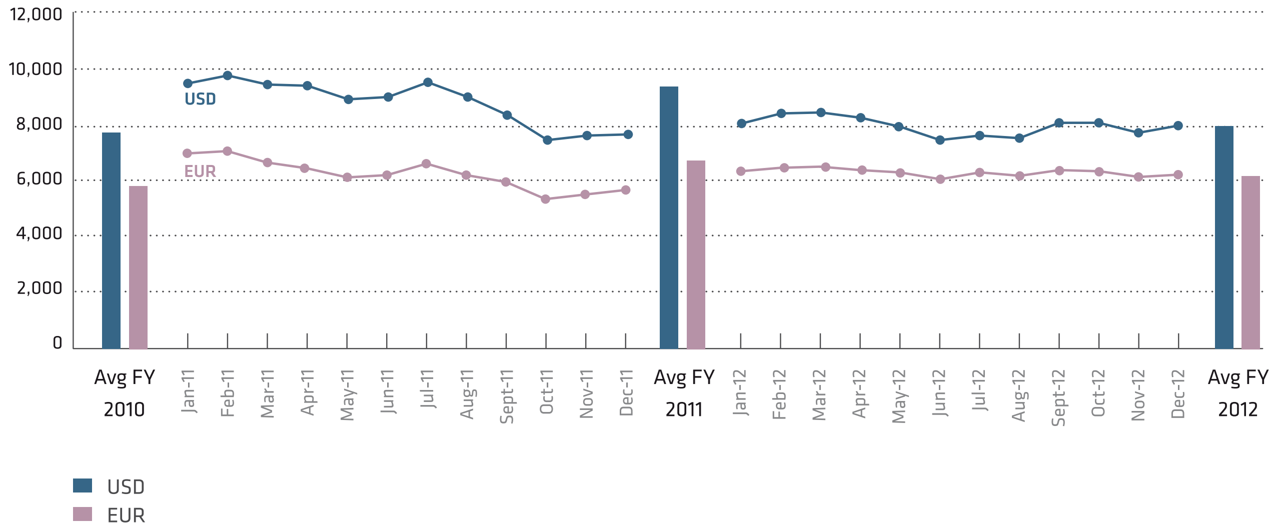
- Aluminium: the price of aluminium experienced a significant 16% USD decrease in 2012, mainly due to greater availability, also confirmed by the stocks of well over 5 million tonnes in the official warehouses of the London Metal Exchange. The average price per tonne of aluminium reached USD 2,019 (Euro 1,570) in 2012, compared with USD 2,398 (Euro 1,722) in 2011.

- Lead: the average price per tonne of lead on the LME reached USD 2,062 (Euro 1,603) in 2012, down 14% in USD and 7% in Euro on the prior year.

- Oil: the year 2012 was marked by considerable price volatility, especially in the first half, with prices ranging between USD 89 and USD 128. The average price per barrel of Brent crude was USD 112 in 2012, basically stable on USD 111 in the prior year. In contrast, prices in Euro increased by 9%, from Euro 80/barrel in 2011 to Euro 87/barrel in 2012, causing ethylene prices to rise by around 9%. As a result, even the principal petroleum derivatives reported higher prices than the previous year, with an adverse impact on overall variable costs.

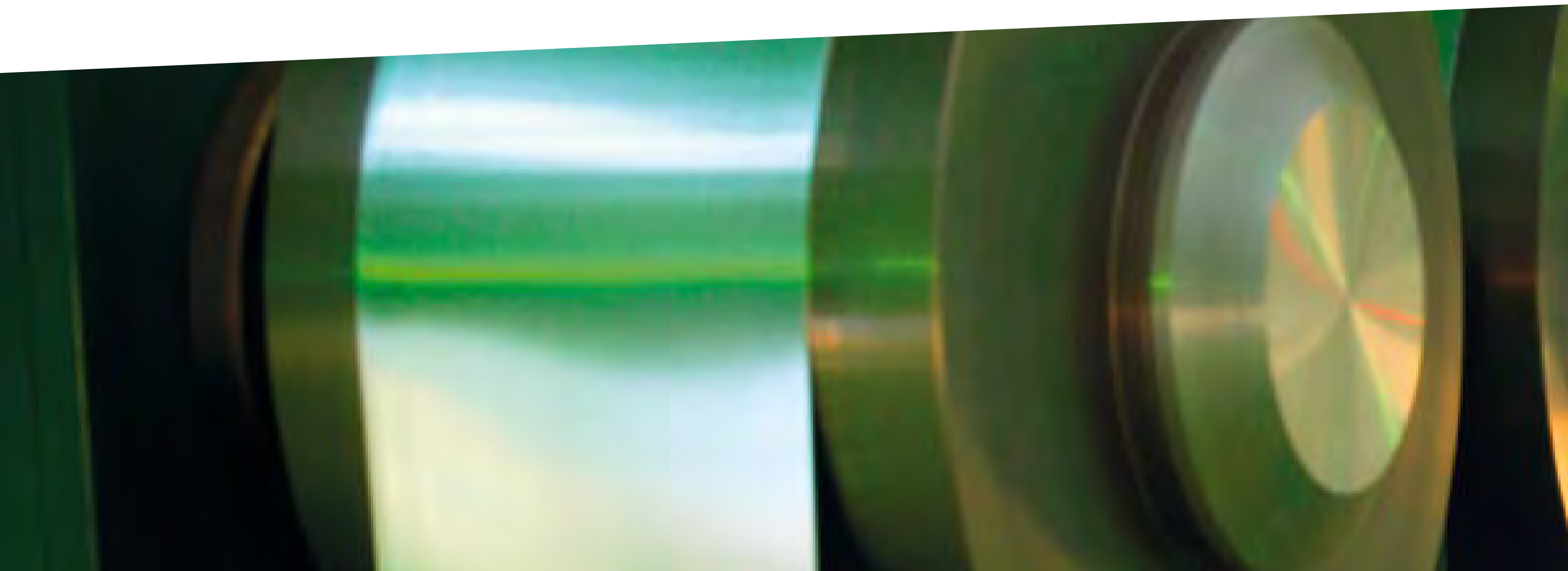
Even in 2012, the Prysmian Group was able to cope with these fluctuations in Base Metals thanks to the strict application of its hedging policies and through a daily matching between purchase and sales commitments. Sales price adjustment mechanisms, combined with careful hedging, helped mitigate the impact of price fluctuations on the income statement. As for the other raw materials, all the major contracts were revised not only to benefit from the new volumes generated by the integration of Draka but also to introduce purchasing solutions that reduce the risks of volatility in commodity prices that are tied to market indices. In addition, constant monitoring of global supplies and the introduction of various measures to optimise costs have contributed to completing the integration of Draka's procurement processes with those of Prysmian, along with continued rationalisation of the supplier base and purchasing portfolio. The Group has achieved synergies of scale thanks to its increased size and consequently greater bargaining power with suppliers. Lastly, during the year the Prysmian Group further consolidated its commercial relationships with key suppliers, managing to minimise costs and avoid any disruption in supplies in order to secure both short and long-term benefits for the Group.

COPPER

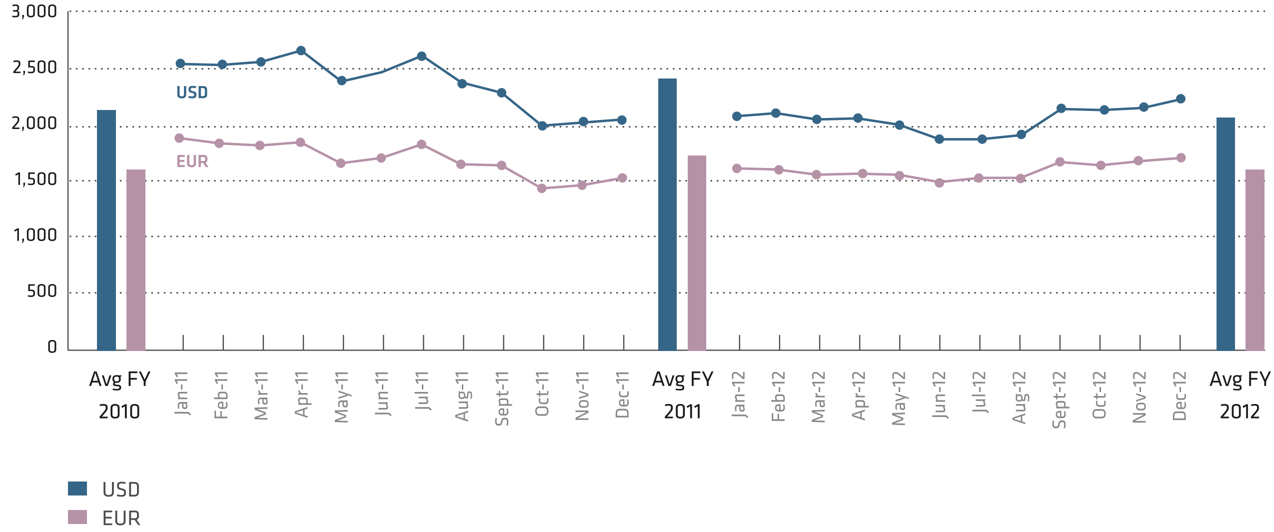


ALLUMINIUM

Source: LME data. Price per tonne.

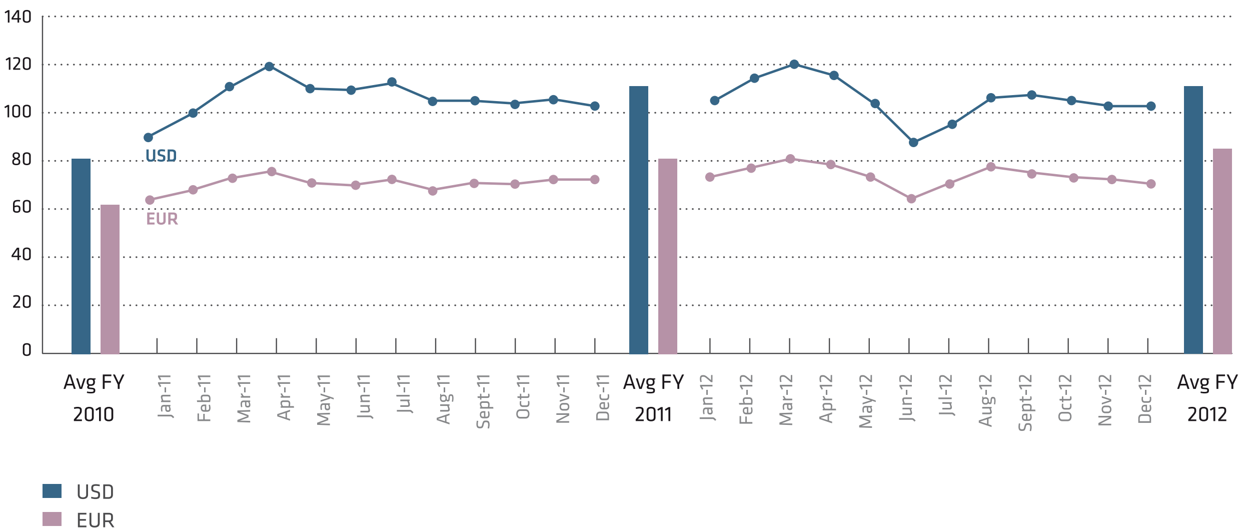


LEAD



Source: LME data. Price per tonne.

BRENT



Source: ICE data. Price per barrel.

INDUSTRIAL ACTIVITIES

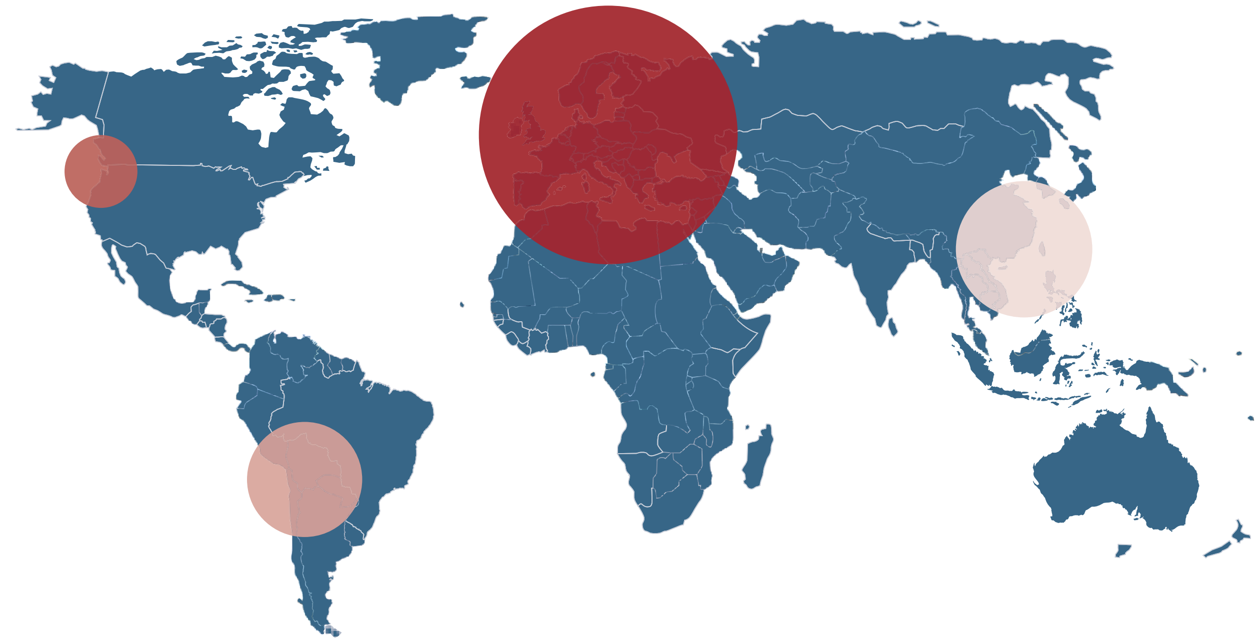
The Group focuses on higher value-added products for a geographically wide market, concentrating high-tech product manufacture in a limited number of plants to increase efficiency and reduce capital employed.

The Group's manufacturing operations are carried out through a highly decentralised model, involving 91 plants in 33 different countries. The wide geographical distribution of plants is a strategic asset, allowing the Group to react relatively fast to different market requirements. Over the course of 2012 the Prysmian Group continued to implement an industrial strategy based on: (i) focus on higher value-added products, while maintaining a well-diversified geographical presence to minimise distribution costs; (ii) concentration of high-tech product manufacture in a limited number of plants to benefit from economies of scale, to increase manufacturing efficiency and to reduce net capital employed.
The acquisition of Draka in 2011 has allowed Prysmian to become a recognised world leader and to increase not only the diversification of its product/customer portfolio, mainly in the Telecom, Industrial and T&I businesses, but also its overall production capacity. The process of integrating Draka's industrial activities, started in 2011, continued during the year with the gradual extension of the Prysmian Group's organisational models and systems of control to the acquired production facilities; at the same time, major strategic investments continued in submarine cables, high voltage cables, optical cables and fibre.
During the year, industrial plants were finally closed in Derby in the UK, in Hickory in the USA, in Eschweiler in Germany, in Livorno Ferraris in Italy, in Sant Vicenç dels Horts in Spain and in Singapore, with their machinery transferred to other Group factories. The purpose of concentrating production sites in this way has been to optimise cost structure within individual countries and to rationalise production activities, in line with the forecast synergies communicated to the financial community in 2011.
Gross investments amounted to Euro 152 million in 2012, a slight decrease from Euro 159 million the previous year, as a result of optimising capital employed after the transition period following the merger with Draka.
Investments to increase production capacity accounted for 58% of the total. Production capacity increases mostly referred to the Utilities and Industrial business areas and to the Optical Cables business line. In particular, work was started in the year to increase capacity at the Arco Felice plant in Naples to allow it to fulfil the contract for the Western Link HVDC connection, and so ensure greater flexibility in supporting the bigger order book. Other significant investments related to the plants in Sorocaba (Brazil), Durango (Mexico) and Liverpool (Australia), to meet the growing local demand in power distribution, automotive and mining segments. At the same time, investments continued in the production of high voltage cables in Rybinsk (Russia), direct current submarine cables in Pikkala (Finland) and high voltage direct current underground cables in Gron (France).
In the Telecom business, projects continued to increase fibre and optical cable production capacity at the Sorocaba facilities in Brazil in order to meet growing demand for optical cables in the South American market. In view of the massive broadband development programme throughout the country, additional investments were made in Australia to produce cables locally using ribbon technology. Lastly, work continued at the European optical fibre plants in Battipaglia (Italy) and Douvrin (France) to reduce fibre manufacturing costs.

Capex for structural maintenance work or for worker safety accounted for about 14% of the total.
A significant share of the investments (about 12% of the total) was devoted to research and development and to the continuous improvement of information systems. In particular, there was continued expenditure on implementing the SAP Consolidation project, aimed at standardising the information system in all the Group's operations over the next few years; in 2012, the new ERP system was rolled out to Estonia, Finland, Germany and Slovakia. Lastly, 16% of total investment expenditure went on achieving efficiencies to reduce fixed and variable costs, particularly in relation to materials usage and product design.

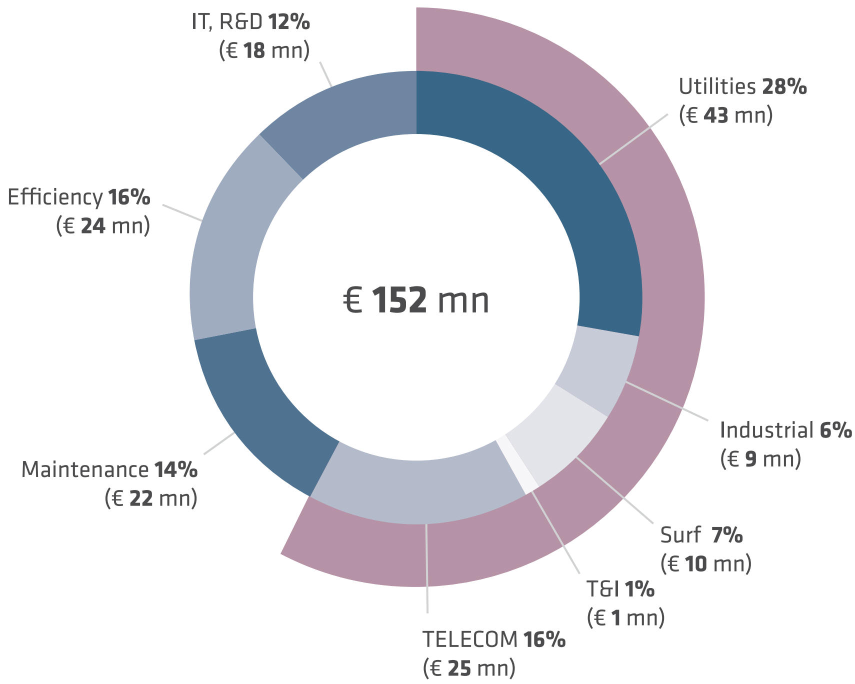
The following charts show how the Group's investments in 2012 were split by business, type and geographical area:

INVESTMENTS IN 2012



- EMEA (59% - € 89 mn)
- South America (15% - € 23 mn)
- North America (7% - € 11 mn)
- APAC (19% - € 29 mln)

TOTAL CAPEX: € 152 mn



- Capacity increase

QUALITY

The number of customer claims has fallen by 35% since Prysmian Group created this function in 2009.

During 2012 the Quality function completed the integration of the former Draka Group into the Group's Quality organisation. In particular, all Prysmian Group operations are now monitored using the same indicators, allowing detailed analysis of the performance of each local entity. In addition, activities continued to make local entities fully compliant with the guidelines of the Prysmian Quality Management System (PQMS) and the related Standards.
In terms of results, the constant improvement in Quality performance was confirmed once again in 2012, with the achievement of another significant reduction in the number of customer claims (-35% on 2009, the year of the Quality function's establishment within the Group). The results achieved are the product of the Quality function's gradual implementation of the established prevention measures as well as its continued auditing activities (of both Systems and Processes), resulting in the identification of important opportunities for improvement.
Finally, a Worldwide Quality Meeting was held in the last part of the year for all the Group's Quality Managers, during which the results achieved were reviewed and the operational plans for 2013/2014 were agreed.

LOGISTICS

Planning differs according to whether a product is classified as "engineer to order" (ETO), "assembly to order" (ATO), "make to order" (MTO) or "make to stock" (MTS).

The Supply Chain function manages all the Group's intercompany flows both at a budget and everyday operations level with the aim of satisfying demand in all markets that do not have a local production source due to lack of capability or production capacity. The Supply Chain function also manages short and medium-term production allocations and planning through Sales & Operations Planning (S&OP), a process which serves as the link between the demand cycle (sales) and the supply cycle (manufacturing and procurement). The Group plans production according to whether a product is classified as "engineer to order" (ETO), "assembly to order" (ATO), "make to order" (MTO) or "make to stock" (MTS). The ETO management model is mainly used in the Submarine and High Voltage cables businesses, where the Prysmian Group's services start with system design and go all the way through to final cable laying, using the services of the "Giulio Verne" cable-laying vessel, where required. The ATO approach allows a fast response to demand for articles that use standard components but differ only at the final stages of production or packaging. This approach has the dual objective of responding rapidly to market demand while at the same time keeping inventories of finished goods to a minimum. Under the MTO approach, production is activated and goods shipped only after receipt of a customer order, significantly reducing unused inventory levels and the time that raw materials and finished goods remain in stock. In contrast, under the MTS approach, generally used for more standardised products, inventory management focuses on producing items for stock to allow a fast response to demand. The Group continues to follow its policy of prioritising customer service, with the ultimate objective of improving flexibility, reliability, and time to market.

The concept of "Factory Reliability" introduced since 2010 has improved the reliability of planning and the execution of manufacturing output, in terms of both mix and volumes in ever faster response times, as well as allowing stricter control of every type of inventory: raw materials, semi-finished products and finished goods; this has allowed the Group to respond efficiently and effectively to the general reduction in sales volumes and accompanying decline in manufacturing output by promptly adjusting inventory levels.
In addition to the Customer Centricity and Factory Reliability projects, Prysmian Group has also started Supply Chain Integration projects with some of its most important global customers with the goal of improving process effectiveness and efficiency throughout the supply chain, from the producers of raw materials and semi-finished products used in production to the end cable user.
Prysmian Group has also carried on rolling out the "SAP Consolidation" project, which aims to harmonise and standardise all IT processes worldwide, including for the new Draka operating units. In particular, once this project is implemented in all the Group's countries, the supply chain, from procurement to physical distribution, will benefit from ever greater visibility, process integration and centralisation of decision-making and operations, allowing more efficient use of resources, greater sharing of information and a big reduction in market response times.

Following the acquisition of Draka, actions have been taken to achieve synergies between the Draka and Prysmian distribution networks, including warehouses and distribution centres. Important rationalisation and consolidation projects were started during 2012 in the field of road transport in Europe and North America that will allow the Group to achieve significant benefits in terms of costs and service levels.
In addition, all Group operating units have continued to focus, in partnership with customers and suppliers, on actions to recycle, recondition and reuse packaging in order to minimise environmental impact.

PIKKALA, NEW SUBMARINE CABLE PLANT

The Group inaugurated the new submarine cable plant in Finland in June, having invested approximately Euro 40 million to expand its production capacity at the Pikkala facility, already a centre of excellence for high voltage cable production. In particular, the Pikkala plant has started up production of transmission cables that use HVDC (High Voltage Direct Current) technology allowing large amounts of energy to be transmitted over long distances.

The realisation of major renewable energy development projects in Northern Europe, particularly in Germany, also involves developing suitable new power transmission connections, especially for offshore wind farms. Prysmian is world leader in this field and in order to support the growing demands, it is engaged in a major investment programme to expand production capacity and maintain its technological leadership.

In addition to the Euro 40 million invested in Finland, the Group is also expanding production capacity at its Arco Felice plant in Italy, the centre of excellence for submarine cables, after winning the Westernlink contract to build a new submarine link between Scotland and England.

PRYSMIAN FOR THE ENVIRONMENT

The integration between the Prysmian and Draka Health, Safety and Environment functions gained momentum, with the updating of procedures and alignment of operating practices and methods.

Commitment to environmental protection and to the conservation of natural resources is essential for the Group to create environmentally sustainable value added, that benefits both the business and its stakeholders. This approach is expressed not only in the product's intrinsic characteristics, but also in the management of the Group's production systems, where the focus is on prevention and reduction of environmental impact through, for example, efficient use of natural resources, replacement of polluting materials, optimisation of logistics and responsible waste management.

During 2012, the integration between the Prysmian and Draka HSE functions really got underway, with an updating of the Group's procedures for its environmental management, health and safety systems. One of the main activities involved in this update, led by the parent company's HSE function, was to upgrade the information system that gathers and reports HSE data and information, with the dual purpose of analysing and comparing the different Group entities resulting from the merger so as to align their practices and operating procedures, and of developing consolidated reports to document and monitor significant HSE indicators at Group level.
The indicators for monitoring HSE include energy consumption, waste management, the use of water resources and atmospheric emissions of greenhouse gases. These indicators are reported in the Group's Sustainability Report, in some cases as early as in the 2012 edition. In particular, with regard to greenhouse gas emissions, the Group has started to collect energy consumption data to keep a track of "direct" emissions (arising from the production process), and "indirect" ones (arising from bought-in energy); this process will allow Prysmian to participate in 2013 in the Carbon Disclosure Project (CDP), an international initiative that aims to contribute to the achievement of the Kyoto Protocol's targets for worldwide reduction in greenhouse gases.

During 2012, the parent company's HSE function continued its efforts to support the implementation of environmental management, health and safety systems in all the Group's operating units, in which it conducted a number of pre-assessment audits to verify the correct application of existing procedures. Training was also provided at the same time to HSE site and subsidiary managers.
During 2012, with the addition of the plant in Auckland, New Zealand, the number of the Group's sites certified under ISO 14001 (for environmental management systems) and OHSAS 18001 (for safety management) reached 82% and 42% of the total respectively.

The parent company's HSE function undertook communication and training initiatives during the year and promoted the use of tools at every level of the organisation, such as: publication of the "Golden Safety Rules", a document endorsed by the CEO and the CFO of Prysmian which contains a brief summary of the main operational rules and reaffirms one of the Group's guiding principles, namely protection of health and safety at work and of the environment; specific training courses for plant, country or regional HSE managers using the "Webex" medium, which combines a teleconferencing facility with electronic file sharing. In total, 24 Webex sessions were organised for 328 participants, involving nearly 565 hours of training time.

With the activities conducted during 2012 and prior years, Prysmian has laid the foundations for a more conscious and integrated groupwide management of its environmental, health and safety issues.
In fact, the integration process represents an opportunity for improvement; the parent company's HSE function will coordinate the development of additional policies and operating procedures to manage health, safety and the environment at all the Group's operating units.
In this context, Prysmian Group monitors its environmental, health and workplace safety performance using qualitative and quantitative measures, some of which are published in the Sustainability Report. This document, to which reference should be made for further details, describes not only the Group's performance, but also the existing management models and lines of development for future action.

INFORMATION SYSTEMS

The best practices of Prysmian and Draka have resulted in a strong and structured IT environment, able to support the Group's growth in coming years.

Information Technology (IT) played an important role for Prysmian Group in the process of integration between Prysmian and Draka during 2012.

The combined best practices of Prysmian and Draka have resulted in a strong and structured IT environment, able to support the Prysmian Group's growth in coming years.

The strategic plan established in 2011 is in the process of being implemented. Almost all of the actions envisaged for applications and infrastructure have been initiated, allowing the business to benefit from synergies by making the most of technological solutions.

The Group's IT structure is fully integrated and its sizing completed. During 2012, in accordance with the strategy, the balance between the responsibilities of internal and external resources was revised with significant cost savings. A great deal of effort was devoted to optimising and rationalising IT service agreements, with benefits in 2012 and further synergies expected in 2013.

Certain long-term projects are currently underway, including the one to harmonise Enterprise Resource Planning (ERP) on a SAP platform, which will continue until 2015.

APPLICATIONS

The strong focus on centralisation and harmonisation of processes is leading to a gradual and constant spread of technological solutions to all the Group's companies, thanks to the significant investments in IT, primarily in the applications area.

Among these investments, the SAP consolidation program is the most important. This program, started in 2008, has proved instrumental to the integration between Prysmian and Draka: 14 countries and nearly 40 plants now use the same ERP system for all their business processes.

Tactical solutions have been adopted, by unifying ERP systems at country level in order to achieve local synergies ahead of the arrival of the global SAP consolidation program.

In 2012, the new reporting system was used by all Group companies, proving to be an important tool for giving uniformity to the results and facilitating the reporting process.

In other areas, the Group is gradually making investments to standardise cable design software, to optimise product scheduling, to improve business intelligence tools and to upgrade the e-business platforms.

The new redesigned and technologically upgraded corporate website, www.prysmiangroup.com, was launched at the end of the year. The integration process is now focusing on the company intranet.

INFRASTRUCTURE

Distributed and personal computing
At the end of 2012, almost all the 11,000 workstations present in the Group's companies had been set up with a standard, uniform configuration. This fosters greater user productivity and a significant saving in maintenance and support.

Much work was devoted to developing new mobility solutions and adopting multi-purpose devices and will continue in 2013 with the introduction of major innovations thanks to these technologies, while continuing to follow the Group's principles for protecting business information and improving user productivity.

Consolidation of Infrastructure Services and Network
The main objective, also confirmed for 2013, is to provide an IT infrastructure in support of the business that is reliable and ensures user functionality during the integration period.

During the year several opportunities were taken to consolidate and optimise infrastructure by revising service agreements and rationalising the portfolio of solutions.
This process is on-going and will continue in coming years, consistent with new technical solutions for both data centres and telecommunication and security services.

PRYSMIAN AND SUSTAINABILITY

Several projects started in 2012, representing an equal number of significant steps in the Group's progress towards sustainability, while important results were achieved thanks to continuing work over the years.

Prysmian Group's cable industry leadership, in Italy and the world, carries a duty for assuring an efficient, technologically advanced service over time that complies with strict standards. The responsibility of being leader guides the Group's approach to sustainability, including the particularly important areas of sustainable, technological innovation of its customer solutions, respect for the environment, attention to safety at work and people development.
In line with its mission, vision and values, Prysmian Group is attentive to the needs of its stakeholders: customers, investors and shareholders, employees, local communities, research centres and universities, public authorities, suppliers, banks and lending institutions.
The way the Group is managed aims to implement management and production processes which help improve the sustainability of the solutions offered to its customers, the development of its people, the environmental responsibility of its production systems and the approach to managing relations with the local communities in which it operates.
Several projects started in 2012, representing significant steps in the Group's progress towards sustainability, while important results were achieved thanks to continuing work over the years.

- Work was started to modify the system that gathers environmental data, in order to cover all the Group's businesses and allow performance to be monitored and improvement targets to be set globally.
- As a result, from 2013 the Group will be able to participate in the international voluntary Carbon Disclosure Project for the transparent reporting of direct and indirect greenhouse gas emissions in order to identify areas for improvement and initiate specific projects, thereby contributing to the achievement of the Kyoto worldwide reduction targets.
- The number of patents increased by more than 6% (inclusive of pending applications) compared with 2011, reflecting the quest for excellence that constantly drives the Group's research and development activities.
- Drum transport by road decreased by 4% in favour of rail and maritime transport, with the added benefit of lower atmospheric emissions.
- Prysmian Group Academy was launched, providing a major opportunity for the professional development of human resources in terms of technical and managerial skills. The success to date means that a target coverage of about 10% of the Group's senior managers and office staff has been set for 2013.

The enormous energy devoted by the Group to sustainability is also reflected in its Sustainability Report, a transparent, structured piece of communication to its stakeholders, which provides an annual report on the policy promoted by Prysmian and its performance in economic, environmental, social and product terms.
Prysmian Group adopts international best practices where reporting is concerned, namely the Global Reporting Initiative's "Sustainability Reporting Guidelines" (version G3.1 dated 2011). The GRI Reporting Framework is a universally accepted model for sustainability reporting. It includes common practices for different types of organisations and contains topics of a general nature as well as industry-specific ones with the aim of communicating an organisation's sustainability performance.
Compared with the previous edition, the 2012 Sustainability Report has extended the qualitative and quantitative disclosures with the goal of reaching GRI Application Level C. The document is also being audited for the first time by a recognised external company to provide all stakeholders with assurance as to the reliability of the information contained therein. Reference should be made to the 2012 Sustainability Report for a complete account of the Group's economic, environmental, and social performance.

PRYSMIAN GROUP AMONG THE FOUNDERS OF NORSTEC

Prysmian is one of the founders of Norstec, an association of the world's leading players in the energy industry with the aim of supporting the production of renewable energy by offshore wind farms in the Northern Seas.

Norstec, supported by British Prime Minister David Cameron, brings together more than 40 entities operating in the energy transmission infrastructure and technology industry, including world-leading manufacturers (such as Alstom, Areva, E.On, National Grid, Siemens, Vattenfall and Vestas), developers, researchers and industry bodies, and aims to promote policies geared towards the growth of the offshore wind power industry in the Northern Seas by exploiting the available resources and transforming them into economic and development opportunities. The members of the association will collaborate and share information to ensure that the benefits offered by the vast clean energy potential in the Northern Seas are fully realised.

By joining Norstec, the Group, which is already a global leader in power connections for offshore wind farms, strengthens its commitment to supporting more efficient and environmentally sustainable grids throughout the world, as well as its leadership in implementing power transmission and distribution connections.

CORPORATE GOVERNANCE

INTRODUCTION

The structure of corporate governance adopted by the Company is based on the recommendations and standards contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2011", drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A. and to which the Company has adhered.

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

The structure of corporate governance 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 art. 2497 of the Italian Civil Code.

After due evaluation, the Company's Board of Directors has confirmed that the Company is not under the direction and coordination of other companies due to the absence of the following circumstances, which would otherwise indicate the likely existence of direction and coordination by others: the preparation of business, strategic and financial plans and budgets for the Group, the issue of instructions relating to financial and credit policy, the centralisation of functions such as treasury, administration, finance and control, the establishment of strategies for the Group's growth and the strategic and market positioning of the Group and of individual companies, especially when these policies may influence and determine actual implementation by the Company's management.

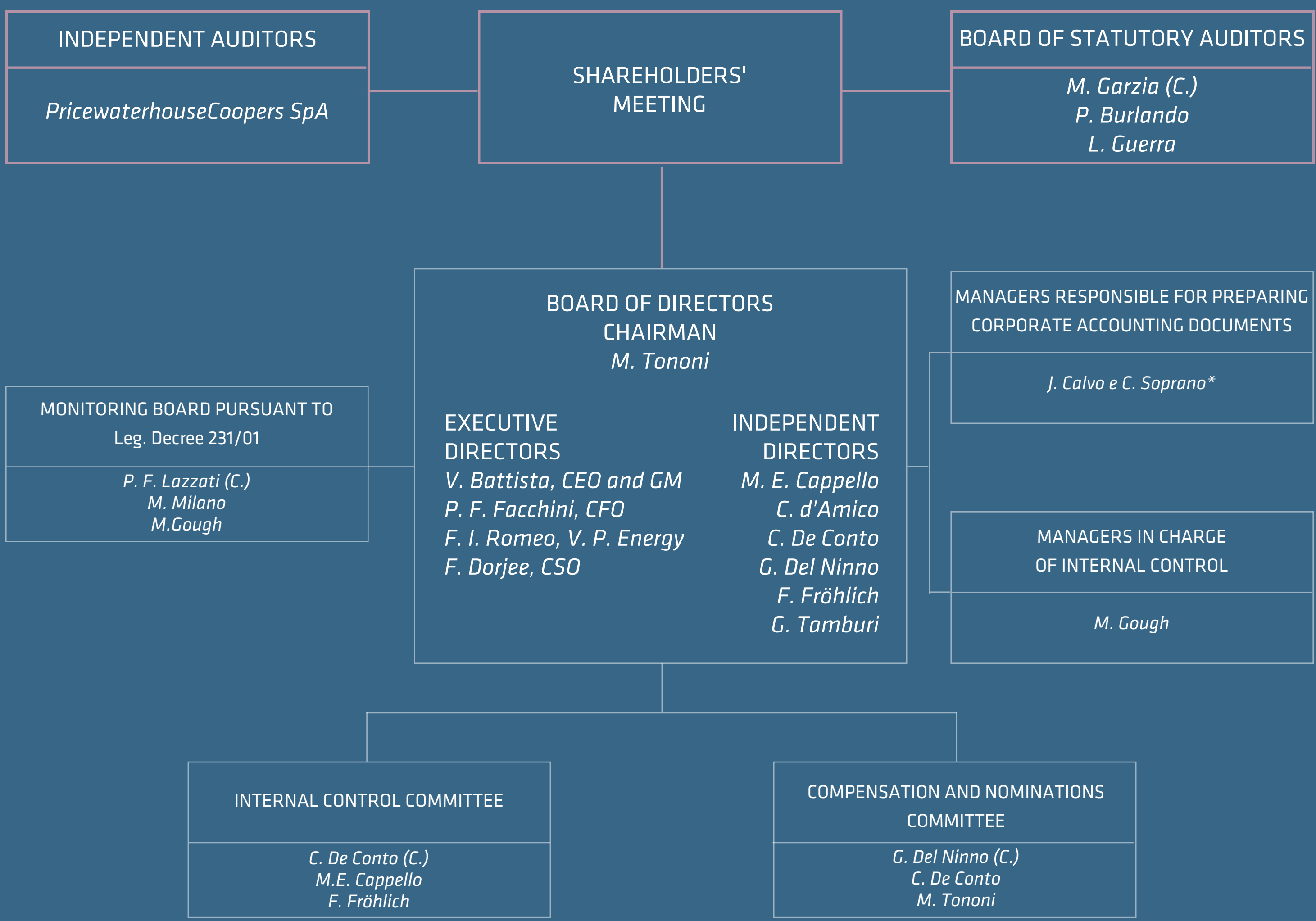
The main aims of the corporate governance structure are:
- to guarantee the shareholders of Prysmian S.p.A. an appropriate level of supervision over the more important strategic decisions of the Group;
- to organise a multilayer decision-making structure to

enable appropriate involvement of shareholders and of the Board of Directors in the more important strategic decisions of the Group, with everyday management delegated to managers;
- to require strict adherence by management to governance procedures and to determine appropriate consequences in the event of non-compliance.

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

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

GOVERNANCE STRUCTURE



* A. Bott has replaced J. Calvo from 1 January 2013.

COMPANY ORGANISATIONAL STRUCTURE

Transparency of decision-making processes, effective internal controls, strict rules governing potential conflicts of interest and appropriate standards for related party transactions.

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

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

BOARD OF DIRECTORS

It is vested with the widest ordinary and extraordinary powers, except those which by law are the exclusive prerogative of the Shareholders' Meeting.

In accordance with art. 14 of the By-laws, the Company is governed by a Board of Directors consisting of no fewer than seven and no more than thirteen members, chosen also from among non-shareholders and who are eligible for re-election.

In compliance with the provisions of Legislative Decree 58/98, the Company has adopted a slate voting mechanism for the appointment of directors in order to allow, where possible, minority shareholders to present and elect candidates to the office of Director. The appointment of the Board of Directors takes place on the basis of slates presented by the outgoing Board of Directors and/or by those shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital eligible to vote at the Ordinary Shareholders' Meeting, or such lower percentage established by law or regulation. Consob Resolution 18.452 of 30 January 2013 has set the minimum shareholding requirement for presenting candidate slates at 1% for 2013.

The Company is currently managed by a Board of Directors consisting of eleven Directors, who will remain in office until the date of the Shareholders' Meeting that approves the financial statements for the year ended 31 December 2014. The members of the Board of Directors are as follows:

BOARD OF DIRECTORS

OFFICE HELD	NAME	In office from	In office until	Slate (M/m)	Executive Director	Non Executive Director	Indipendence as per Italy self regulatory code	Indipendence as per Italy's unified financial act
Chairman	Massimo Tononi	01.01.2012	31.12.2012	M	-	X	-	X
CEO and GM	Valerio Battista	01.01.2012	31.12.2012	M	X	-	-	-
Adm.or	Maria Elena Cappello	18.04.2012	31.12.2012	M	-	X	X	X
Adm.or	Cesare d'Amico	18.04.2012	31.12.2012	m	-	X	X	X
Adm.or	Claudio De Conto	01.01.2012	31.12.2012	M	-	X	X	X
Adm.or	Giulio Del Ninno	01.01.2012	31.12.2012	M	-	X	X	X
Adm.or	Frank Franciscus Dorjee	01.01.2012	31.12.2012	M	X	-	-	-
Adm.or	Pier Francesco Facchini	01.01.2012	31.12.2012	M	X	-	-	-
Adm.or	Friedrich Wilhelm Froehlich	01.01.2012	31.12.2012	M	-	X	X	X
Adm.or	Fabio Ignazio Romeo	01.01.2012	31.12.2012	M	X	-	-	-
Adm.or	Giovanni Tamburi	18.04.2012	31.12.2012	m	-	X	X	X

The Board of Directors therefore consists of eleven 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. Six of the Non-Executive Directors are independent within the meaning of art. 148, par. 3 of the Unified Financial Act and of art. 3.C.1. and art. 3.C.2. of the Self-Regulatory Code, while one Non-Executive Director is independent within the meaning of art. 148, par. 3 of the Unified Financial Act.

The information provided by Directors in relation to their appointments as Directors or Statutory Auditors of listed or other relevant companies can be found in the "Report on Corporate Governance and Ownership Structure".

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

The Board of Directors has appointed a Chief Executive Officer and General Manager from among 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 and after consulting the Board of Statutory Auditors, the Board of Directors has appointed Jordi Calvo (Head of Planning & Controlling) and Carlo Soprano (Head of Financial Statements & Compliance) as the joint Managers responsible for preparing corporate accounting documents.
With effect from 1 January 2013, Andreas Bott has succeeded Jordi Calvo as Head of Planning & Controlling, also becoming Manager responsible for preparing corporate accounting documents, a position still held jointly with Carlo Soprano.

The Board of Directors has established two internal committees and appointed their members:
- Control and Risks Committee, with powers to advise and make proposals to the Board of Directors, including in order to allow the latter to fulfil its duties concerning management of the internal control system.
- Compensation and Nominations Committee, with powers to advise and make proposals to the Board of Directors, including with reference to the remuneration of the directors and top management of Prysmian S.p.A., the appointment/replacement of independent directors, and the size and composition of the Board itself.

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 company activities and monitors the adequacy of the Company's organisational structure, internal control system and administrative and accounting system. Legislative Decree 39/2010 has identified the Board of Statutory Auditors as the "Internal Control and Financial Audit Committee", meaning that it now has supervisory duties over the financial reporting process, the effectiveness of the systems of internal control, internal audit and risk management, over the statutory audit of the separate and consolidated annual accounts and over the independence of the external auditing firm.

The current Board of Statutory Auditors - appointed by the Company's Ordinary Shareholders' Meeting held on 15 April 2010 - will serve until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2012 and consists of the following members:

BOARD OF STATUTORY AUDITORS

NAME	OFFICE HELD
Marcello Garzia	Chairman of the Board of Statutory Auditors
Paolo Burlando	Standing Statutory Auditors
Luigi Guerra	Standing Statutory Auditors
Giovanni Rizzi	Alternate Statutory Auditors
Luciano Rai	Alternate Statutory Auditors

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

The appointment of the Statutory Auditors takes place on the basis of slates presented by shareholders who, alone or together with other shareholders, hold shares representing at least 2% of share capital with voting rights, or such lower percentage established by law or regulation. Consob Resolution 18.452 of 30 January 2013 has set the minimum shareholding requirement for presenting candidate slates at 1% for 2013. These slates must be filed at the registered offices at least twenty-five days before the date set for the Shareholders' Meeting in first call. Each slate must be accompanied by statements in which the individual candidates accept their candidacy and by a curriculum vitae.

The information provided by Statutory Auditors in relation to positions held as Directors or Statutory Auditors in other companies can be found in the "Report on Corporate Governance and Ownership Structure".

ORGANISATIONAL MODEL (LEGISLATIVE DECREE 231/2001)

By resolution of the Board of Directors on 24 January 2006, the Company has adopted an organisational model (the "Model") in compliance with the requirements of Legislative Decree 231/2001. As a result of constant revisions and updates, the Board of Directors approved a new version of this Model on 27 August 2008, which was last updated on 10 November 2010. Revision of the Model has taken account of the extension of corporate administrative liability to new types of criminal offence, and of changes in the Company's organisational structure after adopting the original organisational model.
A Model has therefore been developed for the Company that fully complies with the guidelines identified by analysing and mapping business processes at risk of criminal offence and that is consistent with the Company's specific characteristics, and thus able to satisfy the effectiveness requirements demanded by law.
The Model adopted by the Company is reflected in the following documents:
(a) Code of Ethics. This sets out the general principles (transparency, integrity and fairness) which underpin the conduct of business and which are also relevant for the purposes of Legislative Decree 231/2001; it also indicates the goals and values which characterise the Company's operations.
(b) Rules of conduct. These contain specific rules for dealing with public officials and are designed to satisfy the specific requirements of Legislative Decree 231/2001 with regard to the prevention of potential risk situations. These guidelines set out types of conduct to be actively adopted and conduct to be avoided, thus translating the contents of the Code of Ethics into practical guidelines.
(c) Rules of Governance. This is a descriptive document structured as follows:

- Introduction: this contains a description of the business and organisation of Prysmian, with the purpose of putting the Model into its specific business 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 offences, an organisation chart, contractual clauses and a list of procedures. It also describes how the Model is distributed and publicised, how its users are instructed and how it is adopted and continuously updated. It also contains a specific chapter on the Monitoring Board (duties, reasons for members being ineligible, removal, disqualification and suspension of members, spending budget for its work).
(d) Decision-making and control procedures. These have the purpose of governing for all the relevant risks mapped:
- roles and responsibilities of persons involved;
- decision-making/authorisation processes;
- how activities at risk are managed and controlled.

In order to guarantee better oversight of internal control activities and in compliance with the recommendations of the Italian Stock Exchange Self-Regulatory Code, the Board of Directors has appointed Valerio Battista, the Chief Executive Officer, as the director in charge of the system of internal control and risk management and made him responsible for monitoring the internal control system's overall adequacy, efficiency and effectiveness. The Board of Directors has also appointed the Head of Internal Audit with responsibility for verifying that the internal control system is always operating adequately and effectively.

THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS RELEVANT TO THE FINANCIAL REPORTING PROCESS

1) Introduction

Internal controls for managing financial reporting risks form part of the overall system of internal control. Such controls have the purpose of guaranteeing the reliability, accuracy, completeness and timeliness of financial reporting.

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

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

The Internal Audit Department draws up an annual audit plan based on an assessment of risks. Risk factors are analysed and revised every year to ensure that the audit plan properly covers the risks to which the Group is exposed.
In accordance with the Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2011 and international best practices, the Group has developed a dynamic system of enterprise risk management ("ERM") which will further enhance the audit planning activity by providing a systematic and structured framework for risk identification and process analysis. The planning activity also includes specific interviews with senior management in order to identify further risks, uncertainties or specific audit requests to be taken into consideration. The results of previous internal audit activities are also analysed to identify potential trends, any widespread weaknesses in internal control and similar recommendations which may indicate areas requiring additional focus.
The implementation status of previous internal audit recommendations is also reviewed. During these activities, risks related to business planning and financial reporting are always considered as one of the main areas of risk to which the business is exposed. Once these activities are completed, the annual internal audit plan is submitted for approval, first by the Control and Risks Committee and then by the Board of Directors.

In conducting internal audit activities, the Head of Internal Audit and the Internal Audit Department are given complete access to all relevant data, documentation, information and personnel to enable them to perform each audit.

The Head of Internal Audit attends every meeting of the Control and Risks Committee. The results of internal auditing activities are reported to the committee along with key findings and remediation actions. The status of the audit plan is reported during each meeting and any significant deviations or anticipated deviations are discussed and confirmed.
The implementation status of audit recommendations or remediation actions is reported to the Control and Risks Committee.

2) Main features of the system of controls over the financial reporting process

Prysmian Group maintains a system of administrative and accounting procedures to ensure a reliable system of internal control over financial reporting. The Company uses policies, procedures and operating instructions to guarantee an effective flow of information from its operating companies.

These include the Group Accounting Manual (rules for the use and application of accounting policies), the Administrative Processes Manual, the procedures for creating and publishing financial information and other procedures for the preparation of the consolidated financial statements and interim financial reports (including the chart of accounts, the consolidation procedures and procedures for related party transactions).
Prysmian Group head office functions are responsible for distributing this documentation to operating companies, all of whom can access these accounting policies, procedures and rules through the Group's intranet site. The operating companies also issue local policies, procedures and rules that comply with the Company's guidelines.

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

This system has been developed using the COSO framework to identify key risks and thus the required key controls to be established to mitigate the risks identified and to ensure the internal control system operates effectively. A scoping exercise has also been carried out to identify the Prysmian Group's critical processes and sub-processes and the functions to be included within the system. This exercise was updated in 2011 further to the acquisition of the Draka business.
The Internal Audit Department implements the system and independently tests the identified key controls for each of the Group's operating companies and processes.
Areas for improvement identified during the auditing activities are reported to the Company's senior management and also to the Control and Risks Committee. An action plan is agreed

with each operating company to strengthen existing controls or rectify any specific weaknesses.
The Internal Audit Department constantly monitors the implementation status of these action plans and updates senior management and the Control and Risks Committee accordingly.

The Chief Executive Officer and Chief Financial Officer of every Group operating company, and the heads of the relevant head office functions and departments, are responsible for maintaining an adequate system of internal control which includes periodically testing that the key controls identified and tested by the Internal Audit Department during the implementation of the centrally co-ordinated evaluation system continue to operate effectively and efficiently. These officers are required to submit an attestation every six months confirming that the internal control system is operating properly. This signed attestation is sent to Prysmian Group's Chief Financial Officer, the Managers responsible for preparing corporate accounting documents, and to the Head of Internal Audit. To support this attestation the officers must also confirm that they have specifically tested the operation of key controls and that evidence supporting their conclusions has been retained for future independent review. To achieve this Prysmian requires each operating company to submit a detailed "Internal Control Questionnaire" (ICQ). These ICQs document the key controls for each critical business process and describe how the control works in that operating unit and what type of tests have been performed in the reporting period to confirm the adequacy of the control. The owner of the business process must update the ICQ every six months. The Internal Audit Department reviews the ICQ submissions and accordingly will select a number of operating companies or processes for detailed follow-up audits to confirm the integrity of the submission. The results of these reviews are reported in accordance with the Internal Audit reporting process.

During 2012 the system has been fully implemented to analyse all critical business and financial processes within 10 of the largest reporting entities from the former Draka business perimeter, and partially implemented within a further 6 reporting entities also from the former Draka business perimeter.
The Company believes that the number of processes analysed and reporting entities incorporated within the evaluation system is sufficient to satisfy its on-going Law 262/05 obligations.

INCENTIVE PLANS

STOCK OPTION PLAN 2007-2012

Its purpose is to align the interests of beneficiaries with the growth in shareholders' wealth.

On 30 November 2006, the Extraordinary Shareholders' Meeting of the Company approved an incentive scheme based on stock options ("the Plan"), reserved for employees of Prysmian Group companies, together with the Regulations governing its operation.
At the same time, the Shareholders' Meeting approved a share capital increase against payment, to be carried out in one or more separate stages, for the purposes of the above Plan, up to a maximum amount of Euro 310,000.00.
In compliance with the terms of the Plan Regulations, options were granted free of charge to 99 employees of the Company and other Prysmian Group companies to subscribe to 2,963,250 of the Company's ordinary shares.
Each option carries the right to subscribe to one share of nominal value Euro 0.10, at a price of Euro 4.65 per share. The unit price was determined by the Company's Board of Directors on the basis of the market value of the issuer's share capital at the date of the Plan's approval by the Company's Board of Directors. The value was determined on the basis of the issuer's economic and financial results at 30 September 2006 and took account of (i) the dilution produced by the grant of the options themselves, as well as (ii) the illiquidity of the presumed market value of the issuer's share capital at that date.
The purpose of adopting the stock option plan was to align the interests of beneficiaries with the growth in shareholders' wealth.
At 31 December 2012, there were 19 Plan beneficiaries, all of whom employees of the Company and the Prysmian Group. This figure takes account of those persons identified by the Extraordinary Shareholders' Meeting of 30 November 2006 ("Original Beneficiaries"), those Original Beneficiaries whose options have lapsed and Pier Francesco Facchini, the Director and Chief Financial Officer, identified by the Board of Directors on 16 January 2007 as an additional beneficiary of the Plan. A total of 115,300 options were exercised during 2012, involving the issue of a corresponding number of new ordinary shares of the Company, and leaving 82,937 options still outstanding at 31 December 2012.

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 additional Plan beneficiaries to the Original Beneficiaries.
The options have vested in four equal annual instalments on the anniversary of their grant date; the last vesting date was 4 December 2010.
Vested options can only be exercised during the so-called "Exercise periods" following the respective vesting date. Under the Plan Regulations, "Exercise period" is defined as each period of thirty days starting from the day after publication of the press release informing the public of the Board's approval of the Prysmian S.p.A. annual financial statements or half-yearly financial report.

On 15 April 2010, the Shareholders' Meeting of Prysmian S.p.A. approved an amendment to the Plan, with the introduction of four new option exercise periods, solely for beneficiaries still in the Group's employment.
Vested options will therefore be exercisable until the thirtieth day after publicly announcing the Board's approval of the Company's annual financial statements for 2012 (the original option expiry date was 30 days after the Board's approval of the annual financial statements for 2010).
For further information regarding the Plan, please refer to the information memoranda prepared under art. 84-bis of the Consob Issuer Regulations, which can be found on the Company's website www.prysmiangroup.com under Investor relations/Corporate governance.

LONG-TERM INCENTIVE PLAN 2011-2013

It involves granting a number of options based on the achievement of common business and financial performance objectives for all the participants.

On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary authority to establish and execute the plan. The plan's purpose is to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and is conditional upon the achievement of performance targets, as detailed in the specific information memorandum.
The plan originally involved the participation of 290(*) employees of group companies in Italy and abroad viewed as key resources, and divides them into three categories, to whom the shares will be granted in the following proportions:

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

The plan establishes that the number of options granted will depend on the achievement of common business and financial performance objectives for all the participants.
The plan establishes that the participants' right to exercise the allotted options depends on achievement of the Target (being a minimum performance objective of at least Euro 1.75 billion in cumulative Adj. EBITDA for the Group in the period 2011-2013, assuming the same group perimeter) as well as continuation of a professional relationship with the Group up until 31 December 2013. The plan also establishes an upper limit for Adj. EBITDA as the Target plus 20% (ie. Euro 2.1 billion), assuming the same group perimeter, that will determine the exercisability of the maximum number of options granted to and exercisable by each participant.
Access to the plan has been made conditional upon each participant's acceptance that part of their annual bonus will be co-invested, if achieved and payable in relation to financial years 2011 and 2012.
The allotted options carry the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares may partly comprise treasury shares and partly new issue shares, obtained through a capital increase that excludes pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase, involving the issue of up to 2,131,500 new ordinary shares of nominal value Euro 0.10 each, for a maximum amount of Euro 213,150, was approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares will be allotted for zero consideration, while the shares obtained from the above capital increase will be allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

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

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

(*) Following movements since the plan's issue, the number of plan participants amounted to 276 at 31 December 2012.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Given its available liquidity and an intent to optimise borrowing costs, on 22 February 2013 the Prysmian Group made an early repayment of Euro 186 million in respect of the payments due in 2013 and in the first half of 2014 against the Term Loan granted on 3 May 2012, which now stands at Euro 484 million.

BUSINESS OUTLOOK

Demand in 2013 for medium voltage cables, for building wires and in the Industrial sector is expected to be weak, at least in the first half of the year.
The positive trend in power transmission and offshore Oil & Gas is confirmed. The fibre cables market is expected to recover in the second half of the year.

During 2012, following growing concerns about Eurozone and US debt sustainability, the world economy continued the decelerating trend in progress since the second half of 2011. This has led to a gradual deterioration in consumer and business confidence, with a consequent reduction in industrial output and investments worldwide.
In such an economic context, the Group expects in 2013 that demand for medium voltage cables for Utilities, for building wires and for those products in the Industrial sector most exposed to cyclical trends will remain weak, at least in the first half of the year. Instead, positive developments in demand are confirmed for the high value-added businesses of power transmission and offshore Oil & Gas. Market recovery is expected in the second half of the year for fibre optic cables. Lastly, the Prysmian Group will carry on during 2013 to integrate and rationalise activities with the goal of achieving the projected cost synergies and of further strengthening its presence in all its areas of business.

OTHER INFORMATION

Related party transactions
Related party transactions do not qualify as either atypical or unusual but fall into the normal course of business by Group companies. Such transactions take place under market terms and conditions, according to the type of goods and services provided.
Information about related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 33 to the Consolidated Financial Statements at 31 December 2012.

Atypical and/or unusual transactions
In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2012.

Secondary offices and key corporate information
The list of secondary offices and key corporate information of the legal entities making up the Group can be found in Appendix A of the Explanatory Notes to the Consolidated Financial Statements.

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

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

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

Milan, 27 February 2013

On behalf of the board of directors
The Chairman
Massimo Tononi

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	2012	of which related parties (Note 33)	2011	of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	1	1,539		1,539	
Intangible assets	2	655		618	
Investments in associates	3	99	99	87	87
Available-for-sale financial assets	4	14		6	
Derivatives	8	3		2	
Deferred tax assets	16	127		97	
Other receivables	5	41		52	
Total non-current assets		**2,478**		**2,401**	
Current assets					
Inventories	6	897		929	
Trade receivables	5	1,163	16	1,197	8
Other receivables	5	570	1	516	
Financial assets held for trading	7	78		80	
Derivatives	8	16		28	
Cash and cash equivalents	9	812		727	
Total current assets		**3,536**		**3,477**	
Assets held for sale	10	4		5	
Total assets		**6,018**		**5,883**	
Equity attributable to the Group:		**1,112**		**1,042**	
Share capital	11	21		21	
Reserves	11	923		1,157	
Net profit/(loss) for the year		168		(136)	
Equity attributable to non-controlling interests:		**47**		**62**	
Share capital and reserves		44		71	
Net profit/(loss) for the year		3		(9)	
Total equity		**1,159**		**1,104**	
Non-current liabilities					
Borrowings from banks and other lenders	12	1,433		880	
Other payables	13	27		32	
Provisions for risks and charges	14	76		67	
Derivatives	8	41		36	
Deferred tax liabilities	16	95		106	
Employee benefit obligations	15	344	6	268	1
Total non-current liabilities		**2,016**		**1,389**	
Current liabilities					
Borrowings from banks and other lenders	12	361		982	
Trade payables	13	1,450	7	1,421	6
Other payables	13	654	8	571	27
Derivatives	8	24		71	
Provisions for risks and charges	14	325		295	
Current tax payables		29		50	
Total current liabilities		**2,843**		**3,390**	
Total liabilities		**4,859**		**4,779**	
Total equity and liabilities		**6,018**		**5,883**	

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	2012	of which related parties (Note 33)	2011	of which related parties (Note 33)
Sales of goods and services	17	7,848	100	7,583	64
Change in inventories of work in progress, semi-finished and finished goods	18	(31)		(107)	
of which non-recurring change in inventories of work in progress, semifinished and finished goods	*36*	*-*		*(14)*	
Other income	19	71		45	
of which non-recurring other income	*36*	*15*		*1*	
of which remeasurement of minority put option liability	36	7		-	
Raw materials, consumables used and goods for resale	20	(5,083)		(4,958)	
Fair value change in metal derivatives		14		(62)	
Personnel costs	21	(1,041)	(15)	(916)	(12)
of which non-recurring personnel costs	*36*	*(65)*		*(39)*	
of which personnel costs for stock option fair value		*(17)*	*(4)*	*(7)*	*(2)*
Amortisation, depreciation and impairment	22	(188)		(180)	
of which non-recurring impairment	*36*	*(24)*		*(38)*	
Other expenses	23	(1,228)	(85)	(1,386)	(48)
of which non-recurring other expenses	*36*	*(51)*		*(248)*	
Operating income		**362**		**19**	
Finance costs	24	(393)		(360)	
of which non-recurring finance costs		*(8)*		-	
Finance income	25	258		231	
of which non-recurring finance income	*36*	*3*		-	
Share of income from investments in associates and dividends from other companies	26	17	17	9	8
Profit/(loss) before taxes		**244**		**(101)**	
Taxes	27	(73)		(44)	
Net profit/(loss) for the year		**171**		**(145)**	
Attributable to:					
Owners of the parent		168		(136)	
Non-controlling interests		3		(9)	
Basic earnings/(loss) per share (in Euro)	**28**	**0.79**		**(0.65)**	
Diluted earnings/(loss) per share (in Euro)	**28**	**0.79**		**(0.65)**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	Nota	2012	2011
Net profit/(loss) for the year		**171**	**(145)**
Fair value gains/(losses) on available-for-sale financial assets - gross of tax	4	-	-
Fair value gains/(losses) on available-for-sale financial assets - tax effect	16	-	-
Fair value gains/(losses) on cash flow hedges - gross of tax	8	(9)	(6)
Fair value gains/(losses) on cash flow hedges - tax effect	16	3	2
Actuarial gains/(losses) on employee benefits - gross of tax	15	(60)	(22)
Actuarial gains/(losses) on employee benefits - tax effect	16	14	3
Currency translation differences		(24)	(6)
Total post-tax other comprehensive income/(loss) for the year		**(76)**	**(29)**
Total comprehensive income/(loss) for the year		**95**	**(174)**
Attributable to:			
Owners of the parent		90	(164)
Non-controlling interests		5	(10)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Fair value gains and losses on available-forsale financial assets	Cash flow hedges	Currency translation reserve	Other reserves	Net profit/ (loss) for the year	Equity attributable to the Group	Non-controlling interests	Total
	Note 11	Note 4	Note 8	Note 11	Note 11	Note 11		Note 11	
Balance at 31 December 2010	**18**	**-**	**(13)**	**(31)**	**634**	**148**	**756**	**43**	**799**
Allocation of prior year net profit	-	-	-	-	148	(148)	-	-	-
Capital contributions	3	-	-	-	476	-	479	-	479
Capital increase costs	-	-	-	-	(1)	-	(1)	-	(1)
Dividend distribution	-	-	-	-	(35)	-	(35)	(2)	(37)
Fair value - stock options	-	-	-	-	7	-	7	-	7
Change in scope of consolidation	-	-	-	-	-	-	-	31	31
Total comprehensive income/(loss) for the year	-	-	(4)	(5)	(19)	(136)	(164)	(10)	(174)
Balance at 31 December 2011	**21**	**-**	**(17)**	**(36)**	**1,210**	**(136)**	**1,042**	**62**	**1,104**

Balance at 31 December 2011	**21**	**-**	**(17)**	**(36)**	**1,210**	**(136)**	**1,042**	**62**	**1,104**
Allocation of prior year net result	-	-	-	-	(136)	136	-	-	-
Capital contributions	-	-	-	-	1	-	1	-	1
Fair value - stock option	-	-	-	-	17	-	17	-	17
Dividend distribution	-	-	-	-	(44)	-	(44)	(1)	(45)
Non-controlling interests acquired in subsidiaries [(1)]	-	-	-	-	(3)	-	(3)	(9)	(12)
Change in scope of consolidation	-	-	-	-	-	-	-	(10)	(10)
Put option release	-	-	-	-	9	-	9	-	9
Total comprehensive income/(loss) for the year	-	-	(6)	(26)	(46)	168	90	5	95
Balance at 31 December 2012	**21**	**-**	**(23)**	**(62)**	**1,008**	**168**	**1,112**	**47**	**1,159**

[(1)] This amount refers to the squeeze-out procedure to purchase the shares of Draka Holding NV, and to the acquisitions of Draktel Optical Fibre S.A. and Neva Cables Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	2012	of which related parties (Note 33)	2011	of which related parties (Note 33)
Profit/(loss) before taxes	244		(101)	
Depreciation and impairment of property plant and equipment	153		150	
Amortisation and impairment of intangible assets	35		30	
Net gains on disposals of property, plant and equipment, intangible assets and other noncurrent assets	(14)		(2)	
Share of income from investments in associates	(17)		(9)	
Fair value - stock options	17		7	
Fair value change in metal derivatives and other fair value items	(21)		63	
Net finance costs	135		129	
Changes in inventories	23		115	
Changes in trade receivables/payables	55	(8)	50	2
Changes in other receivables/ payables	(4)	(2)	35	9
Changes in receivables/payables for derivatives	1		(3)	
Taxes paid	(74)		(97)	
Utilisation of provisions (including employee benefit obligations)	(104)		(67)	
Increases in provisions (including employee benefit obligations)	117	5	267	
A. Net cash flow provided by/(used in) operating activities	**546**		**567**	
Acquisitions (1)	(86)		(419)	
Investments in property, plant and equipment	(132)		(135)	
Disposals of property, plant and equipment and assets held for sale	11		14	
Investments in intangible assets	(20)		(24)	
Investments in financial assets held for trading	(33)		(42)	
Disposals of financial assets for trading	25		22	
Disposals of available-for-sale financial assets	3		143	
Investments in associates	(1)		(1)	
Dividends received	6	4	5	4
B. Net cash flow provided by/(used in) investing activities	**(227)**		**(437)**	
Capital contributions and other changes in equity	1		1	
Dividend distribution	(45)		(37)	
Finance costs paid (2)	(365)		(361)	
Finance income received (3)	236		231	
Changes in net financial payables	(65)		128	
C. Net cash flow provided by/(used in) financing activities	**(238)**		**(38)**	
D. Currency translation gains/(losses) on cash and cash equivalents	4		5	
E. Total cash flow provided/(used) in the year (A+B+C+D)	**85**		**97**	
F. Net cash and cash equivalents at the beginning of the year	**727**		**630**	
G. Net cash and cash equivalents at the end of the year (E+F)	**812**		**727**	

(1) The figure of Euro 86 million in 2012 refers to:

- Euro 23 million for the acquisition of Telcon Fios e Cabos para Telecomuniçaoes S.A. (stated net of Euro 9 million in cash and cash equivalents held by the acquiree at the acquisition date);
- Euro 51 million for the acquisition of Global Marine Systems Energy Ltd. (stated net of Euro 1 million in cash and cash equivalents held by the acquiree at the acquisition date);
- Euro 9 million for the cash outlay under the squeeze-out procedure to purchase Draka Holding NV shares;
- Euro 2 million for the acquisition of Draktel Optical Fibre S.A.;
- Euro 1 million for the acquisition of Neva Cables Ltd.

The figure of Euro 419 million in 2011 represented the cash outlay of Euro 501 million to acquire the Draka Group minus the Draka Group's net cash and cash equivalents at the acquisition date.

(2) Interest expense paid in 2012 amounts to Euro 84 million (Euro 63 million in 2011).

(3) Interest income collected in 2012 amounts to Euro 17 million (Euro 19 million in 2011).

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

EXPLANATORY NOTES

A. GENERAL INFORMATION

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

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

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

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

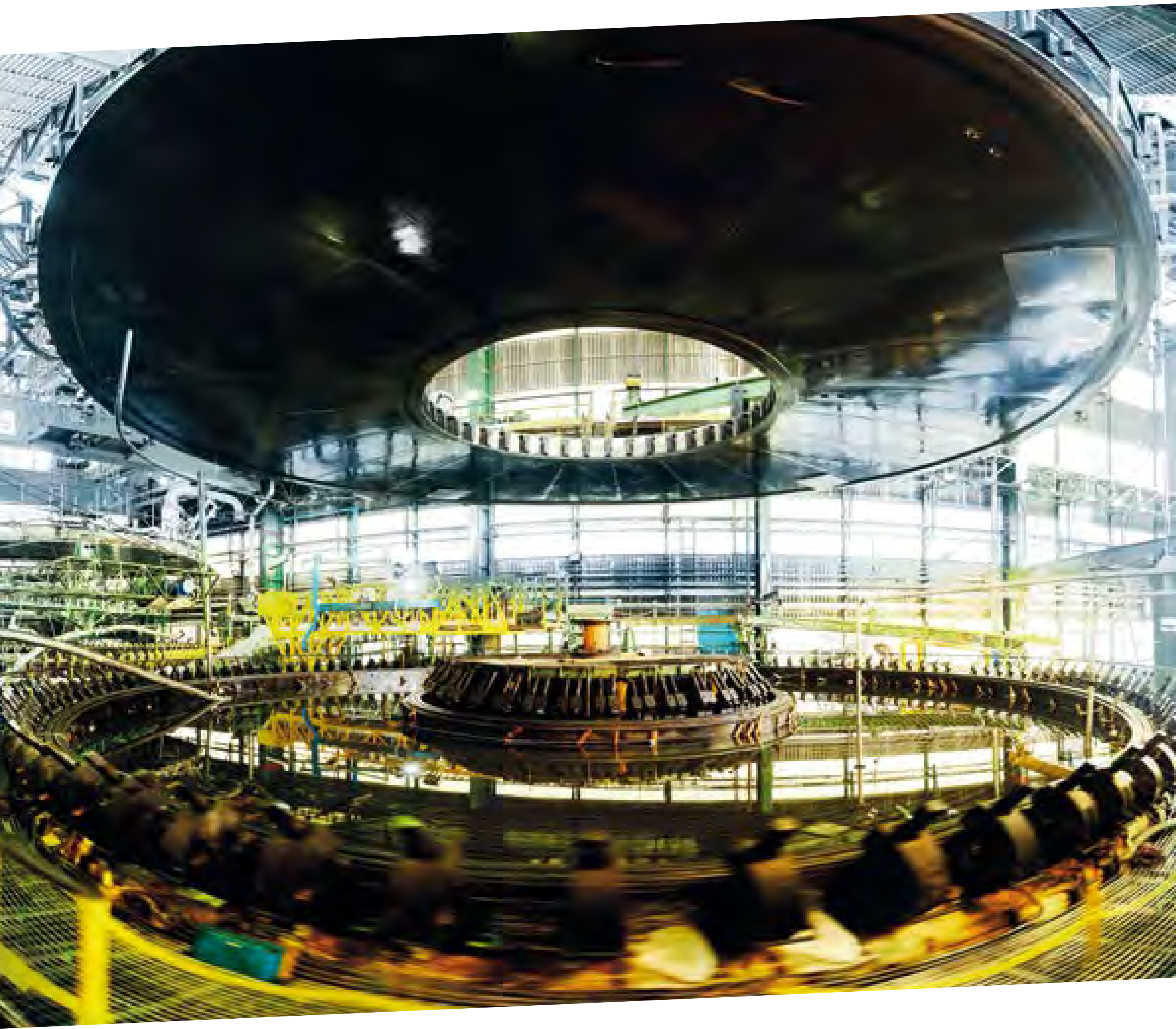
Squeeze-out procedure
On 27 February 2012, the squeeze-out, permitted under art. 2.359c of the Dutch Civil Code, was completed in order to purchase the 478,878 ordinary shares of Draka Holding N.V., for which acceptance was not obtained during the public mixed exchange and cash offer for all the Draka Holding N.V. ordinary shares. The successful conclusion of the squeeze-out means that Prysmian Group now holds the entire share capital of Draka Holding N.V.
The squeeze-out procedure required Prysmian S.p.A. to make available to these share-owners the sum of Euro 8,886,251.19, inclusive of legal interest required under Dutch law, on a deposit account held at the Dutch Ministry of Finance; this amount was calculated on the basis of a value of Euro 18.53 per share, as determined by the corporate division of the Amsterdam Appeal Court.

Acquisition of Telcon Fios e Cabos para Telecomuniçaoes S.A. and Draktel Optical Fibre S.A.
On 5 April 2012, Draka Cableteq Brasil S.A. acquired all the shares in Telcon Fios e Cabos para Telecomuniçaoes S.A. and Draktel Optical Fibre S.A. owned by third parties, representing 50% and 30% of their respective share capital. The value of the acquisition amounts to approximately Euro 25 million (Euro 23 million for Telcon Fios e Cabos para Telecomuniçaoes SA. and Euro 2 million for Draktel Optical Fibre S.A.).

Acquisition of Global Marine Systems Energy Ltd
On 6 September 2012, the Prysmian Group signed, through its subsidiary Prysmian UK Group Limited, an agreement to acquire 100% of Global Marine Systems Energy Ltd. from Global Marine Systems Ltd. for a purchase price of approximately Euro 52 million.
Following satisfaction of the conditions precedent, the acquisition's closing was completed on 15 November 2012. The company's financial statements have therefore been included in the consolidation from that date.

The consolidated financial statements contained herein were approved by the Board of Directors on 27 February 2013.

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



B. ACCOUNTING POLICIES AND STANDARDS

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

B.1 BASIS OF PREPARATION

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

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

Section C. Financial risk management and Section C.1 Capital risk management of these Explanatory Notes contain a description of how the Group manages financial risks, including liquidity and capital risks.

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

The term "IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").
IFRS have been applied consistently to all the periods presented in this document. The consolidated financial statements have been prepared in accordance with IFRS and related best practice; any future guidance and new interpretations will be reflected in subsequent years, in the manner established from time to time by the relevant accounting standards.

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

During 2009 and 2010, Consob (the Italian Securities and Exchange Commission), together with the Bank of Italy and ISVAP (the Italian insurance industry regulator), issued two documents (numbers 2 and 4): "Disclosures in financial reports about business continuity, financial risks, asset impairment tests and uncertainties in the use of estimates" and "Disclosures in financial reports about asset impairment tests, about contractual clauses in debt financing, about debt restructuring and about the fair value hierarchy".

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.

For the sake of consistency with the current presentation, the consolidated income statement at 31 December 2011, presented in the annual financial statements for comparative purposes, contains some reclassifications compared with the previously published figures. In particular, the cost of goods for resale and related change in inventories have been reclassified from "Other expenses" to "Raw materials, consumables used and goods for resale". The amount of the reclassification at 31 December 2011 is Euro 41 million.

B.2 BASIS OF CONSOLIDATION

The financial statements consolidated for Group subsidiaries have been prepared for the year ended 31 December 2012 and the year ended 31 December 2011. They have been adjusted, where necessary, to bring them into line with Group accounting policies and standards.

SUBSIDIARIES

The Group consolidated financial statements include the financial statements of Prysmian S.p.A. (the Parent Company) and the subsidiaries over which the Parent Company exercises direct or indirect control. Subsidiaries are consolidated from the date control is acquired to the date such control ceases. Control is determined when the parent directly or indirectly owns the majority of an investee's voting rights or is able to exercise dominant influence, which is the power to govern, including indirectly under a statute or an agreement, the financial and operating policies of investees so as to obtain the resulting benefits, even irrespective of the ownership interest held.
When determining control, the existence of potential voting rights exercisable at the reporting date is also taken into consideration.

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

- assets and liabilities, expenses and income of consolidated entities are aggregated line-by-line and non-controlling interests are allocated, where applicable, the relevant portions of equity and profit for the period, which are then reported separately within equity and the consolidated income statement;

- gains and losses, including the relevant tax effect, from transactions carried out between companies consolidated on a line-by-line basis and which have not yet been realised with third parties, are eliminated; unrealised losses are not eliminated if there is evidence that the asset transferred is impaired. The following are also eliminated: intercompany payables and receivables, intercompany expenses and income, and intercompany finance income and costs;

- business combinations through which control of an entity is acquired are recorded using the acquisition method of accounting. The acquisition cost is measured as the acquisition-date fair value of the assets acquired, the liabilities incurred or assumed and the equity instruments issued. The assets, liabilities and contingent liabilities acquired are recognised at their acquisition-date fair values. The excess of acquisition cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill under intangible assets. If the acquisition cost is less than the Group's share of the fair value of the identifiable net assets acquired, the difference is recognised as a gain directly in the income statement, but only after reassessing that the fair values of the net assets acquired and the acquisition cost have been correctly measured;

- if non-controlling interests are acquired in entities which are already under the Group's control, the Group recognises any difference between the acquisition cost and the related share of net assets acquired directly in equity;

- gains or losses arising on the disposal of ownership interests that result in a loss of control of consolidated companies are recognised in the income statement at the amount equal to the difference between the sale consideration and the corresponding share of consolidated equity sold;

- gains or losses from the deconsolidation of an investee's net assets, resulting from the difference between the fair value of the equity interest and the corresponding portion of equity, are recognised in "Finance income" and "Finance costs" respectively.

In compliance with IAS 32, put options granted to minority shareholders of subsidiary companies are recognised in "Other payables" at their present value. The matching entry differs according to whether:
A) the minority shareholders have a direct interest in the performance of the subsidiary's business in relation to the transfer of the risks and rewards of the shares subject to the put option. One of the indicators that such interest exists is fair value measurement of the option exercise price. In addition to the presence of this indicator, the Group assess on a case-by-case basis the facts and circumstances characterising existing transactions. In these circumstances, the present value of the option is initially deducted from the equity reserves attributable to the Group. Any subsequent changes in the measurement of the option exercise price are recognised through the income statement, as "Other income" or "Other expenses".
B) the minority shareholders do not have a direct interest in the performance of the business (eg. predetermined option exercise price). The duly discounted option exercise price is deducted from the corresponding amount of capital and reserves attributable to non-controlling interests. Any subsequent changes in the measurement of the option exercise price follow the same treatment, with no impact on the income statement. There are currently no instances of this kind in the Prysmian Group financial statements.
The treatment described would be modified for any new interpretations or accounting standards in this regard.

ASSOCIATES

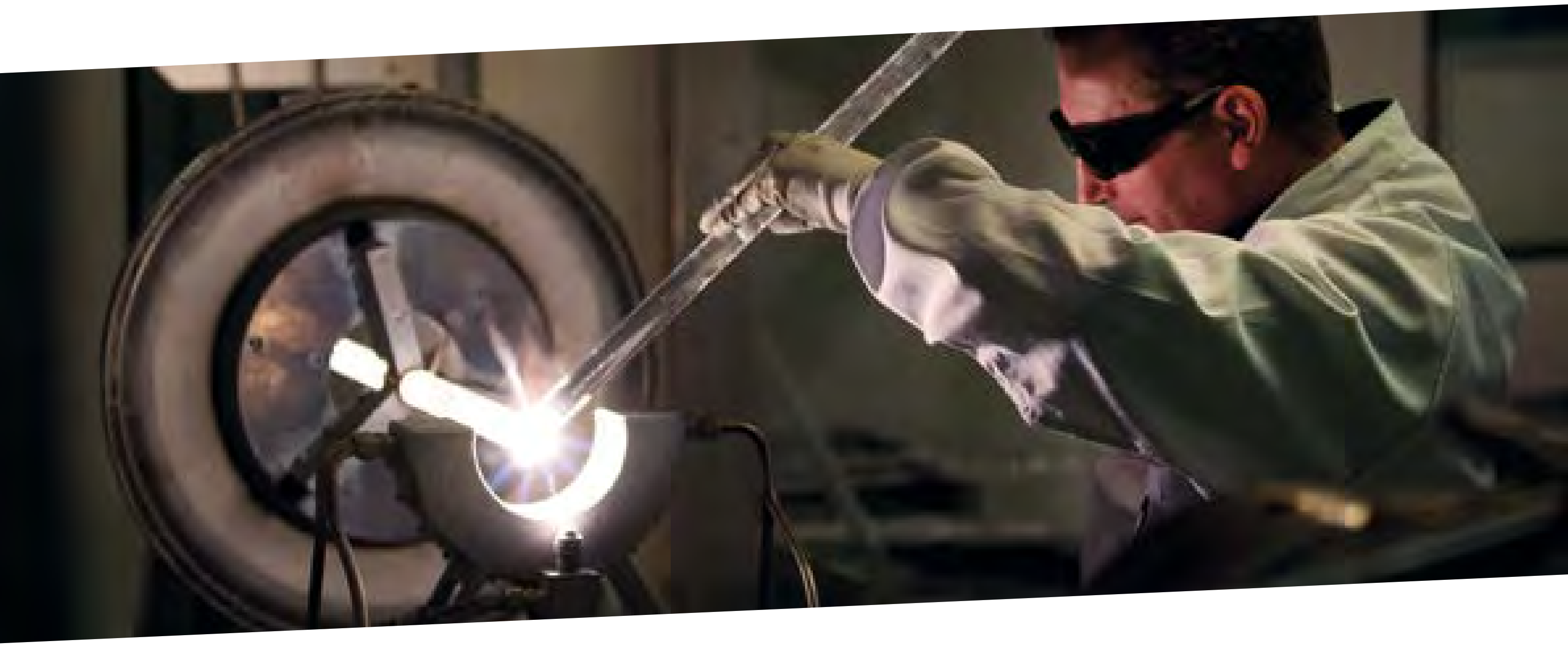
Associates are those entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recorded at cost. Under the equity method:

- the book value of these investments reflects the value of equity as adjusted, where necessary, to reflect the application of IFRS and includes any higher values identified on acquisition attributed to assets, liabilities and any goodwill;
- the Group's share of profits or losses is recognised from the date significant influence is acquired until the date it ceases. If a company valued under this method has negative equity due to losses, the book value of the investment is reduced to zero and additional losses are provided for and a liability is recognised, only to the extent that the Group is committed to fulfilling legal or constructive obligations of the investee company; changes in the equity of companies valued under the equity method which are not accounted for through profit or loss, are recognised directly in equity;

- unrealised gains generated on transactions between the Parent Company/subsidiaries and equity-accounted companies, are eliminated to the extent of the Group's interest in the investee company; unrealised losses are also eliminated unless they represent impairment.

JOINT VENTURES

A joint venture is a company characterised by a contractual arrangement between the participating parties which establishes joint control over the company's economic activity. Joint venture companies are consolidated on a proportionate basis.
Under the proportionate consolidation method adopted by the Company, its share of the joint venture's assets and liabilities are consolidated proportionately on a line-by-line basis. The Company's consolidated income statement reflects a line-by-line aggregation of its share of the joint venture's income and expenses. The procedures described above for the consolidation of subsidiaries also apply to proportionate consolidation.



SPECIAL PURPOSE ENTITIES

During 2007 the Group defined and adopted a trade receivables securitization programme for a number of Group companies. The accounting policies adopted by the Group to present the impact of this programme on the consolidated financial statements at 31 December 2012 are described below.

The securitization programme involves the weekly transfer of a significant portion of trade receivables by some of the Group's operating companies in France, Germany, Italy, the United Kingdom and the United States. This programme started on 30 January 2007 and was originally due to end on 31 July 2012 but has been extended for another twelve months. These operating companies transfer their receivables, directly or indirectly, to an Irish special purpose entity (Prysmian Financial Services Ireland Ltd), set up solely for the securitization programme. The Irish company purchases these receivables using available liquidity, as well as financing received from vehicle companies, sponsored by the programme's organising and underwriting banks, which issue Commercial Paper in the form of A-1/P-1 rated credit instruments backed by the receivables, which are then placed with institutional investors. Subordinated loans from the Group's treasury companies are also used to fund the purchase of these receivables. In accordance with the provisions of SIC 12 - Consolidation - Special Purpose Entities (SPEs), the Irish special purpose entity has been included in the scope of consolidation of the Prysmian Group because it was created to accomplish a narrow and well-defined objective. Until effectively collected, receivables transferred to the SPE are recognised in the Group's consolidated financial statements, together with the payables owed by the SPE to third-party lenders. Group companies can be identified as the SPE sponsors, meaning the companies on whose behalf the SPE was created.

TRANSLATION OF FOREIGN COMPANY FINANCIAL STATEMENTS

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

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

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

If a foreign entity operates in a hyperinflationary economy, revenues and expenses are translated using the current exchange rate at the reporting date. All amounts in the income statement are restated by applying the change in the general price index between the date when income and expenses were initially recorded in the financial statements and the reporting date. Corresponding figures for the previous reporting period/year are restated by applying a general price index so that the comparative financial statements are presented in terms of the current exchange rate at the end of the reporting period/year.

As at 31 December 2012, none of the consolidated companies operated in hyperinflationary economies.

The exchange rates applied are as follows:

	Closing rates at		Average rates	
	31 December 2012	31 December 2011	2012	2011
EUROPE				
British Pound	0.816	0.835	0.811	0.868
Swiss Franc	1.207	1.216	1.205	1.233
Hungarian Forint	292.300	314.580	289.244	279.309
Norwegian Krone	7.348	7.754	7.477	7.794
Swedish Krona	8.582	8.912	8.706	9.030
Czech Koruna	25.151	25.787	25.148	24.589
Danish Krone	7.461	7.434	7.444	7.451
Romanian Leu	4.445	4.323	4.459	4.238
Turkish Lira	2.363	2.456	2.315	2.336
Polish Zloty	4.074	4.458	4.186	4.119
Russian Rouble	40.330	41.765	39.917	40.883
NORTH AMERICA				
US Dollar	1.319	1.294	1.285	1.392
Canadian Dollar	1.314	1.322	1.284	1.376
SOUTH AMERICA				
Brazilian Real	2.696	2.427	2.511	2.332
Argentine Peso	6.489	5.569	5.848	5.751
Chilean Peso	631.016	670.887	624.649	673.061
Mexican Peso	16.973	18.062	16.905	17.308
OCEANIA				
Australian Dollar	1.271	1.272	1.241	1.349
New Zealand Dollar	1.605	1.674	1.587	1.761
AFRICA				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	2.044	1.939	2.005	1.956
ASIA				
Chinese Renminbi (Yuan)	8.221	8.159	8.105	8.999
United Arab Emirates Dirham	4.846	4.752	4.718	5.113
Hong Kong Dollar	10.226	10.051	9.965	10.838
Singapore Dollar	1.611	1.682	1.606	1.749
Indian Rupee	72.554	68.590	68.575	64.905
Indonesian Rupiah	12,713.970	11,731.470	12,040.493	12.209.236
Japanese Yen	113.610	100.200	102.436	111.005
Thai Baht	40.347	40.991	39.926	42.437
Philippine Peso	54.107	56.754	54.250	60.275
Omani Rial	0.508	0.498	0.494	0.536
Malaysian Ringgit	4.035	4.106	3.967	4.257
Saudi Riyal	4.948	4.852	4.818	5.221

CHANGES IN THE SCOPE OF CONSOLIDATION

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

The following changes in the scope of consolidation took place during 2012:

Acquisitions

On 5 March 2012, Prysmian Cavi e Sistemi S.r.l and Prysmian S.p.A. respectively acquired 99.99% and 0.01% of the shares in Jaguar Communication Consultancy Services Private Ltd, an Indian company formed on 31 January 2012.

On 4 April 2012, Draka Comteq Brasil Holding Ltda acquired 0.81% of the shares in Draka Cableteq Brasil S.A..

On 5 April 2012, Draka Cableteq Brasil S.A. acquired all the shares in Telcon Fios e Cabos para Telecomuniçaoes S.A. and Draktel Optical Fibre S.A. owned by third parties, representing 50% and 30% of their respective share capital. The value of the acquisition amounts to approximately Euro 25 million (Euro 23 million for Telcon Fios e Cabos para Telecomuniçaoes S.A. and Euro 2 million for Draktel Optical Fibre S.A.). As a result of this acquisition, the assets and liabilities of Telcon Fios e Cabos para Telecomuniçaoes S.A. have been consolidated on a line-by-line basis.

On 11 May 2012, Draka Comteq Finland OY acquired the entire 25% non-controlling interest in Neva Cables Ltd, a Russian company that is now wholly owned by the Group.

On 6 September 2012, Prysmian UK Group Ltd (see "New company formations") signed an agreement to acquire 100% of Global Marine Systems Energy Ltd. from Global Marine Systems Ltd. for a purchase price of approximately Euro 52 million. Following satisfaction of the conditions precedent, the acquisition's closing was completed on 15 November 2012. The financial statements of Global Marine Systems Energy Ltd. have therefore been included in the consolidation from that date.

New company formations

Prysmian Electronics S.r.l. was formed in Italy on 12 January 2012. It is owned by Prysmian Cavi e Sistemi S.r.l. (80%) and third parties (20%).

Prysmian UK Group Limited was formed on 2 April 2012. It is wholly owned by Draka Holding N.V..

Prysmian Finland OY was formed on 1 October 2012 upon completion of the merger between Draka Comteq Finland OY, Draka NK Cables OY and Prysmian Cables and Systems OY. It is owned by Prysmian Cavi e Sistemi S.r.l. (approximately 77.8%), Draka Holding NV (approximately 19.9%) and Draka Comteq BV (approximately 2.3%).

Quoroon S.A.S. was formed on 17 December 2012. It is wholly owned by Prysmian Cables et Systemes France S.A.S..

Name changes

On 11 July 2012, the Brazilian company Draka Cableteq Brasil S.A. changed its name to Prysmian Draka Brasil S.A..

On 13 July 2012, the Brazilian company Draktel Optical Fibre S.A. changed its name to Prysmian Optical Fibre Brasil S.A..

On 2 August 2012, the U.S. company Draka USA Inc. became a "limited liability company", taking the name of Draka USA, LLC.

On 21 December 2012, following the merger of Draka Denmark Copper Cable A/S into Draka Comteq Denmark A/S, the latter changed its name to Prysmian Denmark A/S.

Mergers

On 27 June 2012, the merger was completed of Draka Industry & Specialty S.L.U. and Draka Elevator Products Spain S.L.U. into Draka Cables Industrial S.L.U. (which changed its legal form on 30 June 2012, taking the new name of Draka Cables Industrial S.A.).

On 28 June 2012 and 29 June 2012, the respective mergers were completed of Draka Marine Oil and Gas International LLC into Draka Cableteq USA Inc. and of Draka Holdings USA Inc. into Draka Cableteq USA Inc..

On 1 July 2012, the merger was completed of DB Lift Draka Elevator Product S.r.l. into Prysmian Cavi e Sistemi Italia S.r.l..

On 12 July 2012, the merger was completed of Limited Liability Company "Torgoviy Dom Rybinskelektrokabel" and Limited Liability Company "NPP Rybinskelektrokabel" into Limited Liability Company "Rybinskelektrokabel".

On 16 July 2012, the merger was completed of Draka Comteq Austria GmbH into Prysmian OEKW Gmbh.

On 30 September 2012, the merger was completed of Epictetus Oy into Draka NK Cables OY.

On 1 October 2012, the merger was completed between Draka Comteq Finland OY, Draka NK Cables OY and Prysmian Cables and Systems OY, giving rise to the formation of the new company Prysmian Finland OY (see "New company formations").

On 1 October 2012, Prysmian Telecomunicaoes Cabos e Sistemas do Brasil S.A., Draka Comteq Brasil Holding Ltda and Telcon Fios e Cabos para Telecomunicacoes S.A. completed their merger into Prysmian Draka Brasil S.A..

On 1 October 2012, Draka USA, LLC (formerly Draka USA Inc. – see "Name changes") completed its merger into Prysmian Cables and Systems (US) Inc..

On 21 December 2012, the merger was completed of Draka Denmark Copper Cable A/S into Draka Comteq Denmark A/S (which concurrently changed its name to Prysmian Denmark A/S – see "Name changes").

The above mergers have not had any effects on the Group's consolidated financial statements.

Liquidations
On 10 January 2012, the process of winding up Draka UK (EXDCC) Pension Plan Trust Company Ltd was completed with the company's removal from the local company registry.

On 24 January 2012, the process of winding up Prysmian Cables Ltd. and Prysmian Focom Ltd. was completed with their removal from the local company registry.

On 31 January 2012, the process of winding up Draka UK Services Ltd., Draka Cardinal Ltd. and RMCA Holdings Ltd. was completed with their removal from the local company registry.

On 17 February 2012, the process of winding up NKF Americas N.V. and NKF Caribe N.V., both registered in the Dutch Antilles, was completed with their removal from the local company registry.

On 1 June 2012, the process of winding up the German company Sykonec GMBH was completed with its removal from the local company registry.
On 16 July 2012, the process was completed of winding up the Finnish company Conex Cables OY, 50% of whose share capital was held by Draka NK Cables OY.

On 28 September 2012, the process of winding up the Indian company Pirelli Cables (India) Private Ltd. was completed with its removal from the local company registry.

On 1 October 2012, the U.S. company Prysmian Communication Cable Corporation was liquidated.

With effect from 31 December 2012, the Germany company Usb-elektro Kabelkonfektions GmbH went into liquidation, concurrently changing its name to Usb-elektro Kabelkonfektions GmbH i.L..

With effect from 31 December 2012, the German company Kaiser Kabel Vertriebs GmbH went into liquidation, concurrently changing its name to Kaiser Kabel Vertriebs GmbH i.L..

Ravin Cables Limited
At the beginning of 2010 the Prysmian Group acquired a 51% interest in the Indian company Ravin Cables Limited. During the first few months of 2012 relations with the minority shareholders have deteriorated significantly and, in these circumstances, Prysmian has also initiated arbitration proceedings at the London Court of International Arbitration (LCIA). From the second quarter of the year, it has been impossible for Prysmian to be able to obtain reliable, updated financial information about the Indian company.
In view of the continuation of this situation, the Group has acknowledged that it has lost control of Ravin Cables Limited and has therefore deconsolidated it, along with its subsidiary Power Plus Cable Co. LLC, recording it as an investment at the net book value of the assets and liabilities last consolidated. Based on what has been said above, attention is drawn to the fact that Ravin Cables Limited and its subsidiary Power Plus Cable Co. LLC have been consolidated line-by-line until 31 March 2012.
Appendix A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2012.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2012

The basis of consolidation, the methods applied for translating foreign company financial statements into the presentation currency, the accounting standards as well as the accounting estimates adopted are the same as those used for the consolidated financial statements at 31 December 2011, except for the accounting standards and amendments discussed below and obligatorily applied with effect from 1 January 2012 after being endorsed by the competent authorities.

On 7 October 2010, the IASB published a number of amendments to IFRS 7 – Financial Instruments: Disclosures. These amendments aim to improve the understanding of transfer transactions of financial assets and the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments were published in the Official Journal of the European Union on 23 November 2011 and apply to financial years beginning on or after 1 July 2011. The application of these amendments has not had any effect on the Group's financial statements.

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

On 12 November 2009, the IASB issued the first part of a new accounting standard *IFRS 9 – Financial Instruments*, which will supersede *IAS 39 - Financial Instruments: Recognition and Measurement*. This initial document addresses the classification of financial instruments and forms part of a three-phase project, whose second and third phases will address the impairment methodology for financial assets and the application of hedge accounting respectively. This new standard, whose purpose is to simplify and reduce the complexity of accounting for financial instruments, classifies financial instruments in three categories that the reporting entity defines according to its business model, and to the contractual characteristics and related cash flows of the instruments in question.

On 28 October 2010, the IASB published new requirements on accounting for financial liabilities. These requirements will be added to *IFRS 9* and complete the classification and measurement phase of the project to replace *IAS 39*.

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

On 20 December 2010, the IASB issued a document entitled *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)*. The current version of IAS 12 requires the recoverability of deferred tax assets to be assessed on the basis of judgements concerning their possible use or sale. The amendment provides a practical solution by introducing a presumption in relation to investment property, and to property, plant and equipment and intangible assets that are recognised or measured at fair value. This presumption assumes that a deferred tax asset will be fully recovered through sale, unless there is clear evidence that its carrying amount can be recovered through use.
As a result of the amendment of *IAS 12, SIC 21 - Income Taxes: Recovery of Revalued Non-Depreciable Assets* will be withdrawn.
The document was published in the Official Journal of the European Union on 29 December 2012 and applies to financial years beginning on or after 1 January 2012. The application of these amendments is not considered to have a material impact on the Group's financial statements.

On 12 May 2011, the IASB issued *IFRS 10, IFRS 11 and IFRS 12* and amendments to *IAS 27 and IAS 28*.

The principal changes are as follows:

IFRS 10 - Consolidated Financial Statements
This standard supersedes *SIC 12 - Consolidation: Special Purpose Entities and parts of IAS 27 - Consolidated and Separate Financial Statements.* The objective of the new standard is to define the concept of control and to combine the guidance on consolidation in a single document.
The new definition of control is more detailed and complex than before, and is associated with the continuing existence of all three of the following precise circumstances: power over the investee, exposure or rights to variable returns from involvement with the investee and ability of the investor to use its power over the investee to affect the amount of its return.

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

IFRS 11 - Joint Arrangements
This document supersedes *IAS 31 - Interests in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-Monetary Contributions by Venturers* and establishes principles for identifying a joint arrangement on the basis of the rights and obligations arising from the arrangement, rather than its legal form. The accounting treatment differs according to whether the arrangement is classified as a joint operation or a joint venture. In addition, the existing policy choice of proportionate consolidation for joint ventures has been eliminated.

IFRS 12 - Disclosure of Interests in Other Entities
This document refers to the disclosures concerning interests in other entities, including subsidiaries, associates and joint ventures.
The objective is to disclose information that enables users of financial statements to evaluate the nature of risks associated with interests in strategic investments (consolidated and otherwise) intended to be held over the medium to long term.

IFRSs 10, 11 and 12 and IAS 27 were published in the Official Journal of the European Union on 29 December 2012 and apply at the latest from the commencement date of the first financial year starting on or after 1 January 2014. The Group has not yet carried out an analysis of the effects of these new standards.

On the same date the IASB issued IFRS 13 - Fair Value Measurement, which sets out in a single document the rules defining the fair value concept and its use for measurement purposes in the various circumstances permitted by IFRSs. This standard was published in the Official Journal of the European Union on 29 December 2012 and applies from the commencement date of the first financial year starting on or after 1 January 2013.

On 16 June 2011, the IASB issued an amendment to IAS 1 - Presentation of Financial Statements. The amendment requires entities to group together items within "Other comprehensive income" based on whether they can or cannot subsequently be reclassified to profit or loss. This document was published in the Official Journal of the European Union on 6 June 2012 and applies to financial years beginning on or after 1 July 2012.

On the same date, the IASB also published a revised version of IAS 19 - Employee Benefits. The amendments make important improvements insofar as: they eliminate the "corridor method" option to defer recognition of actuarial gains and losses, and require plan deficits or surpluses to be presented in the statement of financial position, costs relating to employee service and net interest expense to be recognised in the income statement, and actuarial gains and losses arising from the remeasurement of plan assets and liabilities to be presented in other comprehensive income. The return on plan assets recognised in net interest expense must be calculated using the discount rate applying to plan liabilities and no longer using the expected rate of return on plan assets. The revised standard also calls for new disclosures to be provided in the notes to financial statements. This document was published in the Official Journal of the European Union on 6 June 2012 and applies to financial years beginning on or after 1 January 2013, with earlier application permitted.
Following the change in measuring the return on plan assets, the Group has estimated that the impact on the income statement for 2012 is approximately Euro 2 million in additional finance costs.

On 16 December 2011, the IASB published amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities to clarify the criteria for offsetting financial instruments.
The amendments clarify that:
- the right of set-off between financial assets and liabilities must be available at the financial reporting date and not contingent on a future event,
- this right must be enforceable by all counterparties both in the normal course of business and in the event of insolvency/bankruptcy.
The document was published in the Official Journal of the European Union on 29 December 2012. The amendments are effective for financial years beginning on or after 1 January 2014 and are required to be applied retrospectively.

On the same date, the IASB published amendments to IFRS 7 - Disclosures: Offsetting Financial Assets and Financial Liabilities to introduce new disclosures that will allow users of financial statements to assess the impact on the financial statements of offsetting financial assets and liabilities. The disclosures relate to master netting arrangements and similar agreements.
The document was published in the Official Journal of the European Union on 29 December 2012. The amendments are effective for financial years beginning on or after 1 January 2013 and are required to be applied retrospectively.

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

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

B.6 PROPERTY, PLANT AND EQUIPMENT

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

Costs incurred subsequent to acquiring an asset and the cost of replacing certain parts of assets recognised in this category are capitalised only if they increase the future economic benefits of the asset to which they refer. All other costs are recognised in profit or loss as incurred. When the replacement cost of certain parts of an asset is capitalised, the residual value of the parts replaced is expensed to profit or loss.

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

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

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

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

Property, plant and equipment acquired through finance leases, whereby the risks and rewards of the assets are substantially transferred to the Group, are accounted for as Group assets at their fair value or, if lower, at the present value of the minimum lease payments, including any sum payable to exercise a purchase option. The corresponding lease liability is recorded under financial payables. The assets are depreciated using the method and rates described earlier for "Property, plant and equipment", unless the term of the lease is less than the useful life represented by such rates and ownership of the leased asset is not reasonably certain to be transferred at the lease's natural expiry; in this case the depreciation period will be represented by the term of the lease. Any capital gains realised on the disposal of assets which are leased back under finance leases are recorded under liabilities as deferred income and released to the income statement over the term of the lease. Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are treated as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell from the moment they qualify as held for sale under the related accounting standard.

B.7 INTANGIBLE ASSETS

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

(a) Goodwill

Goodwill represents the difference between the cost incurred for acquiring a controlling interest (in a business) and the fair value of the assets and liabilities identified at the acquisition date. Goodwill is not amortised, but is tested for impairment at least annually. This test is carried out with reference to the cash-generating unit ("CGU") or group of CGUs to which goodwill is allocated. Reductions in the value of goodwill are recognised if the recoverable amount of goodwill is less than its carrying amount. Recoverable amount is defined as the higher of the fair value of the CGU or group of CGUs, less costs to sell, and the related value in use (see Section B.8 for more details on how value in use is calculated). An impairment loss recognised against goodwill cannot be reversed in a subsequent period.

If an impairment loss identified by the test is higher than the value of goodwill allocated to that CGU or group of CGUs, the residual difference is allocated to the assets included in the CGU or group of CGUs in proportion to their carrying amount.

Such allocation shall not reduce the carrying amount of an asset below the highest of:

- its fair value, less costs to sell;
- its value in use, as defined above;
- zero.

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

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

(c) Computer software

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

(d) Research and development costs

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

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

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

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

Property, plant and equipment and finite-life intangible assets are analysed at each reporting date for any evidence of impairment. If such evidence is identified, the recoverable amount of these assets is estimated and any impairment loss relative to carrying amount is recognised in profit or loss. The recoverable amount is the higher of the fair value of an asset, less costs to sell, and its value in use, where the latter is the present value of the estimated future cash flows of the asset. The recoverable amount of an asset which does not generate largely independent cash flows is determined in relation to the cash-generating unit to which the asset belongs.
In calculating an asset's value in use, the expected future cash flows are discounted using a discount rate reflecting current market assessments of the time value of money, in relation to the period of the investment and the specific risks associated with the asset. An impairment loss is recognised in the income statement when the asset's carrying amount exceeds its recoverable amount. If the reasons for impairment cease to exist, the asset's carrying amount is restored with the resulting increase recognised through profit or loss; however, the carrying amount may not exceed the net carrying amount that this asset would have had if no impairment had been recognised and the asset had been depreciated/amortised instead.
In the case of the Prysmian Group, the smallest CGU of the Energy operating segment can be identified on the basis of location of the registered office of the operating units (country)[1] , whilst for the Telecom operating segment, the smallest CGU is the operating segment itself.

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

B.9 FINANCIAL ASSETS

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

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

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified in the statement of financial position as "Trade and other receivables" and treated as current assets (Note 5), except for those with contractual due dates of more than twelve months from the reporting date, which are classified as non-current (Note 5).
These assets are valued at amortised cost, using the effective interest rate. The process of assessment to identify 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, or that cannot be classified in any of the previous categories; they are classified as non-current assets, unless management intends to dispose of them within twelve months of the end of the reporting period.
All the financial assets in this category are initially recorded at fair value plus any related transaction costs.
Subsequently, available-for-sale financial assets are measured at fair value and gains or losses on valuation are recorded in an equity reserve. "Finance income" and "Finance costs" are recognised in the income statement only when the financial asset is effectively disposed of.

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

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

The Group assesses at every reporting date if there is objective evidence of impairment of its financial assets. In the case of investments classified as available-for-sale financial assets, a prolonged or significant reduction in the fair value of the investment below initial cost is treated as an indicator of impairment. Should such evidence exist, the accumulated loss relating to the available-for-sale financial assets - calculated as the difference between their acquisition cost and fair value at the reporting date, net of any impairment losses previously recognised in profit or loss - is transferred from equity and reported in the income statement as "Finance costs". Such losses are realised ones and therefore cannot be subsequently reversed.
For debt securities, the related yields are recognised using the amortised cost method and are recorded in the income statement as "Finance income", together with any exchange rate effects, while exchange rate effects relating to investments classified as available-for-sale financial assets are recognised in the specific equity reserve.

B.10 DERIVATIVES

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

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

The fair values of the various derivatives used as hedges are disclosed in Note 8. Movements in the "Cash flow hedge reserve" forming part of equity are reported in Note 11.
The fair value of a hedging derivative is classified as a non-current asset or liability if the hedged item has a maturity

of more than twelve months; if the maturity of the hedged item is less than twelve months, the fair value of the hedge is classified as a current asset or liability.

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

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

At 31 December 2012, the Group had designated derivatives to hedge the following risks:

- **exchange rate risk on construction contracts or orders:** these hedges aim to reduce the volatility of cash flows due to changes in exchange rates on future transactions. In particular, the hedged item is the amount of the cash flow expressed in another currency that is expected to be received/paid in relation to a contract or an order for amounts above the minimum limits identified by the Group Finance Committee: all cash flows thus identified are therefore designated as hedged items in the hedging relationship. The reserve originating from changes in the fair value of derivatives is transferred to the income statement according to the stage of completion of the contract itself, where it is classified as contract revenue/costs;
- **exchange rate risk on intercompany financial transactions:** these hedges aim to reduce volatility arising from changes in exchange rates on intercompany transactions, when such transactions create an exposure to exchange rate gains or losses that are not completely eliminated on consolidation. The economic effects of the hedged item and the related transfer of the reserve to the income statement occur at the same time as recognising the exchange gains and losses on intercompany positions in the consolidated financial statements;
- **interest rate risk: these hedges aim to reduce the volatility** of cash flows relating to finance costs arising on variable rate debt.

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

	Sales of goods and services/Raw materials and consumables used	Finance income (costs)
Exchange rate risk on construction contracts	●	
Exchange rate risk on intercompany financial transactions		●
Interest rate risk		●

B.11 TRADE AND OTHER RECEIVABLES

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

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

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

B.12 INVENTORIES

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

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

B.13 CONTRACT WORK-IN-PROGRESS

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

When the outcome of a contract cannot be estimated reliably, 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 estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the term of the contract. When it is probable that total contract costs will exceed total contract revenue, the potential loss is immediately recognised in the income statement.

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

The Group reports as a liability the gross amount due to customers for all contract work-in-progress for which billing of the work in progress exceeds the costs incurred plus recognised profits (less recognised losses). Such liabilities are reported under "Other liabilities".

B.14 CASH AND CASH EQUIVALENTS

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

B.15 TRADE AND OTHER PAYABLES

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

B.16 BORROWINGS FROM BANKS AND OTHER LENDERS

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

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

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

B.17 EMPLOYEE BENEFITS

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

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

A defined benefit plan is a plan not classifiable as a defined contribution plan. In defined benefit plans, the total benefit payable to the employee can be quantified only after the employment relationship ceases, and is linked to one or more factors, such as age, years of service and remuneration; the related cost is therefore charged to the period's income statement on the basis of an actuarial calculation. The liability recognised for defined benefit plans corresponds to the present value of the obligation at the reporting date, less the fair value of the plan assets, where applicable. Obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of high-quality corporate bonds issued in the liability's settlement currency and which reflects the duration of the related pension plan. Actuarial gains and losses arising from the above adjustments and the changes in actuarial assumptions are recorded directly in equity.

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

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

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

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

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

B.18 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges of a definite nature, whose existence is certain or probable, but the amount and/or timing of which cannot be determined reliably. A provision is recognised only when there is a current (legal or constructive) obligation for a future outflow of economic resources as the result of past events and it is likely that this outflow is required to settle the obligation. Such amount is the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the provisions are stated at the present value of the expected outlay, using a rate that reflects market conditions, the variation in the cost of money over time, and the specific risk attached to the obligation.
Increases in the provision due to changes in the time value of money are accounted for as interest expense.
Risks for which the emergence of a liability is only possible but not remote are indicated in the disclosures about commitments and contingencies and no provision is recognised.
Any contingent liabilities accounted for separately when allocating the cost of a business combination, are valued at the higher of the amount obtained using the method described above for provisions for risks and charges and the liability's originally determined present value.

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

B.19 REVENUE RECOGNITION

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

(a) Sales of goods
Revenue from the sale of goods is recognised when the risks and rewards of the goods are transferred to the customer; this usually occurs when the goods have been delivered to the customer and the customer has accepted them.

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

In both cases, revenue recognition depends on there being reasonable assurance that the related consideration will be received.

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

B.20 GOVERNMENT GRANTS

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

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

(b) Grants related to income
Grants other than those related to assets are credited to the income statement as "Other income".

B.21 COST RECOGNITION

Costs are recognised when they relate to assets and services acquired or consumed during the year or to make a systematic allocation to match costs with revenues.

B.22 TAXATION

Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at the end of the reporting period.
Deferred taxes are calculated on all the differences emerging between the taxable base of an asset or liability and the related carrying amount, except for goodwill and those differences arising from investments in subsidiaries, where the timing of the reversal of such differences is controlled by the Group and it is likely that they will not reverse in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable profit will be available against which they can be recovered. Deferred taxes are determined using tax rates that are expected to apply in the years when the differences are realised or extinguished, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

B.23 EARNINGS PER SHARE

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

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

B.24 TREASURY SHARES

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

C. FINANCIAL RISK MANAGEMENT

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

The impact on profit and equity described in the following sensitivity analyses has been determined net of tax, calculated using the Group's weighted average theoretical tax rate.

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

The principal exchange rates affecting the Group are:

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

In 2012, trade and financial flows exposed to these exchange rates accounted for around 88.1% of the total exposure to exchange rate risk arising from trade and financial transactions (86.4% in 2011).

The Group is also exposed to significant exchange rate risks on the following exchange rates: Euro/Canadian Dollar, Euro/Norwegian Krone, Euro/Australian Dollar, Euro/Romanian Leu; none of these exposures, taken individually, accounted for more than 1.6% of the overall exposure to transactional exchange rate risk in 2012 (1.4% in 2011).

It is the Group's policy to hedge, where possible, exposures in currencies other than the accounting currencies of its individual companies. In particular, the Group hedges:
- Certain cash flows: invoiced trade flows and exposures arising from loans and borrowings;
- Expected cash flows: trade and financial flows arising from firm or highly probable contractual commitments.

The above hedges are arranged using derivative contracts.

The following sensitivity analysis shows the effects on net profit of a 5% and 10% increase/decrease in exchange rates relative to closing exchange rates at 31 December 2012 and 31 December 2011.

(in millions of Euro)

		2012		2011
	-5%	+5%	-5%	+5%
Euro	(1.13)	1.02	(1.08)	0.98
US Dollar	(1.57)	1.42	(0.64)	0.58
Other currencies	(1.66)	1.51	(1.12)	1.01
Total	**(4.36)**	**3.95**	**(2.84)**	**2.57**

(in millions of Euro)

		2012		2011
	-10%	+10%	-10%	+10%
Euro	(2.38)	1.95	(2.29)	1.87
US Dollar	(3.32)	2.72	(1.34)	1.10
Other currencies	(3.51)	2.87	(2.36)	1.93
Total	**(9.21)**	**7.54**	**(5.99)**	**4.90**

When assessing the potential impact of the above, the assets and liabilities of each Group company in currencies other than their accounting currency were considered, net of any derivatives hedging the above-mentioned flows.
The following sensitivity analysis shows the post-tax effects on equity reserves due to an increase/decrease in the fair value of designated cash flow hedges following a 5% and 10% increase/decrease in exchange rates relative to closing exchange rates at 31 December 2012 and 31 December 2011.

(in millions of Euro)

		2012		2011
	-5%	+5%	-5%	+5%
US Dollar	1.88	(2.08)	2.14	(2.37)
United Arab Emirates Dirham	0.51	(0.57)	0.76	(0.84)
Qatari Riyal	2.21	(2.44)	2.34	(2.59)
Saudi Riyal	0.03	(0.03)	0.04	(0.05)
Other currencies	0.45	(0.50)	-	-
Totale	**5.08**	**(5.62)**	**5.28**	**(5.85)**

(in millions of Euro)

		2012		2011
	-10%	+10%	-10%	+10%
US Dollar	3.59	(4.39)	4.09	(4.99)
United Arab Emirates Dirham	0.98	(1.19)	1.45	(1.77)
Qatari Riyal	4.22	(5.15)	4.47	(5.46)
Saudi Riyal	0.05	(0.06)	0.08	(0.10)
Other currencies	0.86	(1.05)	-	-
Total	**9.70**	**(11.84)**	**10.09**	**(12.32)**

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

[b] Interest rate risk

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

Fixed rate debt exposes the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts.

Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). In order to hedge this risk, the Group can use derivative contracts that limit the impact of interest rate changes on the income statement.

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

The following sensitivity analysis shows the effects on consolidated net profit of an increase/decrease of 25 basis points in interest rates relative to the interest rates at 31 December 2012 and 31 December 2011, assuming that all other variables remain equal.

The potential effects shown below refer to net liabilities representing the most significant part of Group debt at the reporting date and are determined by calculating the effect on net finance costs following a change in annual interest rates.

The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables, cash and cash equivalents and derivatives whose value is influenced by rate volatility.

(in millions of Euro)

		2012		2011
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	(0.33)	0.33	0.26	(0.26)
US Dollar	0.14	(0.14)	0.03	(0.03)
British Pound	(0.01)	0.01	(0.01)	0.01
Other currencies	(0.34)	0.34	(0.39)	0.39
Total	**(0.54)**	**0.54**	**(0.11)**	**0.11**

At 31 December 2012, the increase/decrease in the fair value of derivatives designated as cash flow hedges arising from an increase/decrease of 25 basis points in interest rates relative to the year-end rates would have respectively increased other equity reserves by Euro 2.32 million and decreased them by Euro 2.39 million for hedges of underlying transactions in Euro, since underlying US dollar transactions were repaid during the year.

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

[c] Price risk

The Group is exposed to price risk in relation to purchases and sales of strategic materials, whose purchase price is subject to market volatility. The main raw materials used by the Group in its own production processes consist of strategic metals such as copper, aluminium and lead. The cost of purchasing such strategic materials accounted for approximately 57% of the Group's total production costs in 2012 (60% in 2011).

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

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

The following sensitivity analysis shows the effect on net profit and consolidated equity of a 10% increase/decrease in strategic material prices relative to prices at 31 December 2012 and 31 December 2011, assuming that all other variables remain equal.

(in milions of Euro)

		2012		2011
	-10%	10%	-10%	10%
LME	(20.88)	20.88	(15.04)	15.06
COMEX	0.56	(0.56)	0.41	(0.40)
SFE	(3.27)	3.27	(2.70)	2.69
Total	**(23.59)**	**23.59**	**(17.33)**	**17.35**

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

[d] Credit risk
Credit risk is connected with trade receivables, cash and cash equivalents, financial instruments, and deposits with banks and other financial institutions.

Customer-related credit risk is managed by the individual subsidiaries and monitored centrally by the Group Finance Department. The Group does not have significant concentrations of credit risk. It nonetheless has procedures aimed at ensuring that sales of products and services are made to reliable customers, taking account of their financial position, track record and other factors. Credit limits for major customers are based on internal and external assessments within ceilings approved by local country management. The utilisation of credit limits is periodically monitored at local level.

During 2012 the Group entered into a global insurance policy providing coverage for part of its trade receivables against any losses.

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 2012 (like at 31 December 2011) almost all the Group's financial and cash resources were held with investment grade counterparties. Credit limits relating to the principal financial counterparties are based on internal and external assessments, within ceilings defined by the Group Finance Department.

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

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

(in millions of Euro)

	31 December 2012	31 December 2011
Cash and cash equivalents	812	727
Financial assets held for trading	78	80
Unused committed lines of credit	871	1,033
Total	**1,761**	**1,840**

Unused committed lines of credit at 31 December 2012 comprise Euro 75 million for the securitization programme (Euro 239 million in 2011) and Euro 796 million for the Revolving Credit Facilities (Euro 794 million in 2011).
It should be noted that the line serving the securitization programme could nonetheless be drawn down, if needed, only to the extent of the trade receivables eligible for securitization (amounting to around Euro 117 million at 31 December 2012 and Euro 134 million at 31 December 2011).

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

(in millions of Euro)

				31 December 2012
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	327	654	831	2
Finance lease obligations	2	2	7	9
Debts guaranteed by securitized receivables	75	-	-	-
Derivatives	24	33	8	-
Trade and other payables	2.104	4	5	18
Total	**2.532**	**693**	**851**	**29**

(in millions of Euro)

				31 December 2011
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	913	79	935	14
Finance lease obligations	4	5	6	9
Debts guaranteed by securitized receivables	111	-	-	-
Derivatives	71	9	27	-
Trade and other payables	1.992	12	13	7
Total	**3.091**	**105**	**981**	**30**

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

(in millions of Euro)

	31 December 2012					
	Financial assets at fair value through profit or loss	Loans and receivables	Available for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities/ assets	Hedging derivatives
Available-for-sale financial assets	-	-	14	-	-	-
Trade receivables	-	-	-	-	1,163	-
Other receivables	-	-	-	-	611	-
Financial assets held for trading	78	-	-	-	-	-
Derivatives (assets)	10	-	-	-	-	9
Cash and cash equivalents	-	812	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,794	-
Trade payables	-	-	-	-	1,450	-
Other payables	-	-	-	-	681	-
Derivatives (liabilities)	-	-	-	16	-	49

(in millions of Euro)

	31 December 2011					
	Financial assets at fair value through profit or loss	Loans and receivables	Available for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities/ assets	Hedging derivatives
Available-for-sale financial assets	-	-	6	-	-	-
Trade receivables	-	-	-	-	1,197	-
Other receivables	-	-	-	-	568	-
Financial assets held for trading	80	-	-	-	-	-
Derivatives (assets)	12	-	-	-	-	18
Cash and cash equivalents	-	727	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,862	-
Trade payables	-	-	-	-	1,421	-
Other payables	-	-	-	-	603	-
Derivatives (liabilities)	-	-	-	50	-	57

C.1 CAPITAL RISK MANAGEMENT

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

The Group also monitors capital on the basis of its gearing ratio (ie. the ratio between net financial position and capital). Note 12 contains details of how the net financial position is determined. Capital is equal to the sum of equity, as reported in the Group consolidated financial statements, and the net financial position.
The gearing ratios at 31 December 2012 and 31 December 2011 are shown below:

(in millions of Euro)

	2012	2011
Net financial position	918	1,064
Equity	1,159	1,104
Total capital	2,077	2,168
Gearing ratio	**44.20%**	**49.05%**

C.2 FAIR VALUE

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

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

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

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

Financial assets classified in fair value level 3 reported no significant movements in either 2012 or 2011.
Given the short-term nature of trade receivables and payables, their book values, net of any allowance for doubtful accounts, are treated as a good approximation of fair value.

(in millions of Euro)

				31 December 2012
	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss:				
Derivatives	-	10	-	10
Financial assets held for trading	74	4	-	78
Hedging derivatives	-	9	-	9
Available-for-sale financial assets	-	-	14	14
Total assets	**74**	**23**	**14**	**111**
LIABILITIES				
Financial liabilities at fair value through profit or loss:				
Derivatives	-	16	-	16
Hedging derivatives	-	49	-	49
Total liabilities	**-**	**65**	**-**	**65**

(in millions of Euro)

				31 December 2011
	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss:				
Derivatives	-	12	-	12
Financial assets held for trading	61	19	-	80
Hedging derivatives	-	18	-	18
Available-for-sale financial assets	-	-	6	6
Total assets	**61**	**49**	**6**	**116**
LIABILITIES				
Financial liabilities at fair value through profit or loss:				
Derivatives	-	50	-	50
Hedging derivatives	-	57	-	57
Total liabilities	**-**	**107**	**-**	**107**

D. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting standards and methods which, at times, rely on judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts previously reported on the basis of estimates and assumptions may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

The following is a brief description of the accounting policies that require the Prysmian Group's management to exercise greater subjectivity of judgement when preparing estimates and for which a change in underlying assumptions could have a significant impact on the consolidated financial statements.

(a) Provisions for risks and charges

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

(b) Impairment of assets

Goodwill

In accordance with its adopted accounting standards and impairment testing procedures, the Group tests annually whether its goodwill has suffered an impairment loss. Goodwill has been allocated to the two operating segments: Energy and Telecom. It is therefore tested at this level. The recoverable amount has been determined by calculating value in use. This calculation requires the use of estimates.
During 2012 the Prysmian Group capitalised Euro 53 million in Goodwill, of which Euro 4 million has been allocated to the Telecom operating segment for the acquisition of control of Telcon Fios e Cabos para Telecomuniçaoes SA. and Euro 49 million has been allocated to the Energy operating segment for the acquisition of Global Marine Systems Energy Ltd.

Property, plant and equipment and finite-life intangible assets

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

The Prysmian Group has assessed at year end whether there is any evidence that its CGUs might be impaired and consequently tested for impairment those CGUs potentially at "risk". Based on this test, the Group has even written down certain individual assets at two plants whose restructuring was announced in 2012, even though these plants belong to larger CGUs for which there was no specific evidence of impairment. The outcome of impairment tests at 31 December 2012 does not mean that future results will be the same, especially if there are currently unforeseeable developments in the business environment.

Further information can be found in Note 1. Property, plant and equipment.

(c) Depreciation and amortisation

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

(d) Revenue recognition for construction contracts

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

(e) Taxes

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

(f) Inventory valuation

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

(g) Employee benefit obligations

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

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

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

(h) Incentive plan

The plan for 2011-2013, involves granting options to some of the Group's employees and co-investing part of their annual bonuses. These benefits are granted subject to the achievement of operating and financial performance objectives and the continuation of a professional relationship for the three-year period 2011-2013. The estimate of the plan's financial and economic impact has therefore been made on the basis of the best possible estimates and information currently available.
Further information can be found in Note 21. Personnel costs.

E. BUSINESS COMBINATIONS

On 5 April 2012, the Prysmian Group acquired, through its subsidiary Draka Cableteq Brasil, the majority 50% controlling interest in the Brazilian company Telcon Fios e Cabos para Telecomuniçaoes SA., thereby becoming its sole shareholder since the Group already owned 50% of this company. For greater practicality and in the absence of material impacts, the acquisition date of the remaining 50% interest has been taken as 31 March 2012 for accounting purposes, with revenues and expenses consolidated as from 1 April 2012.
In compliance with IFRS 3, the fair values of the assets, liabilities and contingent liabilities have been determined on a provisional basis in view of the fact that, at the date of the financial statements, some estimation processes had been not completed at the reporting date. These measurements could undergo adjustment over the course of the twelve-month period from the acquisition date.

(in millions of Euro)

Total acquisition cost (A)	21
Dividend distribution (B)	11
Fair value of net assets acquired * (C)	28
Goodwill (A)+(B)-(C)	**4**
Financial outlay for acquisition	32
Cash and cash equivalents held by acquired company	(9)
Acquisition cash flow	**23**

* The fair values are reported on a provisional basis.

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

(in millions of Euro)

	Fair value*
Property, plant and equipment	11
Intangible assets	2
Financial receivables - non-current	3
Inventories	4
Trade and other receivables	16
Trade and other payables	(13)
Deferred tax	-
Borrowings from banks and other lenders	(4)
Cash and cash equivalents	9
Net assets acquired (C)*	**28**

* The fair values are reported on a provisional basis.

Property, plant and equipment
The fair value measurement has increased book value of "Plant and machinery" by Euro 5 million.

Intangible assets
The fair value measurement has identified an additional value of Euro 2 million for customer relationships.
The acquisition has given rise to a provisional amount of Euro 4 million in goodwill, which has been recorded in "Intangible assets".
If the company had been consolidated from 1 January 2012, its incremental contribution to sales of goods and services would have been Euro 16 million, while its contribution to the result for 2012 would have been Euro 1 million.

On 15 November 2012, the Prysmian Group acquired, through its subsidiary Prysmian UK Group Limited, control of Global Marine Systems Energy Ltd. from Global Marine Systems Ltd.. The total consideration paid for the acquisition was approximately Euro 52 million, of which Euro 17 million paid to the seller by Prysmian UK Group Limited and Euro 35 million settled by repaying the debt that the company owed to its former shareholder.
Acquisition-related costs amount to around Euro 565 million and are classified in "Other expenses", before tax effects of Euro 131 million.
In compliance with IFRS 3, the fair values of the assets, liabilities and contingent liabilities have been determined on a provisional basis in view of the fact that some estimation processes had been not completed at the reporting date. These measurements may be adjusted over the course of the twelve-month period from the acquisition date.
Details of the cost of acquisition of Global Marine Systems Energy Ltd and the related cash outlay are as follows:

(in millions of Euro)

Total acquisition cost (A)	52
Price adjustment (B)	3
Fair value of net assets acquired * (C)	-
Goodwill (A)-(B)-(C)	**49**
Financial outlay for acquisition	52
Cash and cash equivalents held by acquired company	(1)
Acquisition cash flow	**51**

* The fair values are reported on a provisional basis.

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

(in millions of Euro)

	Fair value*
Property, plant and equipment	43
Inventories	1
Trade and other receivables	8
Trade and other payables	(16)
Borrowings from banks and other lenders	(11)
Provisions for risks	(26)
Cash and cash equivalents	1
Net assets acquired (C)*	**-**

* The fair values are reported on a provisional basis.

The acquisition has given rise to a provisional amount of Euro 49 million in goodwill; this amount depends on the purchase price, which has also been defined on a provisional basis. The above goodwill is essentially justified by expected synergies relating to submarine system installation projects.

If the company had been consolidated from 1 January 2012, its contribution to sales revenue would have been difficult to determine because its main contracts were signed only shortly before the acquisition.

F. SEGMENT INFORMATION

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

In particular, segment information is structured in the same way as the report periodically reviewed by the Chief Executive Officer for the purposes of managing the business. In fact, the Chief Executive Officer reviews operating performance by macro type of business (Energy and Telecom), assesses the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items (eg. restructuring costs), amortisation, depreciation and impairment, finance costs and income, and taxes, and reviews the statement of financial position for the Group as a whole, and not by operating segment.

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

A) Energy operating segment:

1. Utilities: organised in four lines of business, comprising High Voltage, Power Distribution, Accessories and Submarine;
2. Trade & Installers: cables and systems for the trade and installers market for the wiring of buildings and distribution of electricity to or in commercial and residential buildings. Fire-resistant and low smoke halogen-free cables complete one of the widest and most comprehensive product ranges in the world;
3. Industrial: cables and accessories for special industrial applications based on specific requirements (Specialties&OEM; Oil&Gas; Automotive; Renewable; Surf; Elevator);
4. Other: occasional sales of residual products.

B) Telecom operating segment: produces cable systems and connectivity products used in telecommunication networks. The segment is organised in the following lines of business: optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables.

All Corporate fixed costs are allocated to the Energy and Telecom segments. Revenues and costs are allocated to each operating segment by identifying all revenues and costs directly attributable to that segment and by allocating indirect costs on the basis of Corporate resources (personnel, space used, etc.) absorbed by the operating segments.
Group operating activities are organised and managed separately based on the nature of the products and services provided: each segment offers different products and services to different markets. Sales of goods and services are analysed geographically on the basis of the location of the registered office of the company that issues the invoices, regardless of the geographic destination of the products sold. This type of reporting does not significantly differ from the breakdown of sales of goods and services by destination of the products being sold. Transfer pricing between segments is determined using the same conditions as applied between Group companies and is generally determined by applying a mark-up to production costs.

F.1 OPERATING SEGMENTS

The following tables present information by operating segment:

(in millions of Euro)

								2012
					Energy	Telecom	Corporate	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
Sales of goods and services to third parties [1]	2,287	2,159	1,801	135	6,382	1, 466	-	7,848
Adjusted EBITDA (A)	**270**	**77**	**139**	**1**	**487**	**160**	**-**	**647**
% of sales	11.8%	3.6%	7.7%	0.6%	7.6%	10.9%		8.2%
EBITDA (B)	**265**	**37**	**119**	**(4)**	**417**	**138**	**(9)**	**546**
% of sales	11.6%	1.7%	6.6%		6.5%	9.4%		7.0%
Amortisation and depreciation (C)	(36)	(28)	(40)	(4)	(108)	(56)		(164)
Adjusted operating income (A+C)	**234**	**49**	**99**	**(3)**	**379**	**104**		**483**
% of sales	10.2%	2.3%	5.5%		5.9%	7.1%		6.2%
Fair value change in metal derivatives (D)								14
Fair value - stock options (E)								(17)
Impairment of assets (F)	(3)	(5)	(15)	-	(23)	(1)		(24)
Remeasurement of minority put option liability (G)								7
Operating income (B+C+D+E+F+G)								**362**
% of sales								4.6%
Share of income from investments in associates and dividends from other companies					15	2		17
Finance costs								(393)
Finance income								258
Taxes								(73)
Net profit/(loss) for the year								**171**
Attributable to:								
Owners of the parent								168
Non-controlling interests								3

Reconciliation of EBITDA to Adjusted EBITDA

EBITDA (A)	**265**	**37**	**119**	**(4)**	**417**	**138**	**(9)**	**546**
NON-RECURRING EXPENSES/(INCOME):								
Company reorganisation	3	29	16	5	53	16	5	74
Antitrust	1	-	-	-	1	-	-	1
Draka integration costs	-	2	2	-	4	1	4	9
Tax inspections	-	-	-	1	1	2	-	3
Environmental remediation and other costs	-	1	2	-	3	-	-	3
Italian pensions reform	1	-	-	-	1	-	-	1
Other non-recurring expenses	2	8	-	-	10	3	-	13
Gains on disposal of assets held for sale	(2)	-	-	(1)	(3)	-	-	(3)
Total non-recurring expenses/(income) (B)	**5**	**40**	**20**	**5**	**70**	**22**	**9**	**101**
Adjusted EBITDA (A+B)	**270**	**77**	**139**	**1**	**487**	**160**	**-**	**647**

[1] The sales of the operating segments and business areas are reported net of intercompany transactions, consistent with the presentation adopted in the regularly reviewed reports.

(in millions of Euro)

				2012
	Energy	Telecom	Not Allocated	Group total
Assets	**3,605**	**1,367**	**947**	**5,919**
Investments in associates	**99**	**-**	**-**	**99**
Equity	**-**	**-**	**-**	**1,159**
Liabilities	**2,225**	**425**	**2,209**	**4,859**
Investments in property, plant and equipment	101	31	-	132
Investments in intangible assets	17	3	-	20
Total investments	**118**	**34**	**-**	**152**

(in millions of Euro)

								2011
					Energy	Telecom	Corporate	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
Sales of goods and services to third parties [1]	**2,252**	**2,281**	**1,608**	**127**	**6,268**	**1,315**	**-**	**7,583**
Adjusted EBITDA (A)	**267**	**70**	**106**	**4**	**447**	**121**	**-**	**568**
% of sales	11.8%	3.0%	6.6%		7.1%	9.1%		7.5%
EBITDA (B)	**55**	**53**	**80**	**(2)**	**186**	**103**	**(20)**	**269**
% of sales	2.4%	2.3%	5.0%	-	2.9%	7.7%		3.4%
Amortisation and depreciation (C)	(25)	(36)	(35)	(3)	(99)	(43)	-	(142)
Adjusted operating income (A+C)	**242**	**34**	**71**	**1**	**348**	**78**		**426**
% of sales	10.7%	1.5%	4.4%		5.5%	5.8%		5.6%
Fair value change in metal derivatives (D)								(62)
Fair value - stock options (E)								(7)
Remeasurement of minority put option liability (F)	-	-	-	-	-	(1)		(1)
Impairment of assets (G)	(17)	(6)	(8)	-	(31)	(7)		(38)
Operating income (B+C+D+E+F+G)								**19**
% of sales								**0.3%**
Share of income from investments in associates and dividends from other companies					7	2		9
Finance costs								(360)
Finance income								231
Taxes								(44)
Net profit/(loss) for the year								**(145)**
Attributable to:								
Owners of the parent								(136)
Non-controlling interests								(9)

Reconciliation of EBITDA to Adjusted EBITDA

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

[1] The sales of the operating segments and business areas are reported net of intercompany transactions, consistent with the presentation adopted in 2012.

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

(*) The figures reported above include the Draka Group's results for the period 1 March – 31 December 2011.

(in millions of Euro)

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

F.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

	2012	2011
Sales of goods and services	**7,848**	**7,583**
EMEA*	**4,917**	**4,851**
(of which Italy)	1,005	915
North America	**1,091**	**920**
Latin America	**690**	**682**
Asia Pacific	**1,150**	**1,130**

* EMEA: Europe, Middle East and Africa

No individual customer accounted for more than 10% of the Group's total sales in either 2012 or 2011.

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 2010	**192**	**345**	**267**	**12**	**8**	**125**	**949**
Movements in 2011:							
- Business combinations	57	215	311	17	2	12	614
- Investments	-	5	27	5	2	96	135
- Disposals	-	(3)	(1)	-	-	2	(2)
- Depreciation	-	(23)	(83)	(8)	(3)	-	(117)
- Impairment	(2)	(7)	(23)	-	(1)	-	(33)
- Currency translation differences	-	1	-	-	-	(5)	(4)
- Other	2	38	58	6	1	(108)	(3)
Total movements	**57**	**226**	**289**	**20**	**1**	**(3)**	**590**
Balance at 31 December 2011	**249**	**571**	**556**	**32**	**9**	**122**	**1539**
Of which:							
- Historical cost	253	668	906	57	34	122	2,040
- Accumulated depreciation and impairment	(4)	(97)	(350)	(25)	(25)	-	(501)
Net book value	**249**	**571**	**556**	**32**	**9**	**122**	**1,539**

Balance at 31 December 2011	**249**	**571**	**556**	**32**	**9**	**122**	**1,539**
Movements in 2012:							
- Business combinations	-	1	11	-	42	-	54
- Effects of deconsolidation	(3)	(6)	(5)	(1)	-	-	(15)
- Investments	-	10	38	3	4	77	132
- Disposals	-	(1)	(1)	-	-	(2)	(4)
- Depreciation	-	(26)	(91)	(7)	(5)	-	(129)
- Impairment	(2)	(2)	(14)	(5)	(1)	-	(24)
- Currency translation differences	-	(5)	(7)	(1)	1	(3)	(15)
- Other	2	15	46	3	4	(69)	1
Total movements	**(3)**	**(14)**	**(23)**	**(8)**	**45**	**3**	**-**
Balance at 31 December 2012	**246**	**557**	**533**	**24**	**54**	**125**	**1,539**
Of which:							
- Historical cost	252	682	988	61	85	125	2,193
- Accumulated depreciation and impairment	(6)	(125)	(455)	(37)	(31)	-	(654)
Net book value	**246**	**557**	**533**	**24**	**54**	**125**	**1,539**

Property, plant and equipment include an increase of Euro 54 million for the first-time consolidation of Telcon Fios e Cabos para Telecomuniçaoes S.A. and Global Marine Systems Energy Ltd. and a reduction of Euro 15 million for the deconsolidation of the investments in Ravin Cables Limited and Power Plus Cables Co. LLC.

Gross investments in property, plant and equipment amount to Euro 132 million in 2012.

Around 59% of total investment expenditure related to projects to increase production capacity, while some 18% of the total went on projects to improve industrial efficiency. About 17% of the total related to structural work on buildings or entire production lines for compliance with the latest regulations, while the remaining 6% referred to investments in information technology.

The most important investment projects in 2012 were:

- the increase in production capacity at the Arco Felice plant (Naples) needed to fulfil the Western Link HVDC contract;
- production capacity increases at the plants in Sorocaba (Brazil), Durango (Mexico) and Liverpool (Australia), to meet growth in local demand by the power distribution, automotive and mining segments respectively;
- the continuation of investments in Rybinsk (Russia) for the production of high voltage cables, in Pikkala (Finland) for the production of direct current submarine cables and in Gron (France) for the production of high voltage direct current underground cables;
- production capacity increases at the plants in Sorocaba (Brazil) for the manufacture of optical fibre and cables and in Australia for the manufacture of cables using ribbon technology;
- investments aimed at reducing optical fibre manufacturing costs at the plants in Battipaglia (Italy) and Douvrin (France).

Machinery is subject to Euro 18 million in liens in connection with long-term loans.

When closing the present financial year, the Prysmian Group reviewed whether there was any evidence that its CGUs might be impaired, and then tested for impairment those CGUs potentially at "risk". This test has led to the partial impairment of "Plant and Machinery" allocated to the Energy segment CGUs in Spain (Euro 10 million) and Russia (Euro 1 million).

This impairment has been necessary because of a further deterioration in business in the above countries during 2012. In this particular case, the post-tax cash flow forecasts for 2013-2015 have been determined by projecting forward the cash flows expected by management in 2013.
The WACC (Weighted Average Cost of Capital as defined in the paragraph "Goodwill impairment test") used to discount cash flows for determining value in use of the CGUs tested for impairment is 9.4% for the Spain CGU and 11.9% for the Russia CGU.

The perpetuity growth rate (G) projected after 2015 is 2%; this rate is lower than the growth rate expected in the countries where the CGUs operate, with the exception of the CGU in Spain, where account has been taken of the specific local market situation.
Recoverable amount has been determined on the basis of value in use.

In addition, impairment losses have been recognised against the Eschweiler plant in Germany, whose restructuring was announced in September 2012, as well as against part of the Wuppertal plant in Germany and other minor impairments. This has led to the recognition of Euro 13 million in impairment losses in 2012.

"Buildings" include assets under finance lease with a net value of Euro 16 million at 31 December 2012 (Euro 20 million at 31 December 2011).
The maturity dates of finance leases are reported in Note 12. Borrowings from banks and other lenders; such leases generally include purchase options.

2. INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)

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

(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 2011	**34**	**4**	**352**	**35**	**179**	**14**	**618**
Movements in 2012:							
- Business combinations	-	-	53	-	2	-	55
- Effects of deconsolidation	-	-	-	-	-	-	-
- Investments	2	1	-	2	-	8	13
- Internally generated intangible assets	-	-	-	3	-	4	7
- Disposals	-	-	-	-	-	-	-
- Amortisation	(9)	(1)	-	(10)	(15)	-	(35)
- Impairment	-	-	-	-	-	-	-
- Currency translation differences	-	-	-	-	(1)	(1)	(2)
- Other	-	-	-	4	1	(6)	(1)
Total movements	**(7)**	**-**	**53**	**(1)**	**(13)**	**5**	**37**
Balance at 31 December 2012	**27**	**4**	**405**	**34**	**166**	**19**	**655**
Of which:							
- Historical cost	46	52	425	68	216	19	826
- Accumulated amortisation and impairment	(19)	(48)	(20)	(34)	(50)	-	(171)
Net book value	**27**	**4**	**405**	**34**	**166**	**19**	**655**

Gross investments in intangible assets amount to Euro 20 million in 2012, and primarily refer to:

- Euro 7 million for development of the SAP Consolidation project, aimed at standardising the information system throughout the Group. At 31 December 2012 the new system had been implemented and was fully operational in Germany, the Netherlands, Italy, Finland, Hungary, Romania, Austria, Slovakia, France, Turkey, Spain and Estonia.
- Euro 8 million for the Brazilian subsidiary's development of a prototype destined for flexible pipe production.

During 2012 the Prysmian Group recognised Euro 53 million in "Goodwill" in connection with the acquisition of the majority interest in Telcon Fios e Cabos para Telecomuniçaoes S.A. and of Global Marine Systems Energy Ltd.. Further details can be found in Section E. Business combinations.

Goodwill impairment test

As reported earlier, the Chief Executive Officer reviews operating performance by macro type of business (Energy and Telecom). Goodwill is monitored internally at the Energy and Telecom operating segment level. The amount of goodwill allocated to each operating segment is reported in the following table:

(in millions of Euro)

	31 December 2011	Business combinations	31 December 2012
Energy goodwill	253	49	302
Telecom goodwill	99	4	103
Total goodwill	**352**	**53**	**405**

As described earlier, the acquisition of the majority interest in Telcon Fios e Cabos para Telecomuniçaoes S.A. and of Global Marine Systems Energy Ltd.. has led to the recognition of Euro 53 million in goodwill during 2012.
In 2011 the acquisition of the Draka Group had led to the recognition of Euro 352 million in goodwill. This goodwill is justified by the synergies expected from integrating the two groups. Based on the predicted realisation of these synergies, the directors have allocated the goodwill to the two operating segments.
The amount of goodwill thus allocated (summed with the remaining portion of the operating segment's net invested capital) has been compared with the recoverable amount of each operating segment, determined on the basis of their value in use.
Forecast cash flows have been calculated using the post-tax cash flows expected by management for 2013, prepared on the basis of results achieved in previous years and the outlook for the markets concerned. The cash flow forecasts for both operating segments have been extended to the period 2014-2015 based on 3% projected growth. A terminal value has been estimated to reflect CGU value after this period; this value has been determined assuming a 2% growth rate. The rate used to discount cash flows has been determined on the basis of market information about the cost of money and asset-specific risks (Weighted Average Cost of Capital, WACC). The test has shown that the recoverable amount of the individual CGUs is higher than their net invested capital (including the share of allocated goodwill). In particular, in percentage terms, recoverable amount exceeds carrying amount by 205% for the Energy operating segment and by 92% for the Telecom operating segment. It should be noted that the discount rate at which recoverable amount is equal to carrying amount is 19% for the Energy operating segment and 14% for the Telecom operating segment (compared with a WACC of 8.2% used for both operating segments), while, in order to determine the same match for growth rates, the growth rate would have to be negative for both segments.

3. INVESTMENTS IN ASSOCIATES

These are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Opening balances	**87**	**9**
Movements:		
- Business combinations	-	69
- Currency translation differences	-	4
- Investments	1	1
- Share of net profit/ (loss)	17	8
- Dividends and other movements	(6)	(4)
Total movements	**12**	**78**
Closing balance	**99**	**87**

Details of investments in associates are as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Oman Cables Industry SAOG	50	45
Kabeltrommel Gmbh & Co.K.G.	8	7
Elkat Ltd.	11	9
Tianjin YOFC XMKJ Optical Communications Co.,Ltd.	8	6
Shantou Hi-Tech Zone Aoxing Optical Communication EquipmentsCo.,Ltd.	4	4
Jiangsu Yangtze Zhongli Optical Fibre & Cable Co., Ltd.	4	4
Shenzhen SDGI Optical Fibre Co., Ltd.	3	4
Rodco Ltd.	2	2
Yangtze (Wuhan) Optical System Co., Ltd.	2	2
Yangtze Optical Fibre & Cable Sichuan Co., Ltd.	2	2
Eksa Sp.Zo.o	3	1
Tianjin YOFC XMKJ Optical Cable Co., Ltd.	1	1
WuhanGuanyuan Electronic Technology Co. Ltd.	1	-
Total investments in associates	**99**	**87**

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

The latter's interest in these companies, along with other factors relating to their governance, would qualify them as joint ventures, but because of the difficulty in obtaining periodic information and their limited materiality, they have been consolidated using the equity method.

(in millions of Euro)[1]

	Oman Cables Industry SAOG	Kabeltrommel Gmbh & Co.K.G.			Elkat Ltd.	Tianjin YOFC XMKJ Optical Communications Co., Ltd.	Shantou Hi-Tech Zone Aoxing Optical Communication Equiments Co., Ltd.
Country	**Sultanate of Oman**	**Germany**			**Russia**	**China**	**China**
% owned	34.78%	28.68%	1.00%	13.50%	40.00%	18.38%	15.91%
Direct owner	**Draka Holding N.V.**	**Prysmian Kabel und Systeme GmbH**	**Bergmann Kabel und Leitungen Gmbh**	**Draka Cable Wuppertal Gmbh**	**Prysmian Finland OY**	**Yangtze Optical Fibre and Cable Company Ltd.**	**Yangtze Optical Fibre and Cable Company Ltd.**
FINANCIAL INFORMATION AT 31 DECEMBER 2012							
Assets	289			n.a.	35	83	39
Liabilities	167			n.a.	2	40	15
Equity	122			14	33	43	24
Sales	520			n.a.	252	77	59
Net profit/(loss)	26			4	5	10	1
FINANCIAL INFORMATION AT 31 DECEMBER 2011							
Assets	280			30	29	49	35
Liabilities	175			16	2	16	8
Equity	105			14	27	33	27
Sales	508			36	296	51	46
Net profit/(loss)	13			6	1	3	2

[1] Financial information at 31 December 2012 is based on provisional figures because such associates publish their annual financial statements after publication of the Group consolidated financial statements.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Non-current	14	6
Current	-	-
Total	**14**	**6**

Current assets include securities that mature within 12 months of the reporting date and securities that mature beyond 12 months but which are expected to be sold in the near term; non-current assets report the equity investments treated as instrumental to the Group's business.

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

(in millions of Euro)

	31 December 2012	31 December 2011
Opening balance	**6**	**145**
- Business combinations	-	3
- Currency translation differences	-	1
- Fair value gains	-	1
- Fair value losses	-	-
- Acquisitions	-	-
- Disposals	-	(143)
- Recognition of investment following deconsolidation Ravin Cables Limited	9	-
- Release of equity reserve upon disposals and other movements	(1)	(1)
Total movements	**8**	**(139)**
Closing balance	**14**	**6**

The change of Euro 8 million reflects Euro 9 million for the effects of deconsolidating the Indian company Ravin Cables Limited and the related recognition of an equity investment among the Group's assets. For more information about the deconsolidation, please refer to Section B.2 Basis of consolidation.

Available-for-sale financial assets comprise:

(in millions of Euro)

	Type of financial asset	% owned by Group	31 December 2012	31 December 2011
Ravin Cables Limited	unlisted shares	51.00%	9.00	-
Sichuan Huiyuan Optical Communications Co., Ltd.	listed shares	1.05%	1.15	1.43
Tunisie Cables S.A.	unlisted shares	7.55%	0.91	0.91
Zhongtian Technologies Fibre Optics Co.,Ltd.	unlisted shares	2.71%	0.76	0.76
Cesi Motta S.p.A.	unlisted shares	6.48%	0.59	0.59
Medgrid SAS	unlisted shares	5.26%	0.40	0.20
Zhejiang Futong Optical Fibre Technologies Co., Ltd.	unlisted shares	3.89%	0.36	0.36
Voltimum S.A.	unlisted shares	13.71%	0.27	0.27
Wuhan Steel & ElectricityCo.,Ltd.	unlisted shares	0.09%	0.10	0.10
Líneas de Transmisión del Litoral S.A.	unlisted shares	5.5%	0.02	0.10
Other			0.90	0.88
Total non-current			**14.46**	**5.60**

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

(in millions of Euro)

	31 December 2012	31 December 2011
Euro	2	2
Tunisian Dinar	1	1
Chinese Renminbi [Yuan]	2	3
Indian Rupee	9	-
Total	**14**	**6**

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)

			31 December 2012
	Non-current	Current	Total
Trade receivables	-	1,226	1,226
Allowance for doubtful accounts	-	(63)	(63)
Total trade receivables	**-**	**1,163**	**1,163**
Other receivables:			
Tax receivables	18	100	118
Financial receivables	9	7	16
Prepaid finance costs	4	5	9
Receivables from employees	1	3	4
Pension fund receivables	-	2	2
Construction contracts	-	327	327
Advances to suppliers	-	26	26
Other	9	100	109
Total other receivables	**41**	**570**	**611**
Total	**41**	**1,733**	**1,774**

(in millions of Euro)

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

Trade receivables

The Prysmian Group securitizes a significant part of its trade receivables under a programme started in 2007, in accordance with the procedures described in Section B.2 which require the Group to continue to recognise the securitized receivables until such time as they are collected. Securitized receivables amount to Euro 155 million gross at 31 December 2012 (Euro 215 million at 31 December 2011), and have resulted in the drawdown of Euro 75 million in credit lines by Prysmian Financial Services Ireland Ltd (Euro 111 million in credit lines were drawn down in 2011). These receivables are under a lien in favour of third-party lenders.

The gross amount of past due impaired receivables is Euro 242 million at 31 December 2012 (Euro 319 million at 31 December 2011).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
past due between 1 and 30 days	114	164
past due between 31 and 90 days	45	51
past due between 91 and 180 days	23	36
past due between 181 and 365 days	17	23
past due more than 365 days	43	45
Total	**242**	**319**

The value of trade receivables past due but not impaired is Euro 127 million at 31 December 2012 (Euro 37 million at 31 December 2011). These receivables mainly relate to customers in the Energy segment, which have been insured against the risk of any bad debts arising from effective or legal customer insolvency.

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

(in millions of Euro)

	31 December 2012	31 December 2011
past due between 1 and 30 days	104	23
past due between 31 and 90 days	11	9
past due between 91 and 180 days	3	2
past due between 181 and 365 days	6	1
past due more than 365 days	3	2
Total	**127**	**37**

The value of trade receivables not past due is Euro 857 million at 31 December 2012 (Euro 908 million at 31 December 2011). There are no particular problems with the quality of these receivables and there are no material amounts that would otherwise be past due if their original due dates had not been renegotiated.

The following table breaks down trade and other receivables according to the currency in which they are expressed:

(in millions of Euro)

	31 December 2012	31 December 2011
Euro	745	672
US Dollar	265	234
Chinese Renminbi (Yuan)	226	217
Brazilian Real	147	134
British Pound	102	98
Qatari Riyal	53	77
Turkish Lira	52	42
Australian Dollar	27	41
Norwegian Krone	10	30
Singapore Dollar	17	23
Canadian Dollar	20	21
Argentine Peso	21	19
Swedish Krona	15	18
Romanian Leu	12	14
Other currencies	62	125
Total	**1,774**	**1,765**

The allowance for doubtful accounts amounts to Euro 63 million at 31 December 2012 (Euro 67 million at the end of 2011); movements in this allowance are shown in the following table:

(in millions of Euro)

	31 December 2012	31 December 2011
Opening balance	**67**	**43**
- Business combinations	4	29
- Increases in allowance	4	10
- Releases	(4)	(5)
- Write offs	(5)	(9)
- Currency translation differences and other movements	(3)	(1)
Total movements	**(4)**	**24**
Closing balance	**63**	**67**

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

Other receivables

"Prepaid finance costs" relate to:

- the Revolving Credit Facilities: the non-current portion of the prepayment is Euro 4 million at 31 December 2012 (Euro 3 million at 31 December 2011), while the current portion is Euro 4 million at 31 December 2012 (Euro 2 million at 31 December 2011);
- the securitization: the current portion of the prepayment is Euro 1 million, the same as at the end of 2011.

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

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

(in millions of Euro)

	31 December 2012	31 December 2011
Construction contract revenue to date	3,007	2,116
Amounts invoiced	(2,809)	(1,972)
Net amount receivable from customers for construction contracts	**198**	**144**
of which:		
Other receivables for construction contracts	327	219
Other payables for construction contracts	(129)	(75)

The following table shows the revenue and costs incurred in 2012 and 2011:

(in millions of Euro)

	2012	2011
Revenue	802	598
Costs	(635)	(458)
Gross margin	**167**	**140**

6. INVENTORIES

(in millions of Euro)

	31 December 2012	31 December 2011
Raw materials	256	291
of which allowance for obsolete and slow-moving raw materials	*(29)*	*(22)*
Work in progress and semi-finished goods	231	222
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	*(5)*	*(4)*
Finished goods [1]	410	416
of which allowance for obsolete and slow-moving finished goods	*(44)*	*(44)*
Total	**897**	**929**

[1] Finished products also include goods for resale.

7. FINANCIAL ASSETS HELD FOR TRADING

These are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Listed securities (Brazilian Real area)	74	61
Unlisted securities	4	19
Total	**78**	**80**

Financial assets held for trading basically refer to units in funds that mainly invest in short and medium-term government securities. These assets are mostly held by subsidiaries in Brazil and Argentina as a result of investing temporarily available liquidity in such funds.

Movements in this balance are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Opening balance	**80**	**66**
- Business combinations	-	-
- Currency translation differences	(10)	(6)
- Acquisition of securities	33	42
- Disposal of securities	(25)	(22)
Total movements	**(2)**	**14**
Closing balance	**78**	**80**

8. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

		31 December 2012
	Asset	Liability
NON-CURRENT		
Interest rate swaps (cash flow hedges)	-	35
Forward currency contracts on commercial transactions (cash flow hedges)	3	3
Total hedging derivatives	**3**	**38**
Metal derivatives	-	3
Total other derivatives	**-**	**3**
Total non-current	**3**	**41**
CURRENT		
Forward currency contracts on financial transactions (cash flow hedges)	-	3
Forward currency contracts on commercial transactions (cash flow hedges)	6	8
Total hedging derivatives	**6**	**11**
Forward currency contracts on commercial transactions	3	3
Forward currency contracts on financial transactions	3	4
Metal derivatives	4	6
Total other derivatives	**10**	**13**
Total current	**16**	**24**
Total	**19**	**65**

(in millions of Euro)

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

Considering the market level of interest rates, the Group entered new interest rate swaps in March 2012 with a notional value of Euro 100 million as a partial hedge against future variable interest rate payments in the period 2012-2016, taking the nominal value of hedges covering this period to Euro 200 million.
Interest rate swaps on loans totalling Euro 500 million expired in May 2012. New hedges with a total nominal value of Euro 480 million, covering the period 2012-2014, came into effect on the same date.

Interest rate swaps have a notional value of Euro 680 million at 31 December 2012 and are hedging derivatives that qualify as cash flow hedges (Euro 655 million at 31 December 2011). Such financial instruments convert the variable component of interest rates on loans received into a fixed rate of between 1.1% and 3.7%.

Forward currency contracts have a notional value of Euro 1,971 million at 31 December 2012 (Euro 1,758 million at 31 December 2011); total notional value at 31 December 2012 includes Euro 728 million in derivatives designated as cash flow hedges (Euro 779 million at 31 December 2011).

At 31 December 2012, like at 31 December 2011, almost all the derivative contracts had been entered with major financial institutions.

Metal derivatives have a notional value of Euro 614 million at 31 December 2012 (Euro 548 million at 31 December 2011).

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

(in millions of Euro)

	2012		2011	
	Gross reserve	**Tax effect**	**Gross reserve**	**Tax effect**
Opening balance	**(25)**	**8**	**(19)**	**6**
Changes in fair value	(15)	5	(14)	4
Release to other finance income/(costs)	11	(3)	5	(1)
Release to exchange gains/(losses)	(1)	-	(4)	1
Reclassification to other reserves	-	-	-	-
Release to finance costs/(income)	-	-	2	(1)
Release to construction contract costs/(revenues)	(4)	1	5	(1)
Closing balance	**(34)**	**11**	**(25)**	**8**

The ineffective portion of cash flow hedges had a negligible negative post-tax impact, compared with Euro 1 million in 2011, reported in the income statement under "Finance costs".

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Cash and cheques	7	10
Bank and postal deposits	805	717
Total	**812**	**727**

Cash and cash equivalents, deposited with major financial institutions, are managed centrally by Group treasury companies or by subsidiaries under the supervision of the Prysmian S.p.A. Finance Department.
Cash and cash equivalents managed by Group treasury companies amount to Euro 354 million at 31 December 2012 compared with Euro 353 million at 31 December 2011.
For additional details about the change in cash and cash equivalents, please refer to Note 37. Statement of cash flows.

10. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Land	4	2
Buildings	-	2
Plant and machinery	-	1
Total	**4**	**5**

Movements in assets held for sale are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Opening balance	**5**	**9**
- Business combinations	-	3
- Disposals	(3)	(10)
- Impairment	-	-
- Reclassification	2	3
- Currency translation differences	-	-
Total movements	**(1)**	**(4)**
Closing balance	**4**	**5**

The change in assets held for sale mainly refers to:

- the sale of buildings by Prysmian Angel Tianjin Cable Co. Ltd, on which it realised a gain on disposal of Euro 1 million (classified as non-recurring income - Note 19);
- the reclassification in "Land" of a site in Germany, which its owner NKF Vastgoed (III). B.V. no longer expects will be sold soon (Euro 2 million);
- the reclassification to this line item of a site in Great Britain for which a sale agreement has already been signed (Euro 4 million).

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

11. SHARE CAPITAL AND RESERVES

Consolidated equity has increased by Euro 55 million since 31 December 2011, mainly reflecting the net effect of:

- the net profit for the year of Euro 171 million;
- the dividend distribution of Euro 45 million;
- negative currency translation differences of Euro 24 million;
- the change of Euro 17 million in the share-based compensation reserve linked to the Stock Option Plan;
- the increase of Euro 1 million in share capital and other reserves due to exercise of the Stock Option Plan 2007-2012;
- the negative post-tax change of Euro 46 million in actuarial gains on employee benefits;
- the negative post-tax change of Euro 6 million in the fair value of derivatives designated as cash flow hedges;
- the negative amount of Euro 22 million for changes in the scope of consolidation of which: Euro 9 million following completion of the squeeze-out, under art. 2.359c of the Dutch Civil Code, to purchase the 478,878 ordinary shares in Draka Holding N.V. that did not accept the public mixed exchange and cash offer for all the ordinary shares in Draka Holding N.V.; Euro 2 million for the purchase of the remaining 30% of Draktel Optical Fibre S.A.; Euro 1 million for the purchase of the remaining 25% of Neva Cables Ltd; Euro 10 million for the deconsolidation of the investments in Ravin Cables Ltd. and Power Plus Cables LLC.;
- the release of put options reported at 31 December 2011, relating to the purchase of non-controlling interests in Draktel Optical Fibre S.A. (Euro 3 million) and to non-controlling interests in Ravin Cable Ltd. (Euro 6 million).

At 31 December 2012, the share capital of Prysmian S.p.A. comprises 214,508,781 shares with a total value of Euro 21,450,878.10.

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

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2010	**182,029,302**	**(3,028,500)**	**179,000,802**
Capital increase(1)	32,364,179	-	32,364,179
Treasury shares	-	(10,669)	(10,669)
Balance at 31 December 2011	**214,393,481**	**(3,039,169)**	**211,354,312**
	Ordinary shares	**Treasury shares**	**Total**
Balance at 31 December 2011	**214,393,481**	**(3,039,169)**	**211,354,312**
Capital increase(2)	115,300	-	115,300
Treasury shares	-	-	-
Balance at 31 December 2012	**214,508,781**	**(3,039,169)**	**211,469,612**

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

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

Treasury shares

The treasury shares held at the beginning of the year were acquired under the shareholders' resolution dated 15 April 2008, which gave the Board of Directors the authority for an 18-month maximum period to buy up to 18,000,000 ordinary shares. This period was subsequently extended to October 2010 under a resolution adopted on 9 April 2009. During 2011 the number of treasury shares increased following the acquisition of Draka Holding N.V., which holds 10,669 Prysmian S.p.A. shares.

Movements in treasury shares are shown in the following table:

	Number of shares	Total nominal value (in Euro)	% of total share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2010	**3,028,500**	**302,850**	**1.66%**	**9.965**	**30,179,003**
- Business combinations	10,669	1,067	-	9.380	100,075
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2011	**3,039,169**	**303,917**	**1.42%**	**9.963**	**30,279,078**
- Purchases	-	-	-	-	-
- Sales	-	-		-	-
At 31 December 2012	**3,039,169**	**303,917**	**1.42%**	**9.963**	**30,279,078**

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

			31 December 2012
	Non-current	Current	Total
Borrowings from banks and other financial institutions	1,023	344	1,367
Bond	398	15	413
Finance lease obligations	12	2	14
Total	**1,433**	**361**	**1,794**

(in millions of Euro)

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

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

(in millions of Euro)

	31 December 2012	31 December 2011
Credit Agreement(1)	1,060	1,070
Other borrowings	307	363
Total borrowings from banks and other financial institutions	**1,367**	**1,433**
Bond	413	412
Total	**1,780**	**1,845**

(1) Credit Agreements refer to the following lines: Term Loan Facility 2010 and Term Loan Facility 2011

Credit Agreement 2010 and Credit Agreement 2011

The credit agreement entered into on 18 April 2007 ("Credit Agreement"), under which Prysmian S.p.A. and some of its subsidiaries were granted an initial total of Euro 1,700 million in loans and credit facilities, was repaid on 3 May 2012. The Group repaid the residual balance of Euro 670 million relating to the Term Loan Facility and Euro 5 million in amounts drawn down against the Revolving Credit Facility for Euro 400 million. The Bonding Facility for Euro 300 million had been cancelled on 10 May 2011 in advance of its natural maturity.

On 3 May 2012, this credit agreement was replaced with the activation of the Forward Start Agreement (now termed Credit Agreement 2010) previously signed by the Group on 21 January 2010 with a pool of major national and international banks. This is a long-term agreement for Euro 1,070 million in financing (maturing on 31 December 2014), negotiated in advance of its period of use, under which the lenders would provide Prysmian S.p.A. and some of its subsidiaries loans and credit facilities for a total of Euro 1,070 million.

This financing agreement is split as follows:

(in thousands of Euro)

Term Loan Facility 2010	670,000
Revolving Credit Facility 2010	400,000

The repayment schedule of the Term Loan Credit Agreement 2010 is structured as follows:

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

The "Credit Agreements" line also includes the Credit Agreement 2011, entered into by Prysmian on 7 March 2011 with a pool of major banks for Euro 800 million with a five-year maturity. This agreement comprises a loan for Euro 400 million (Term Loan Facility 2011) and a revolving facility for Euro 400 million (Revolving Credit Facility 2011). The entire amount of the Term Loan Facility 2011 is scheduled for repayment on 7 March 2016.

At 31 December 2012, the fair values of the Credit Agreements 2010 and 2011 approximate the related carrying amounts.

The following tables summarise the committed lines available to the Group at 31 December 2012 and 31 December 2011:

(in millions of Euro)

			31 December 2012
	Total lines	**Used**	**Unused**
Term Loan Facility 2010	670	(670)	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility 2010	400	(4)	396
Revolving Credit Facility 2011	400	-	400
Total Credit Agreements	**1,870**	**(1,074)**	**796**
Securitization	150	(75)	75
Total	**2,020**	**(1,149)**	**871**

(in millions of Euro)

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

The Revolving Credit Facility 2010 and the Revolving Credit Facility 2011 are both intended to finance ordinary working capital requirements, while only the Revolving Credit Facility 2010 can also be used for the issue of guarantees.

On 26 July 2012, the securitization programme, due to end on 31 July 2012, was extended for another 12 months and the amount of the related credit facility was reduced to Euro 150 million, consistent with the amount of trade receivables eligible for securitization under the agreed contractual terms (amounting to approximately Euro 117 million at 31 December 2012 and approximately Euro 134 million at 31 December 2011).

Bond

Further to the resolution adopted by the Board of Directors on 3 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market on 30 March 2010 for a total nominal amount of Euro 400 million. The bond, with an issue price of Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and is traded on the related regulated market.
The fair value of the bond at 31 December 2012 was Euro 420 million (Euro 395 million at 31 December 2011).

Other borrowings from banks and financial institutions and Finance lease obligations

These have reported the following changes during 2012:
- the drawdown of Euro 134 million, primarily relating to the securitization facility (Euro 45 million) and other debt raised by subsidiaries in Brazil, Russia and China;
- the repayment of Euro 181 million, primarily against the securitization facility (Euro 81 million) and other debt raised mainly by subsidiaries in Brazil, Russia and China.

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

(in millions of Euro)

	Credit Agreements	Bond	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2011	**1,070**	**412**	**380**	**1,862**
Business combinations	-	-	15	15
Effects of deconsolidation	-	-	(16)	(16)
Currency translation differences	(4)	-	(11)	(15)
Drawdowns [1]	660	-	134	794
Repayments	(670)	-	(181)	(851)
Amortisation of bank and financial fees and other expenses	4	1	-	5
Interest and other movements	-	-	-	-
Total movements	**(10)**	**1**	**(59)**	**(68)**
Balance at 31 December 2012	**1,060**	**413**	**321**	**1,794**

[1] "Drawdowns" are stated net of Euro 10 million in bank fees relating to the Term Loan Facility 2010.

(in millions of Euro)

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

Finance lease obligations represent the liability arising as a result of entering into finance leases. Finance lease obligations are reconciled with outstanding payments as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Due within 1 year	2	4
Due between 1 and 5 years	10	11
Due after more than 5 years	8	9
Minimum finance lease payments	**20**	**24**
Future interest costs	(6)	(7)
Finance lease obligations	**14**	**17**

Finance lease obligations are analysed by maturity as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Due within 1 year	2	3
Due between 1 and 5 years	7	7
Due after more than 5 years	5	7
Total	**14**	**17**

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2012 and 2011:

(in millions of Euro)

						31 December 2012
	Variable interest rate				Fixed interest rate	
	Euro	USD	GBP	Other currencies	Euro and other currencies	Total
Due within 1 year	157	70	20	55	59	361
Due between 1 and 2 years	483	73	-	7	43	606
Due between 2 and 3 years	-	4	-	6	413	423
Due between 3 and 4 years	389	-	-	1	3	393
Due between 4 and 5 years	-	-	-	1	3	4
Due after more than 5 years	-	-	-	-	7	7
Total	**1,029**	**147**	**20**	**70**	**528**	**1,794**
Average interest rate in period, as per contract	2.6%	2.5%	1.3%	7.4%	5.5%	3.6%
Average interest rate in period, including IRS effect (a)	3.7%	2.5%	1.3%	7.4%	5.5%	4.2%

(a) There are interest rate swaps to hedge interest rate risk on variable rate loans in Euro. The total hedged amount at 31 December 2012 equates to 66.1% of the debt in Euro at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (3 and 6-month Euribor for loans in Euro) with an average fixed rate (fixed rate + spread) of 4.3% for Euro. The percentages representing the average fixed rate refer to 31 December 2012.

(in millions of Euro)

						31 December 2011
	Variable interest rate				Fixed interest rate	
	Euro	USD	GBP	Other currencies	Euro and other currencies	Total
Due within 1 year	703	145	16	86	33	983
Due between 1 and 2 years	-	10	-	12	8	30
Due between 2 and 3 years	-	4	-	9	5	18
Due between 3 and 4 years	-	1	-	5	403	409
Due between 4 and 5 years	394	-	-	1	5	400
Due after more than 5 years	-	6	-	-	16	22
Total	**1,097**	**166**	**16**	**113**	**470**	**1,862**
Average interest rate in period, as per contract	3.2%	3.1%	0.0%	8.2%	5.3%	4.0%
Average interest rate in period, including IRS effect (b)	3.8%	3.5%	0.0%	8.2%	5.3%	4.4%

(b) There are interest rate swaps to hedge interest rate risk on variable rate loans in Euro and USD. The total hedged amount at 31 December 2011 equates to 54.7% of the debt in Euro and 32.8% of the debt in USD at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (3 and 6-month Euribor for loans in Euro and 6-month USD Libor for those in USD) with an average fixed rate (fixed rate + spread) of 4.2% for Euro and 4.5% for USD. The percentages representing the average fixed rate refer to 31 December 2011.

The Credit Agreement 2010 and Credit Agreement 2011 do not require any collateral security. Further information can be found in Note 32. Financial Covenants.
Risks relating to sources of finance and to financial investments/receivables are discussed in the section entitled “Risks factors” forming part of the Directors’ Report.

NET FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2012	31 December 2011
Long-term financial payables			
Term Loan Facilities		946	400
Bank fees		(11)	(6)
Credit Agreements	12	**935**	**394**
Bond	12	398	397
Finance leases	12	12	14
Forward currency contracts on financial transactions	8	-	4
Interest rate swaps	8	35	27
Other financial payables	12	88	75
Total long-term financial payables		**1,468**	**911**
Short-term financial payables			
Term Loan Facilities	12	126	676
Bank fees	12	(1)	-
Bond	12	15	15
Finance leases	12	2	3
Securitization	12	75	111
Interest rate swaps	8	-	2
Forward currency contracts on financial transactions	8	7	22
Other financial payables	12	144	177
Total short-term financial payables		**368**	**1,006**
Total financial liabilities		**1,836**	**1,917**
Long-term financial receivables	5	9	10
Long-term bank fees	5	4	15
Forward currency contracts on financial transactions (non-current)	8	-	1
Forward currency contracts on financial transactions (current)	8	3	4
Short-term financial receivables	5	7	9
Short-term bank fees	5	5	7
Financial assets held for trading	7	78	80
Cash and cash equivalents	9	812	727
Net financial position		**918**	**1,064**

The following table presents a reconciliation of the Group's net financial position 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 2012	31 December 2011
Net financial position - as reported above		**918**	**1,064**
Long-term financial receivables	5	9	10
Long-term bank fees	5	4	15
Net forward currency contracts on commercial transactions	8	2	8
Net metal derivatives	8	5	19
Recalculated net financial position		**938**	**1,116**

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

			31 December 2012
	Non-current	Current	Total
Trade payables	-	1,450	1,450
Total trade payables	**-**	**1,450**	**1,450**
Other payables:			
Tax and social security payables	14	96	110
Advances from customers	-	219	219
Payables to employees	-	68	68
Accrued expenses	3	137	140
Other	10	134	144
Total other payables	**27**	**654**	**681**
Total	**27**	**2,104**	**2,131**

(in millions of Euro)

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

Trade payables include around Euro 204 million (Euro 215 million at 31 December 2011) for the supply of strategic metals (copper, aluminium and lead), whose payment terms, in some cases, are longer than normal for this type of transaction.
At 31 December 2011, Other included current payables of Euro 16 million for put options given to minority shareholders in companies not wholly-owned by the Group. Following the acquisition of the non-controlling interests in Draktel Optical Fibre S.A. and consequent elimination of minority shareholders and the deconsolidation of the investments in Ravin Cables and Power Plus Cable Ltd LLC, the Group has now recalculated the above liability.

Advances from customers report the liability for construction contracts, amounting to Euro 129 million at 31 December 2012 compared with Euro 75 million at 31 December 2011. This liability represents the gross amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

The following table breaks down trade and other payables according to the currency in which they are expressed:

(in millions of Euro)

	31 December 2012	31 December 2011
Euro	1,160	1,093
US Dollar	293	314
Chinese Renminbi (Yuan)	195	179
Brazilian Real	127	121
British Pound	95	84
Australian Dollar	39	34
Canadian Dollar	13	23
Norwegian Krone	29	22
Romanian Leu	26	21
United Arab Emirates Dirham	40	20
Turkish Lira	16	15
Malaysian Ringgit	19	13
Swedish Krona	9	12
Other currencies	70	73
Total	**2,131**	**2,024**

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

			31 December 2012
	Non-current	Current	Total
Restructuring costs	2	38	40
Contractual and legal risks	38	234	272
Environmental risks	4	7	11
Tax inspections	7	5	12
Contingent liabilities	10	-	10
Other risks and charges	15	41	56
Total	**76**	**325**	**401**

(in millions of Euro)

			31 December 2011
	Non-current	Current	Total
Restructuring costs	6	24	30
Contractual and legal risks	32	238	270
Environmental risks	4	4	8
Tax inspections	6	9	15
Contingent liabilities	10	-	10
Other risks and charges	9	20	29
Total	**67**	**295**	**362**

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

(in milions of Euro)

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Contingen liabilities	Other risks and charges	Tolal
Balance at 31 December 2011	**30**	**270**	**8**	**15**	**10**	**29**	**362**
Business combinations	-	-	-	-	-	26	26
Increases	38	27	3	5	-	15	88
Utilisations	(29)	(15)	-	(1)	-	(3)	(48)
Releases	-	(15)	-	(7)	-	(8)	(30)
Currency translation differences	-	(2)	-	-	-	-	(2)
Other	1	7	-	-	-	(3)	5
Total movements	**10**	**2**	**3**	**(3)**	**-**	**27**	**39**
Balance at 31 December 2012	**40**	**272**	**11**	**12**	**10**	**56**	**401**

The provision for restructuring costs reports a net increase of Euro 10 million.
In particular, Euro 38 million has been recognised in the period, mainly for projects to restructure certain plants in Italy, Spain, Great Britain, Germany, France, the Netherlands and Finland; Euro 29 million of this provision has been utilised, mostly in connection with restructuring projects carried out in Germany, France, the Netherlands, Spain and the United States.

At 31 December 2012, the value of the provision for contractual and legal risks reports a net increase of Euro 2 million:

- total increases of Euro 27 million relate to:
  a) Euro 0.8 million for the risk regarding antitrust investigations underway in various jurisdictions; this increase has taken the total provision to some Euro 207 million at 31 December 2012. More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority started an investigation in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan and New Zealand have ended without any sanctions for Prysmian. The other investigations are still in progress.
  In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. (formerly Prysmian Cavi e Sistemi Energia S.r.l.) and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. was officially served with this claim in April 2010. It has since filed its objections and will now have to defend itself.
  In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, in the high voltage underground and submarine cables market. Prysmian has taken steps to present its preliminary defence.
  At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudge its final decision. Prysmian has submitted its defence which it was also able to present at the hearing before the European Commission held during the month of June 2012.
  Already during 2011, in view of the developments in the European Commission investigation, Prysmian decided to estimate the risk relating to the antitrust investigations underway in the various jurisdictions, except for Brazil. As at 31 December 2012 the amount of the provision recognised in connection with these investigations is approximately Euro 207 million. This provision is the best estimate of the liability based on the information now available even though the outcome of the investigations underway in the various jurisdictions is still uncertain;

  b) approximately Euro 23 million for contractual risks;
  c) approximately Euro 3 million for employment disputes.

- utilisations of Euro 15 million mostly refer to employment disputes (Euro 3 million), legal costs relating to antitrust investigations (Euro 2 million) and risks relating to contractual penalties and guarantees for the remainder;

- releases of Euro 15 million mostly relate to risks connected with the different business.

The overall increase of Euro 3 million in the provision for environmental risks relates to risks identified at a US subsidiary.

The provisions for other risks and charges have seen a significant increase following the consolidation of onerous contracts of Global Marine Systems Energy Ltd (Euro 26 million).

The provisions for tax inspections have not reported any significant changes during 2012.

15. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Pension funds	241	188
Employee indemnity liability (Italian TFR)	25	22
Medical benefit plans	28	26
Termination and other benefits	29	26
Incentive plans	21	6
Total	**344**	**268**

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

(in millions of Euro)

	31 December 2012	31 December 2011
Pension funds	13	12
Employee indemnity liability (Italian TFR)	1	1
Medical benefit plans	2	2
Termination and other benefits	7	5
Incentive plans	15	6
Total	**38**	**26**

The income and expenses relating to employee benefit obligations are as follows:

(in millions of Euro)

					2012
	Pension funds	Employee indemnity liability	Medical benefit plans	Termination and other benefits	Incentive plans
Current service costs	6	-	1	6	15
Interest costs	19	1	1	1	-
Expected returns on plan assets (*)	(12)	-	-	-	-
Total	**13**	**1**	**2**	**7**	**15**

(*) Expected returns on plan assets are classified in Finance costs.

(in millions of Euro)

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

(*) Expected returns on plan assets are classified in Finance costs.

PENSION FUNDS

These are detailed as follows:

(in millions of Euro) — 31 December 2012

	Brazil	Germany	France	Turkey	UK	USA	Canada	Netherlands	Norway	Other countries	Total
Funded pension obligations:											
Present value of obligation	-	-	5	-	142	28	11	97	16	1	300
Fair value of plan assets	-	-	(4)	-	(100)	(20)	(12)	(94)	(12)	(1)	(243)
Unrecognised assets	-	-	-	-	-	-	1	-	-	-	1
Unfunded pension obligations:											
Present value of obligations	1	148	18	3	-	-	-	-	3	10	183
Total	**1**	**148**	**19**	**3**	**42**	**8**	**-**	**3**	**7**	**10**	**241**

(in millions of Euro) — 31 December 2011

	Brazil	Germany	France	Turkey	UK	USA	Canada	Netherlands	Norway	Other countries	Total
Funded pension obligations:											
Present value of obligation	-	-	5	-	121	25	12	72	15	3	253
Fair value of plan assets	-	-	(4)	-	(91)	(17)	(11)	(85)	(12)	(2)	(222)
Unrecognised assets	-	-	-	-	-	-	-	13	-	-	13
Unfunded pension obligations:											
Present value of obligations	1	114	14	3	-	-	-	-	4	8	144
Total	**1**	**114**	**15**	**3**	**30**	**8**	**1**	**-**	**7**	**9**	**188**

At 31 December 2012, other countries include:

- Spain and Finland (funded pension obligations with a present value of Euro 1 million compared with a fair value of Euro 1 million);
- Sweden (unfunded pension obligations with a present value of Euro 9 million);
- Indonesia (unfunded pension obligations with a present value of Euro 1 million).

The changes in pension fund obligations are as follows:

(in millions of Euro)

	2012	2011
Opening obligations	**396**	**136**
Business combinations	-	241
Current service costs	6	4
Interest costs	19	17
Actuarial (gains)/losses recognised in equity	68	13
(Gains)/losses recognised in equity for unrecognised assets	1	2
Currency translation differences	2	2
Contributions paid in by plan participants	1	1
Utilisations for restructuring (curtailment)	(1)	(1)
Plan settlements	-	(3)
Reclassifications	-	-
Utilisations	(23)	(16)
Total movements	**73**	**260**
Closing obligations	**469**	**396**

The changes in pension fund assets are as follows:

(in millions of Euro)

	2012	2011
Opening assets	**208**	**45**
Business combinations	-	172
Interest income	12	11
Actuarial gains/(losses) recognised in equity	13	(4)
Currency translation differences	2	3
Employer contributions	(21)	(17)
Contributions paid in by plan participants	15	14
Plan settlements	-	(3)
Asset ceilings	(1)	(13)
Total movements	**20**	**163**
Closing assets	**228**	**208**

At 31 December 2012, pension fund assets were made up of equity funds (46.87%), bonds (48.52%) and other assets (4.61%). The expected return is basically in line with the results achieved in the previous year.

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

EMPLOYEE INDEMNITY LIABILITY

This is detailed as follows:

(in millions of Euro)

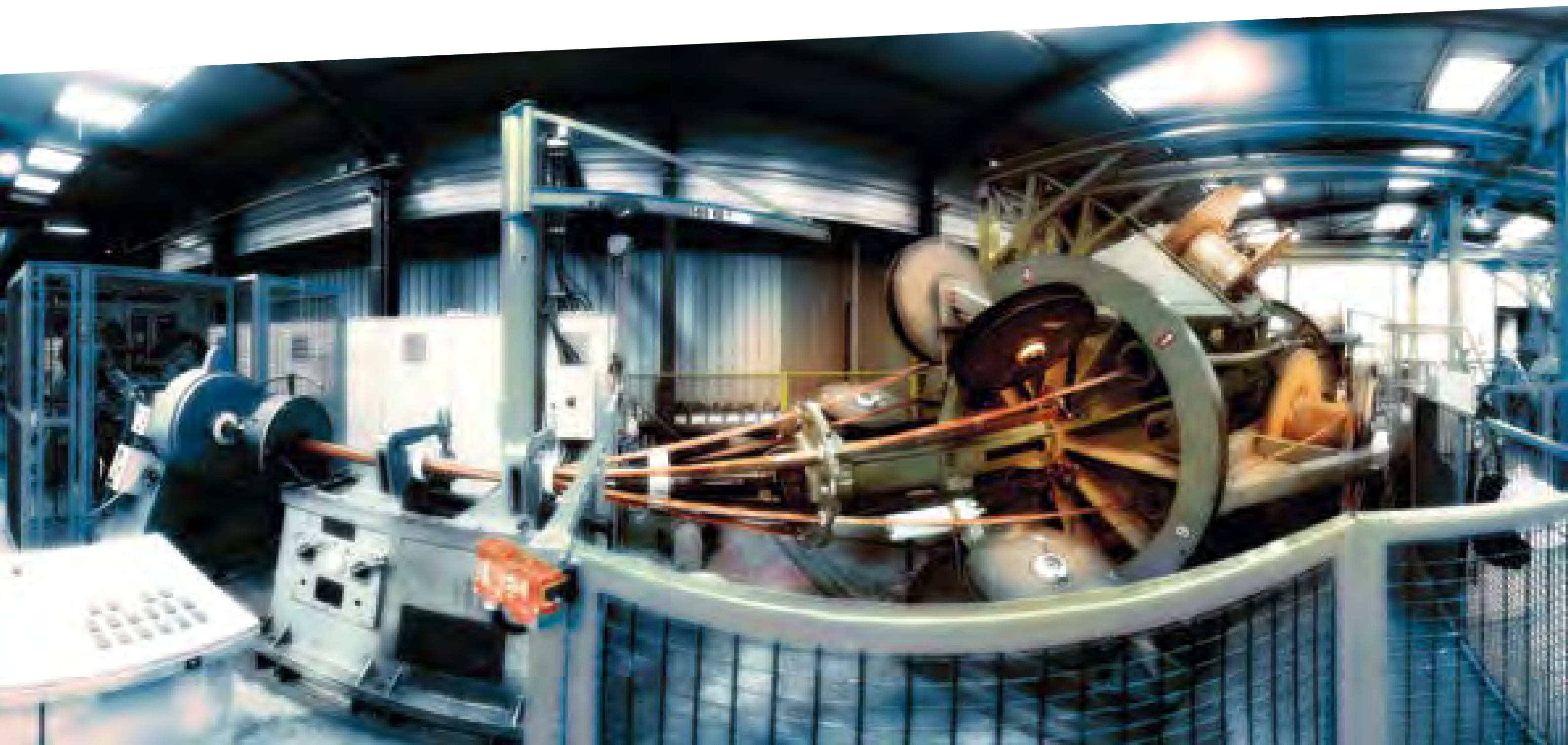
	2012	2011
Opening balance	**22**	**22**
Current service costs	-	-
Interest costs	1	1
Actuarial (gains)/losses recognised in equity	4	1
Utilisations	(2)	(2)
Total movements	**3**	**-**
Closing balance	**25**	**22**

MEDICAL BENEFIT PLANS

These are detailed as follows:

(in millions of Euro)

	2012	2011
Opening balance	**26**	**18**
Business combinations	-	1
Current service costs	1	1
Interest costs	1	1
Plan settlements	-	-
Currency translation differences	-	2
Actuarial (gains)/losses recognised in equity	1	4
Reclassifications	-	-
Utilisations	(1)	(1)
Total movements	**2**	**8**
Closing balance	**28**	**26**



OTHER INFORMATION

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

			31 December 2012
	Pension funds	Medical benefit plans	Employee indemnity liability
Discount rate	3.68%	4.75%	2.75%
Future expected salary increase	2.56%	3.00%	2.00%
Inflation rate/growth in medical benefit costs	2.45%	5.25%	2.00%

			31 December 2011
	Pension funds	Medical benefit plans	Employee indemnity liability
Discount rate	4.95%	5.48%	4.75%
Future expected salary increase	2.64%	3.03%	2.00%
Inflation rate/growth in medical benefit costs	2.49%	2.40%	2.00%

Contributions and payments for employee benefit obligations are estimated at Euro 21 million for 2013.

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

				2012
	Average	%	Closing	%
Blue collar	15,247	74%	14,746	74%
White collar and management	5,231	26%	5,150	26%
Total	**20,478**	**100%**	**19,896**	**100%**

				2011 (*)
	Average	%	Closing	%
Blue collar	15,399	73%	15,021	74%
White collar and management	5,553	27%	5,406	26%
Total	**20,952**	**100%**	**20,427**	**100%**

(*) 2011 restatement

The calculation of average and closing headcount for 2011 (restatement) and 2012 includes 100% of the workforce of companies in which the Prysmian Group has a majority interest as well as those managed by the Group but in which it does not have a majority interest.
Based on this reasoning, the headcount numbers exclude Yangtze Optical Fibre and Cable Company Ltd (China).

16. DEFERRED TAXES

These are detailed as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Deferred tax assets:		
- Deferred tax assets recoverable after more than 12 months	108	33
- Deferred tax assets recoverable within 12 months	19	64
Total deferred tax assets	**127**	**97**
Deferred tax liabilities:		
- Deferred tax liabilities reversing after more than 12 months	(78)	(95)
- Deferred tax liabilities reversing within 12 months	(17)	(11)
Total deferred tax liabilities	**(95)**	**(106)**
Total net deferred tax assets (liabilities)	**32**	**(9)**

Movements in deferred taxes are detailed as follows:

(in millions of Euro)

	Accumulated depreciation	Provisions (*)	Tax losses	Other	Total
Balance at 31 December 2010	**(65)**	**41**	**9**	**1**	**(14)**
Business combinations	(100)	5	47	26	(22)
Currency translation differences	-	-	-	(2)	(2)
Impact on income statement	2	2	(7)	27	24
Impact on equity	-	3	-	2	5
Balance at 31 December 2011	**(163)**	**51**	**49**	**54**	**(9)**
Business combinations	-	-	-	-	-
Currency translation differences	1	(3)	-	(1)	(3)
Impact on income statement	4	13	22	(7)	32
Impact on equity	-	14	-	3	17
Other and reclassifications	(5)	30	-	(30)	(5)
Balance at 31 December 2012	**(163)**	**105**	**71**	**19**	**32**

(*) These comprise Provisions for risks and charges (current and non-current) and Employee benefit obligations.

The Group has not recognised any deferred tax assets for carryforward tax losses of Euro 675 million at 31 December 2012 (Euro 793 million at 31 December 2011), or for future deductible temporary differences of Euro 187 million at 31 December 2012 (Euro 232 million at 31 December 2011). Unrecognised deferred tax assets relating to these carryforward tax losses and deductible temporary differences amount to Euro 251 million at 31 December 2012 (Euro 235 million at 31 December 2011).

The following table presents details of carryforward tax losses:

(in millions of Euro)

	31 December 2012	31 December 2011
Carryforward tax losses	986	969
of which recognised as assets	311	176
Carryforward expires within 1 year	20	20
Carryforward expires between 2-5 years	112	116
Unlimited carryforward	854	833

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)

	2012	2011
Finished goods	6,552	6,656
Construction contracts	802	598
Services	174	186
Other	320	143
Total	**7,848**	**7,583**

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

This is detailed as follows:

(in millions of Euro)

	2012	2011
Finished goods	(45)	(50)
Work in progress	14	(43)
Non-recurring change in inventories of work in progress, semifinished and finished goods:		
Release of Draka inventory step-up	-	(14)
Total	**(31)**	**(107)**

19. OTHER INCOME

This is detailed as follows:

(in millions of Euro)

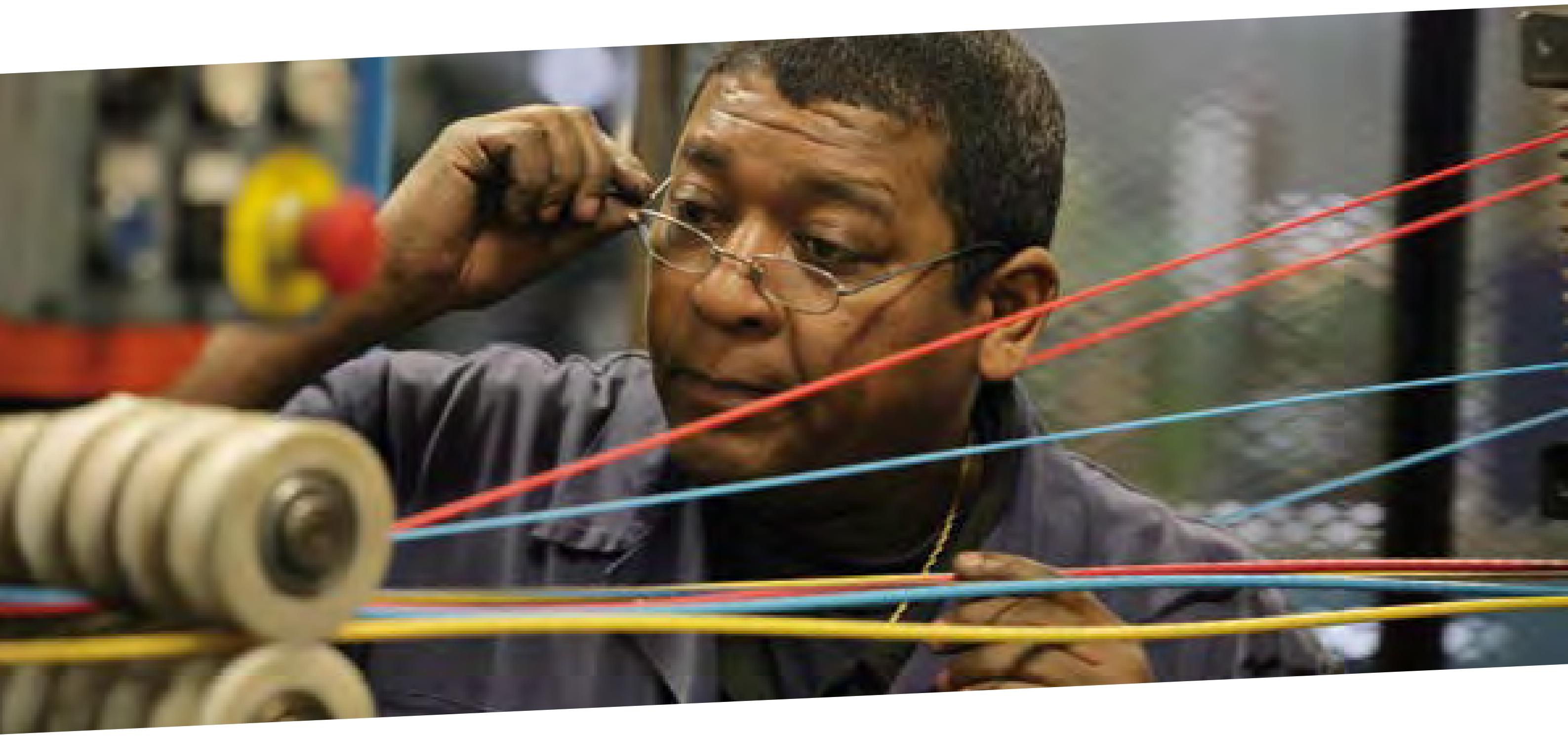
	2012	2011
Rental income	1	5
Insurance reimbursements and indemnities	5	1
Gains on disposal of property	1	2
Other income	42	36
Non-recurring other income:		
Remeasurement of minority put option liability	7	-
Gains on disposal of assets held for sale	3	1
Non-recurring other income	12	-
Total non-recurring other income	**22**	**1**
Total	**71**	**45**

20. RAW MATERIALS, CONSUMABLES USED AND GOODS FOR RESALE

These are detailed as follows:

(in millions of Euro)

	2012	2011
Raw materials	5,090	4,619
Other materials	-	333
Change in inventories	(7)	6
Total	**5,083**	**4,958**



21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)

	2012	2011
Wages and salaries	728	675
Social security	153	145
Fair value - stock option	17	7
Pension funds	6	4
Employee indemnity costs	-	-
Medical benefit costs	1	1
Termination and other benefits	6	4
Other personnel costs	50	35
Medium/long-term incentive plans	15	6
Non-recurring personnel costs:		
Company reorganisation	64	39
Italian pensions reform	1	-
Total non-recurring personnel costs	**65**	**39**
Total	**1,041**	**916**

Share-based payments

At 31 December 2012 and 31 December 2011, the Prysmian Group had share-based compensation plans in place for managers of Group companies and members of the company's Board of Directors. These plans are described below.

Stock option plan 2007-2012

On 30 November 2006, the Company's shareholders approved a stock option plan which was dependent on the flotation of the Company's shares on Italy's Electronic Equities Market (MTA) organised and managed by Borsa Italiana S.p.A.. The plan was reserved for employees of companies in the Prysmian Group.

Each option entitles the holder to subscribe to one share at a price of Euro 4.65.

The following table provides further details about the stock option plan:

(in Euro)

	31 December 2012		31 December 2011	
	Number of options	Exercise price	Number of options	Exercise price
Options at start of year	198,237	4.65	737,846	4.65
Granted	-	4.65	-	4.65
Cancelled	-	-	-	-
Exercised	(115,300)	4.65	(539,609)	4.65
Options at end of year	82,937	4.65	198,237	4.65
of which vested at end of year	82,937	4.65	198,237	4.65
of which exercisable (1)	-	-	-	-
of which not vested at end of year	-	4.65	-	4.65

(1) Options can be exercised in specified periods only.

As at 31 December 2012 the options are all fully vested. Following an amendment of the original plan, approved by the Shareholders' Meeting on 15 April 2010, the options can be exercised in just one remaining 30-day period, running from the date of approving the proposed annual financial statements for 2012.

The incentive plan's amendment has been accompanied by an extension of the term for the capital increase by Prysmian S.p.A. in relation to this plan, with a consequent revision of art. 6 of the Company's by-laws.
The new terms of exercise have not resulted in substantial changes in the fair value of unexercised options and so have not had any impact on the income statement.

The fair value of the original stock option plan was measured using the Black-Scholes method. Under this model, the options had a grant date weighted average fair value of Euro 5.78, determined on the basis of the following assumptions:

Average life of options (years)	3.63
Expected volatility	40%
Average risk-free interest rate	3.78%
Expected dividend yield	0%

As at 31 December 2012, the options have an average remaining life of approximately 3 months.

Long-term incentive plan 2011-2013
On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary authority to establish and execute the plan. The plan's purpose is to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and is conditional upon the achievement of performance targets, as detailed in the specific information memorandum.
The plan originally involved the participation of 290 (*) employees of group companies in Italy and abroad viewed as key resources, and divides them into three categories, to whom the shares will be granted in the following proportions:

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

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

The plan establishes that the participants' right to exercise the allotted options depends on achievement of the Target (being a minimum performance objective of at least Euro 1.75 billion in cumulative Adj. EBITDA for the Group in the period 2011-2013, assuming the same group perimeter) as well as continuation of a professional relationship with the Group up until 31 December 2013. The plan also establishes an upper limit for Adj. EBITDA as the Target plus 20% (ie. Euro 2.1 billion), assuming the same group perimeter, that will determine the exercisability of the maximum number of options granted to and exercisable by each participant.
Access to the plan has been made conditional upon each participant's acceptance that part of their annual bonus will be co-invested, if achieved and payable in relation to financial years 2011 and 2012.
The allotted options carry the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares may partly comprise treasury shares and partly new issue shares, obtained through a capital increase that excludes pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase, involving the issue of up to 2,131,500 new ordinary shares of nominal value Euro 0.10 each, for a maximum amount of Euro 213,150, was approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares will be allotted for zero consideration, while the shares obtained from the above capital increase will be allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

(*) Following movements since the plan's issue, the number of plan participants amounted to 276 at 31 December 2012.

The following table provides further details about the plan:

(in Euro)

	For consideration		For no consideration	
	Number of options (*)	Exercise price	Number of options (*)	Exercise price
Options at start of year	2,131,500	0.10	2,017,223	-
Granted	-	0.10	5,772	-
Cancelled	-	-	(132,120)	-
Exercised	-	-	-	-
Options at end of year	2,131,500	0.10	1,890,875	-
of which vested at end of year	-	-	-	-
of which exercisable	-	-	-	-
of which not vested at end of year	2,131,500	0.10	1,890,875	-

(*) The number of options shown has been determined under the assumption that the objective achieved is a mean between the Target and the Adj. EBITDA upper limit.

The fair value of the options has been determined using the Cox-Ross-Rubistein binomial pricing model, based on the following assumptions:

	Options for consideration	Options for no consideration
Grant date	2 September 2011	2 September 2011
Residual life at grant date (in years)	2.33	2.33
Exercise price (Euro)	0.10	-
Expected volatility	45.17%	45.17%
Risk-free interest rate	1.56%	1.56%
Expected interest rate	3.96%	3.96%
Option fair value at grant date (Euro)	10.53	10.63

At 31 December 2012, the options have an average remaining life of 1 year.

At 31 December 2012, the overall cost recognised in the income statement under “Personnel costs” in relation to the fair value of the options granted is Euro 17 million.

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

As at 31 December 2012, there are no loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in millions of Euro)

	2012	2011
Depreciation of buildings, plant, machinery and equipment	124	114
Depreciation of other property, plant and equipment	5	3
Amortisation of intangible assets	35	25
Non-recurring impairment:		
Impairment of property, plant and equipment	24	33
Impairment of intangible assets	-	5
Total non-recurring impairment	**24**	**38**
Total	**188**	**180**

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)

	2012	2011
Professional services	34	35
Insurance	41	35
Maintenance costs	83	72
Sales costs	87	66
Utilities	155	147
Travel costs	41	37
Vessel charter	67	73
Increases in provisions for risks	(8)	16
Sundry expenses	119	73
Other expenses	558	584
Non-recurring other expenses:		
Draka acquisition costs	-	6
Effects of Draka change of control	-	2
Draka integration costs	9	12
Non-recurring other expenses	25	-
Tax inspections	3	-
Antitrust	1	205
Company reorganisation	10	17
Environmental remediation and other costs	3	5
Remeasurement of minority put option liability	-	1
Total non-recurring other expenses	**51**	**248**
Total	**1,228**	**1,386**

The Group incurred Euro 69 million in research and development costs in 2012 (Euro 68 million in 2011).

24. FINANCE COSTS

These are detailed as follows:

(in millions of Euro)

	2012	2011
Interest on syndicated loans	29	34
Interest on bond	21	21
Amortisation of bank and financial fees and other expenses	10	11
Interest costs on employee benefits	10	9
Other bank interest	33	22
Costs for undrawn credit lines	3	3
Sundry bank fees	11	9
Non-recurring other finance costs	5	-
Other	21	18
Finance costs	**143**	**127**
Net losses on forward currency contracts	-	-
Net losses on interest rate swaps	-	-
Losses on derivatives	**-**	**-**
Foreign currency exchange losses	247	233
Non-recurring other foreign currency exchange losses	3	-
Total finance costs	**393**	**360**

25. FINANCE INCOME

This is detailed as follows:

(in millions of Euro)

	2012	2011
Interest income from banks and other financial institutions	17	11
Other finance income	2	2
Non-recurring other finance income	3	-
Finance income	**22**	**13**
Net gains on interest rate swaps	-	-
Net gains on forward currency contracts	18	7
Gains on derivatives	**18**	**7**
Foreign currency exchange gains	218	211
Total finance income	**258**	**231**

26. SHARE OF INCOME FROM INVESTMENTS IN ASSOCIATES AND DIVIDENDS FROM OTHER COMPANIES

This is detailed as follows:

(in millions of Euro)

	2012	2011
Kabeltrommel Gmbh & Co.K.G.	3	2
Oman Cables Industry SAOG	9	4
Other companies	5	3
Total	**17**	**9**

"Other companies" refer to the results of minor equity investments totalling Euro 5 million, of which Euro 2 million relates to the interest in ELKAT Ltd., Euro 2 million to the interest in Tianjin YOFC XMKJ Optical Communications Co. Ltd and Euro 1 million to the interest in Eksa Sp. Zo.o..

27. TAXES

These are detailed as follows:

(in millions of Euro)

	2012	2011
Current income taxes	105	68
Deferred income taxes	(32)	(24)
Total	**73**	**44**

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(in millions of Euro)

	2012	Tax rate	2011	Tax rate
Profit/(loss) before taxes	244		(101)	
Theoretical tax expense at Parent Company's nominal tax rate	67	27.5%	(28)	(27.5%)
Differences in tax rates of foreign subsidiaries	4	1.7%	(4)	(4.3%)
Differences in tax rate of companies in profit/loss	-	-	8	8.0%
Utilisation of unrecognised carryforward tax losses	(45)	(18.5%)	(7)	(7.0%)
Unrecognised deferred tax assets	30	12.5%	21	20.9%
Net increase (release) of provision for tax disputes	(3)	(1.2%)	(1)	(1.0%)
IRAP (Italian regional business tax)	13	5.4%	10	9.9%
Taxes on distributable reserves	4	1.7%	-	-
Utilisation of prior year credit for taxes paid abroad	-	-	(25)	(24.9%)
Antitrust	-	-	56	55.7%
Asset impairment	3	1.2%	6	6.0%
Deferred tax assets from prior years recognised and utilised in current year	(2)	(1.2%)	(2)	(2.0%)
Non-deductible costs/ (non-taxable income) and other	2	0.9%	10	9.8%
Effective income taxes	**73**	**30.0%**	**44**	**43.6%**

28. EARNINGS/(LOSS) AND DIVIDENDS PER SHARE

Basic earnings/(loss) per share have been determined by dividing the net result for the period attributable to owners of the parent by the average number of the Company's outstanding shares. With regard to the denominator used for calculating earnings per share, the average number of outstanding shares also includes:

a. the shares issued following exercise of options under the Stock Option Plan, involving the issue of 546,227 shares in 2008, 688,812 shares in 2009, 794,263 shares in 2010, 539,609 shares in 2011 and 115,300 shares in 2012. The remaining options are all vested and can be exercised in just one remaining 30-day period, running from the date of approving the proposed annual financial statements for 2012;
b. the issue of 31,824,570 shares under the capital increase for the acquisition of the Draka Group.

Diluted earnings/(loss) per share have been determined by taking into account, when calculating the number of outstanding shares, the potential dilutive effect of options granted under existing Stock Option Plans.

(in millions of Euro)

	12 months 2012	12 months 2011
Net profit/(loss) attributable to owners of the parent	168	(136)
Weighted average number of ordinary shares (thousands)	211,416	208,596
Basic earnings/(loss) per share (in Euro)	**0.79**	**(0.65)**
Net profit/(loss) attributable to owners of the parent	168	(136)
Weighted average number of ordinary shares (thousands)	211,416	208,596
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	88	1,070
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	211,504	209,666
Diluted earnings/(loss) per share (in Euro)	**0.79**	**(0.65)**

The dividend paid in 2012 amounted to Euro 44 million (Euro 0.21 per share). A dividend of Euro 0.42 per share for the year ended 31 December 2012 will be proposed at the annual general meeting to be held on 16 April 2013 in a single call; based on the number of outstanding shares, the above dividend per share equates to a total dividend pay-out of approximately Euro 89 million. The current financial statements do not reflect any liability for the proposed dividend.

29. CONTINGENT LIABILITIES

As a global operator, the Group is exposed to legal risks primarily, by way of example, in the areas of product liability and environmental, antitrust and tax rules and regulations. Outlays relating to current or future proceedings cannot be predicted with certainty. It is possible that the outcomes of these proceedings may give rise to costs that are not covered or not fully covered by insurance, which would therefore have a direct effect on the Group's results.
It is also reported, with reference to the antitrust investigations in the various jurisdictions involved, that the only investigation for which Prysmian Group has been unable to estimate the related risk is the one in Brazil.

30. COMMITMENTS

(a) Commitments to purchase property, plant and equipment and intangible assets

Contractual commitments to purchase property, plant and equipment, already given to third parties at 31 December 2012 and not yet reflected in the financial statements, amount to Euro 25 million (Euro 24 million at the end of 2011).

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)

	31 December 2012	31 December 2011
Due within 1 year	21	25
Due between 1 and 5 years	39	57
Due after more than 5 years	25	30
Total	**85**	**112**

31. RECEIVABLES FACTORING

As part of its factoring programmes, the Group has factored trade receivables without recourse. The amount of receivables factored but not yet paid by customers was Euro 231 million at 31 December 2012 (Euro 178 million at 31 December 2011).

32. FINANCIAL COVENANTS

The Credit Agreement 2010 and Credit Agreement 2011, details of which are presented in Note 12, require the Group to comply with a series of covenants on a consolidated basis. The main covenants, classified by type, are listed below:

a) Financial covenants
- Ratio between EBITDA and Net finance costs (as defined in the Credit Agreements)
- Ratio between Net Financial Position and EBITDA (as defined in the Credit Agreements)

The evolution of the covenants for the above agreements is shown in the following table:

	30 June 2011	31 December 2011	30 June 2012	31 December 2012	30 June 2013	31 December 2013	30 June 2014 and thereafter
Net financial position /EBITDA(*)	3.50x	3.50x	3.50x	3.00x	3.00x	2.75x	2.50x
EBITDA/Net finance costs(*)	4.00x	4.00x	4.00x	4.25x	4.25x	5.50x	5.50x

(*) The ratios have been calculated on the basis of the definitions contained in the Credit Agreement 2010 and the Credit Agreement 2011, as well as the figures relating to the Draka Group for the period 1 January - 31 December 2011.

b) Non-financial covenants

A number of non-financial covenants have been established in line with market practice applying to transactions of a similar nature and size. These covenants involve a series of restrictions on the grant of secured guarantees to third parties, on the conduct of acquisitions or equity transactions, and on amendments to the Company's by-laws.

Default events

The main default events are as follows:

- default on loan repayment obligations;
- breach of financial covenants;
- breach of some of the non-financial covenants;
- declaration of bankruptcy or subjection of Group companies to other insolvency proceedings;
- issuance of particularly significant judicial rulings;
- occurrence of events that may adversely and significantly affect the business, the assets or the financial conditions of the Group.

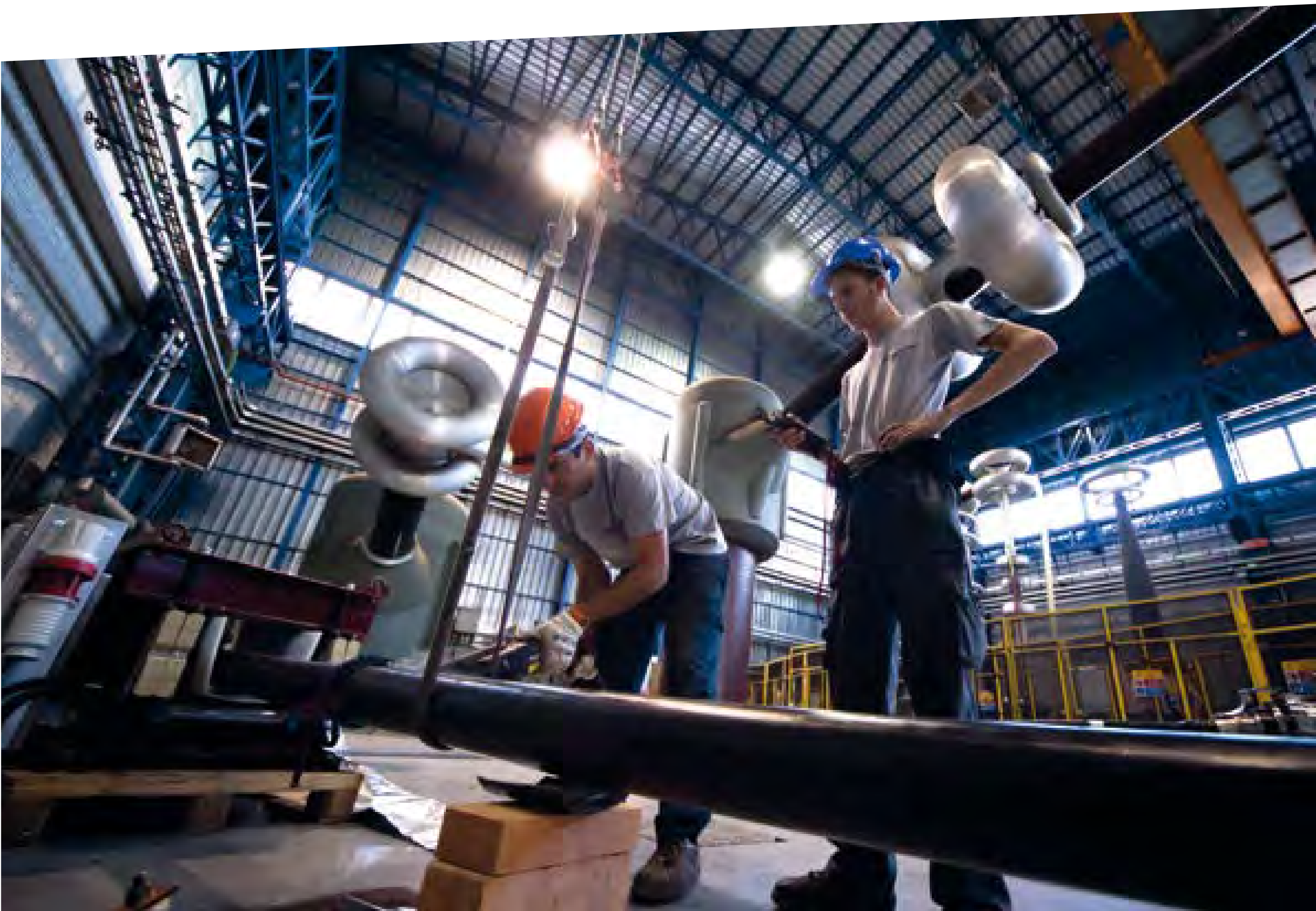
Should any default event occur, the lenders are entitled to demand full or partial repayment of the outstanding amounts lent under the Credit Agreements, together with interest and any other amount due under the terms and conditions of these Agreements. No collateral security is required.

Actual financial ratios reported at period end are as follows:

	31 December 2012	31 December 2011
EBITDA/Net finance costs(*)	6.78	6.40
Net financial position /EBITDA(*)	1.32	1.74

(*) The ratios have been calculated on the basis of the definitions contained in the Credit Agreement 2010 and the Credit Agreement 2011, as well as the figures relating to the Draka Group for the period 1 January - 31 December 2011.

The above financial ratios both comply with the covenants contained in the Credit Agreement 2010 and in the Credit Agreement 2011.



33. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and its subsidiaries and associates mainly refer to:

- trade relations involving intercompany purchases and sales of raw materials and finished goods;
- services (technical, organisational and general) provided by head office to subsidiaries worldwide;
- financial relations maintained by Group treasury companies on behalf of, and with, Group companies.

All the above transactions form part of the Group's continuing operations.

The following tables summarise related party transactions in the years ended 31 December 2012 and 31 December 2011:

(in millions of Euro)

					31 December 2012
	Investments in associates	Trade and other receivables	Trade and other payables	Employee benefit obligations	Financial payables and derivatives classified as liabilities
Associates	99	17	10	-	-
Other related parties: Compensation of directors, statutory auditors and key management personnel	-	-	5	6	-
Total	**99**	**17**	**15**	**6**	**-**

(in millions of Euro)

					31 December 2011
	Investments in associates	Trade and other receivables	Trade and other payables	Employee benefit obligations	Financial payables and derivatives classified as liabilities
Associates	87	8	12	-	-
Other related parties: Compensation of directors, statutory auditors and key management personnel	-	-	5	1	-
Non-controlling interests	-	-	16	-	-
Total	**87**	**8**	**33**	**1**	**-**

(in millions of Euro)

					2012
	Share of income from investments in associates and dividends from other companies	Sales of goods and services and other income	Personnel costs	Cost of goods and services	Finance income/(costs)
Associates	17	100	-	84	-
Other related parties: Compensation of directors, statutory auditors and key management personnel	-	-	15	1	-
Total	**17**	**100**	**15**	**85**	**-**

(in millions of Euro)

					2011
	Share of income from investments in associates and dividends from other companies	Sales of goods and services and other income	Personnel costs	Cost of goods and services	Finance income/(costs)
Associates	8	64	-	47	-
Other related parties: Compensation of directors, statutory auditors and key management personnel	-	-	12	-	-
Non-controlling interests	-	-	-	1	-
Total	**8**	**64**	**12**	**48**	**-**

TRANSACTIONS WITH ASSOCIATES
Trade and other payables refer to goods and services provided in the ordinary course of the Group's business. Trade and other receivables refer to transactions carried out in the ordinary course of the Group's business.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS
These refer to balances and transactions with minority shareholders in companies not wholly owned by the Group.

KEY MANAGEMENT COMPENSATION
Key management compensation is analysed as follows:

(in thousands of Euro)

	2012	2011
Salaries and other short-term benefits - fixed part	4,778	4,990
Salaries and other short-term benefits - variable part	7,115	5,187
Other benefits	54	4
Share-based payments	3,523	2,038
Total	**15,470**	**12,219**
of which Directors	11,922	9,851

At 31 December 2012, Other payables for key management compensation amount to Euro 5 million (Euro 5 million at 31 December 2011), while Employee benefit obligations for key management compensation amount to Euro 6 million (Euro 1 million at 31 December 2011).

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

The compensation of the Directors of Prysmian S.p.A. amounts to Euro 12.3 million in 2012 (Euro 10.2 million in 2011). The compensation of the Statutory Auditors of Prysmian S.p.A. amounts to Euro 0.09 million in 2012 (Euro 0.12 million in 2011). Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as Directors or Statutory Auditors of Prysmian S.p.A. and other companies included in the scope of consolidation, and that have constituted a cost for Prysmian.

35. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2012.

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, involving total net non-recurring expenses of Euro 123 million in 2012 and Euro 338 million in 2011.

(in millions of Euro)

	2012	2011
Non-recurring other income:		
Gains on disposal of assets held for sale	3	1
Remeasurement of minority put option liability	7	-
Non-recurring other income	12	-
Total non-recurring other income	**22**	**1**
Non-recurring change in inventories of work in progress, semifinished and finished goods:		
Release of Draka inventory step-up	-	(14)
Total non-recurring change in inventories of work in progress, semi-finished and finished goods	**-**	**(14)**
Non-recurring personnel costs:		
Company reorganisation	(64)	(39)
Italian pensions reform	(1)	-
Total non-recurring personnel costs	**(65)**	**(39)**
Non-recurring impairment:		
Impairment of property, plant and equipment	(24)	(33)
Impairment of intangible assets	-	(5)
Total non-recurring impairment	**(24)**	**(38)**
Non-recurring other expenses:		
Draka acquisition costs	-	(6)
Effects of Draka change of control	-	(2)
Draka integration costs	(9)	(12)
Tax inspections	(3)	-
Antitrust	(1)	(205)
Company reorganisation	(10)	(17)
Environmental remediation and other costs	(3)	(5)
Non-recurring other expenses	(25)	-
Remeasurement of minority put option liability	-	(1)
Total non-recurring other expenses	**(51)**	**(248)**
Non-recurring other finance costs:		
Non-recurring other finance costs	(5)	-
Non-recurring other foreign currency exchange losses	(3)	-
Total non-recurring other finance costs	**(8)**	**-**
Non-recurring other finance income:		
Non-recurring other finance income	3	-
Total non-recurring other finance income	**3**	**-**
Total	**(123)**	**(338)**

37. STATEMENT OF CASH FLOWS

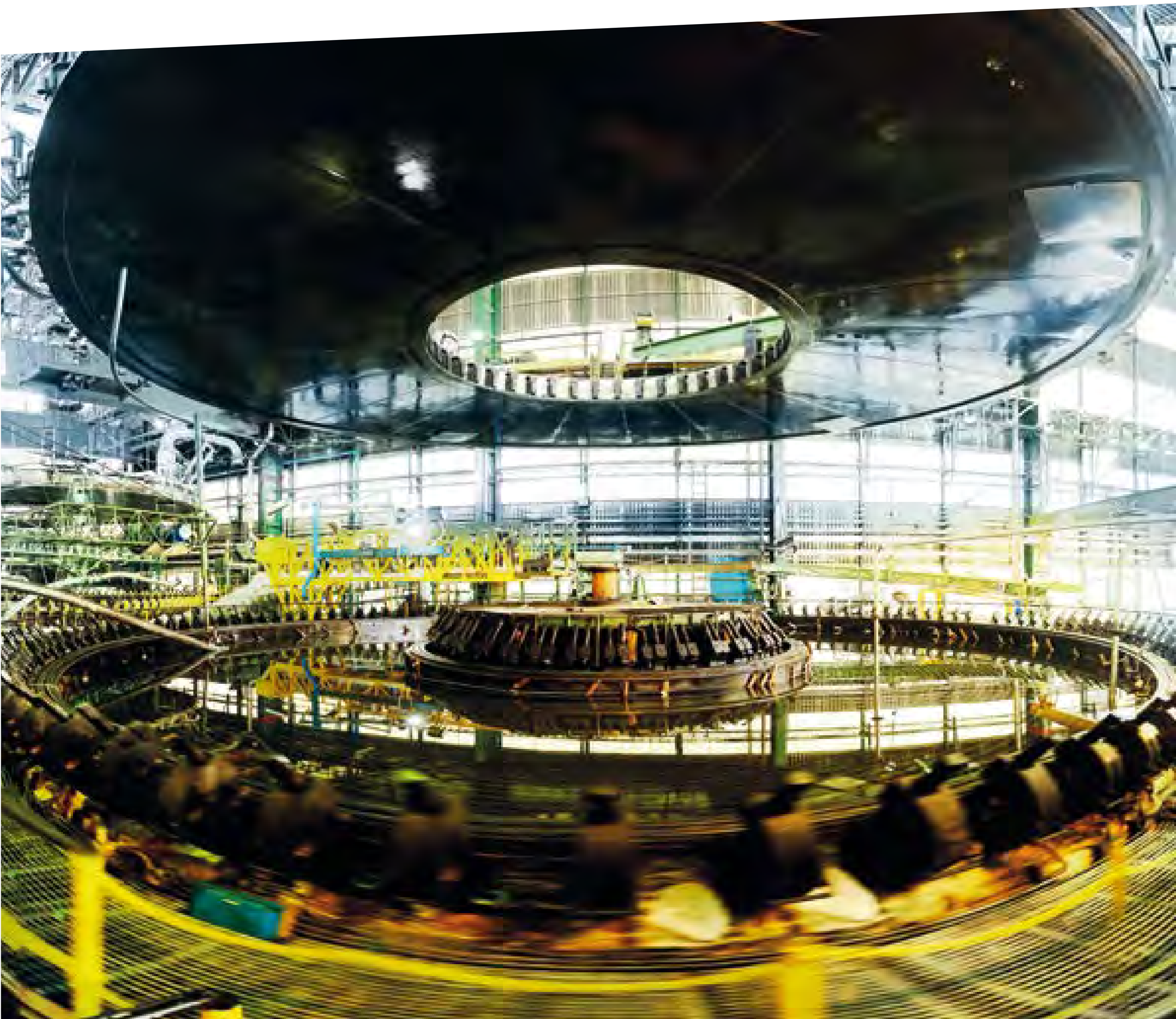
Net cash flow provided by operating activities amounted to Euro 546 million in 2012.

This flow was influenced by a reduction of Euro 75 million in working capital.

Net cash flow used for acquisitions came to Euro 86 million, of which Euro 9 million for the purchase of the remaining Draka shares under the squeeze-out procedure, Euro 25 million for the purchase of shares in both Telcon Fios e Cabos para Telecomuniçaoes S.A. and Draktel Optical Fibre S.A., Euro 51 million for the purchase of shares in Global Marine Systems Energy Ltd, and Euro 1 million for the Neva Cables Ltd share purchase.

Net operating investments in 2012 amounted to Euro 141 million and mainly refer to expansion of production capacity for high voltage cables in Russia, China and France, for submarine cables in Italy and Finland, to the investment in the Telecom segment in Australia in connection with the multi-year project to manufacture cables using ribbon technology and lastly to the increase in optical fibre production capacity in Brazil.
Around 58% of total investment expenditure related to projects to increase production capacity, while some 16% of the total went on projects to improve industrial efficiency. About 14% of the total related to structural work on buildings or entire production lines for compliance with the latest regulations, while the remaining 12% referred to investments in information technology.

The dividend distribution amounts to Euro 45 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 2012 and 2011 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Recipient	Fees relating to 2012	Fees relating to 2011
Audit services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	772	1,600
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	592	567
	PricewaterhouseCoopers Network	Foreign subsidiaries	4,257	3,940
Certification services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	103	140
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	102	114
	PricewaterhouseCoopers Network	Foreign subsidiaries	-	-
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. (1)	115	314
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	118	104
	PricewaterhouseCoopers Network	Foreign subsidiaries (2)	187	436
Total			**6,246**	**7,215**

(1) Audit support and other services.
(2) Tax and other services.

39. SUBSEQUENT EVENTS

Given its available liquidity and an intent to optimise borrowing costs, on 22 February 2013 the Prysmian Group made an early repayment of Euro 186 million in respect of the payments due in 2013 and in the first half of 2014 against the Term Loan granted on 3 May 2012, which now stands at Euro 484 million.

Milan, 27 February 2013

On behalf of the board of directors
The Chairman
Massimo Tononi

SCOPE OF CONSOLIDATION - APPENDIX A

The following companies have been consolidated line-by-line:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
EUROPA					
AUSTRIA					
Prysmian OEKW GmbH	Vienna	Euro	2,053,008	100.00%	Prysmian Cavi e Sistemi S.r.l.
BELGIUM					
Draka Belgium N.V.	Antwerpen	Euro	61,973	98.52%	Draka Holding N.V.
				1.48%	Draka Kabel B.V.
DENMARK					
Prysmian Denmark A/S	Brøndby	Danish Krone	40,000,000	100.00%	Draka Denmark Holding A/S
Draka Denmark Holding A/S	Brøndby	Danish Krone	88,734,000	100.00%	Draka Holding N.V.
ESTONIA					
AS Draka Keila Cables	Keila	Euro	1,661,703	66.00%	Prysmian Finland OY
				34.00%	Third parties
FINLAND					
Prysmian Finland OY	Kirkkonummi	Euro	100,000	77.80%	Prysmian Cavi e Sistemi S.r.l.
				19.93%	Draka Holding N.V.
				2,27%	Draka Comteq B.V.
FRANCE					
Prysmian (French) Holdings S.A.S.	Paron de Sens	Euro	173,487,250	100.00%	Prysmian Cavi e Sistemi S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paron de Sens	Euro	37,000	100.00%	Prysmian (French) Holdings S.A.S.
Prysmian Cables et Systèmes France S.A.S.	Paron de Sens	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Draka Comteq France	Argenteuil	Euro	246,554,316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5,439,700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Sainte Geneviève	Euro	5,177,985	100.00%	Draka France S.A.S.
Draka France S.A.S.	Marne La Vallée	Euro	120,041,700	100.00%	Draka Holding N.V.
Quoroon S.A.S.	Paron de Sens	Euro	10,000	100.00%	Prysmian Cables et Systemes France S.A.S.
GERMANY					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Draka Cable Wuppertal GmbH
				6.25%	Prysmian S.p.A.
Bergmann Kabel und Leitungen GmbH	Schwerin	Euro	1,022,600	100.00%	Prysmian Kabel und Systeme GmbH
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme GmbH
Draka Cable Wuppertal GmbH	Wuppertal	Euro	25,000	100.00%	Draka Deutschland GmbH
Draka Comteq Berlin GmbH & Co.KG	Berlin	Deutsche Mark	46,000,000	50.10%	NKF Participatie B.V.
				49.90%	Draka Deutschland Vierte Beteiligungs- GmbH
Draka Comteq Germany Verwaltungs GmbH	Cologne	Euro	25,000	100.00%	Draka Comteq BV
Draka Comteq Germany GmbH & Co.KG	Cologne	Euro	26,000	100.00%	Draka Comteq BV
Draka Comteq Germany Holding GmbH	Cologne	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Erste Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Beheer- en Beleggingsmaatschappij De Vaartweg B.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs- GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs- GmbH

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Deutschland Verwaltungs- GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Vierte Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Draka Deutschland GmbH
Draka Deutschland Zweite Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Kabelbedrijven Draka Nederland B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nuremberg	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel Vertriebs GmbH i.L.	Wuppertal	Euro	25,100	100.00%	Kaiser Kabel GmbH
NKF Holding (Deutschland) GmbH	Wuppertal	Euro	25,000	100.00%	Draka Communications B.V.
usb-elektro Kabelkonfektions- GmbH i.L.	Bendorf	Deutsche Mark	2,750,000	100.00%	White Holding B.V.
Wagner Management- und Projektgesellschaft mit beschränkter Haftung	Berlin	Deutsche Mark	50,000	60.00%	Draka Cable Wuppertal GmbH
				40.00%	Third parties
U.K.					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	45,292,120	100.00%	Prysmian UK Group Ltd.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Industrial) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Supertension) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Kingston upon Thames	British Pound	33	63.53%	Prysmian Cables & Systems Ltd.
				12.52%	Draka UK Limited
				23.95%	Third parties
Prysmian Telecom Cables and Systems Uk Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Metals Limited	Eastleigh	British Pound	15,000,000	100.00%	Prysmian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Prysmian UK Group Ltd.	Eastleigh	British Pound	40,0 11,000	100.00%	Draka Holding N.V.
Draka Distribution Aberdeen Limited	Eastleigh	British Pound	1	100.00%	Draka UK Group Limited
Draka Comteq UK Limited	Eastleigh	British Pound	9,000,002	100.00%	Prysmian UK Group Ltd
Draka UK Limited	Eastleigh	British Pound	202,000	100.00%	Draka UK Group Limited
Draka UK Group Limited	Eastleigh	British Pound	10,000,103	99.99999%	Prysmian UK Group Ltd
				0.00001%	Third parties
Draka UK Pension Plan Trust Company Ltd.	Eastleigh	British Pound	1	100.00%	Draka UK Limited
Global Marine Systems Energy Ltd.	Chelmsford	British Pound	16,000,100	100.00%	Prysmian UK Group 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 S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	4,242,476	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	50,000,000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l..	Milan	Euro	10,000	80.00%	Prysmian Cavi e Sistemi S.r.l.
				20.00%	Third parties
LUXEMBOURG					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	3,050,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
NORWAY					
Prysmian Kabler og Systemer A.S.	Ski	Norwegian Krone	100,000	100.00%	Prysmian Finland OY
Draka Comteq Norway A.S.	Drammen	Norwegian Krone	100,300	100.00%	Draka Norway A.S.
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Norway A.S.
Draka Norway A.S.	Drammen	Norwegian Krone	112,000	100.00%	Draka Holding N.V.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
THE NETHERLANDS					
Prysmian Cable Holding B.V.	Delft	Euro	54,503,013	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Cables and Systems B.V.	Delft	Euro	5,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Beheer- en Beleggingsmaatschappij De Vaartweg B.V.	Amsterdam	Euro	16,563	100.00%	Draka Holding N.V.
Cableries Holding B.V.	Oudenbosch	Euro	453,780	100.00%	White Holding B.V.
Draka Beheer B.V.	Amsterdam	Euro	18,004	100.00%	Draka Holding N.V.
Draka Beheer IV B.V.	Amsterdam	Euro	18,000	100.00%	Draka Holding N.V.
Draka Communications B.V.	Amsterdam	Euro	2,053,355	100.00%	Kabelbedrijven Draka Nederland B.V.
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Beheer B.V.
Draka Comteq Cable Solutions B.V.	Gouda	Euro	18,000	100.00%	Draka Beheer B.V.
Draka Comteq Data B.V.	Amsterdam	Euro	18,200	100.00%	Draka Beheer B.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Draka Beheer B.V.
Draka Comteq Telecom B.V.	Gouda	Euro	18,002	100.00%	Draka Beheer B.V.
Draka Elevator Products B.V.	Oudenbosch	Euro	18,000	100.00%	Draka Nederland B.V.
Draka Holding N.V.	Amsterdam	Euro	39,094,979	69.691%	Prysmian S.p.A.
				30.309%	Prysmian Cavi e Sistemi S.r.l.
Draka Kabel B.V.	Amsterdam	Euro	2,277,977	100.00%	Kabelbedrijven Draka Nederland B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134	100.00%	Kabelbedrijven Draka Nederland B.V.
Draka Nederland B.V.	Amsterdam	Euro	18,605	100.00%	Draka Holding N.V.
Draka Treasury B.V.	Amsterdam	Euro	2,268,901	100.00%	Draka Holding N.V.
Fabriek voor Auto-en Electrotechnische Produkten "White Products" B.V.	Oudenbosch	Euro	6,806,703	100.00%	White Holding B.V.
Kabelbedrijven Draka Nederland B.V.	Amsterdam	Euro	18,151	100.00%	Draka Nederland B.V.
NKF Participatie B.V.	Delft	Euro	18,151	100.00%	Draka Communications B.V.
NK China Investments B.V.	Delft	Euro	19,000	100.00%	Draka Communications B.V.
NKF Vastgoed B.V.	Delft	Euro	13,613,406	100.00%	Draka Communications B.V.
NKF Vastgoed Holding B.V.	Den Haag	Euro	18,151	100.00%	Draka Communications B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151	99.00%	Draka Holding N.V.
				1.00%	Draka Communications B.V.
NKF Vastgoed II B.V.	Delft	Euro	18,151	100.00%	Draka Communications B.V.
NKF Vastgoed III B.V.	Amsterdam	Euro	18,151	99.00%	Draka Deutschland GmbH
				1.00%	Draka Communications B.V.
NKF Vastgoed IV B.V.	's-Gravenhage	Euro	18,151	100.00%	NKF Vastgoed Holding B.V.
Plasma Optical Fibre B.V.	Eindhoven	Euro	90,756	100.00%	Draka Comteq Fibre B.V.
White Holding B.V.	Oudenbosch	Euro	4,605,869	100.00%	Draka Nederland B.V.
Draka Sarphati B.V.	Amsterdam	Euro	18,151	100.00%	Draka Holding N.V.
CZECH REPUBLIC					
Draka Kabely. s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding N.V.
ROMANIA					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	103,850,920	99.9995%	Prysmian (Dutch) Holdings B.V.
				0.0005%	Prysmian Cavi e Sistemi S.r.l.
RUSSIA					
Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"	Rybinsk city	Russian Rouble	230,000,000	99.00%	Prysmian (Dutch) Holdings B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"
Draka Industrial Cable Russia LLC	St. Petersburg	Russian Rouble	100,000	100.00%	Draka Holding N.V.
Neva Cables Ltd	St. Petersburg	Russian Rouble	194,000	100.00%	Prysmian Finland OY

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
SLOVAKIA					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Draka Comteq Slovakia s.r.o.	Presov	Euro	1,506,639	100.00%	Draka Comteq B.V.
SPAIN					
Prysmian Cables y Sistemas S.A.	Vilanova I la Geltrù	Euro	15,000,000	100.00%	Draka Holding N.V. y CIA Soc. Col.
Fercable S.L.	Sant Vicenç dels Horts	Euro	3,606,073	100.00%	Prysmian Cables y Sistemas S.A.
Prysmian Servicios de Tesoreria Espana S.L.	Madrid	Euro	3,100	100.00%	Prysmian Financial Services Ireland Limited
Marmavil.S.L.U.	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Nederland B.V.
Draka Holding NV Y CIA Soc. Col.	Santa Perpetua de Mogoda	Euro	20,000,000	99.999%	Draka Holding N.V.
				0.001%	Marmavil.S.L.U.
Draka Cables Industrial S.A.	Santa Perpetua de Mogoda	Euro	58,178,234	100.00%	Draka Holding NV Y CIA Soc. Col.
Draka Comteq Iberica S.L.U.	Maliaño	Euro	4,000,040	100.00%	Draka Holding NV Y CIA Soc. Col.
SWEDEN					
Prysmian Kablar och System AB	Hoganas	Swedish Krona	100,000	100.00%	Prysmian Finland OY
Draka Comteq Sweden AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Comteq B.V.
NK Cables Sverige AB	Orebro	Swedish Krona	100,000	100.00%	Prysmian Finland OY
Draka Sweden AB	Nässjö	Swedish Krona	100,100	100.00%	Draka Holding N.V.
Draka Kabel Sverige AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Sweden AB
Fastighets Spännbucklan AB	Nässjö	Swedish Krona	25,000,000	100.00%	Draka Holding N.V.
Fastighets Hygget AB	Nässjö	Swedish Krona	100,000	100.00%	Fastighets Spännbucklan AB
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	Turkish new Lira	112,233,652	83.746%	Prysmian (Dutch) Holdings B.V.
				16.254%	Third parties
Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Istanbul	Turkish new Lira	180,000	99.972%	Draka Elevator Products B.V.
				0.028%	Draka Holding N.V.
Draka Comteq Kablo Limited Sirketi	Istanbul	Turkish new Lira	45,818,775	99.50%	Draka Comteq B.V.
				0.50%	Draka Comteq Telecom B.V.
HUNGARY					
Prysmian MKM Magyar Kabel Muvek KFT	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Kabel Keszletertekesito BT	Budapest	Hungarian Forint	1,239,841,361	99.999%	Prysmian MKM Magyar Kabel Muvek KFT
				0.001%	Third parties
NORTH AMERICA					
CANADA					
Prysmian Power Cables and Systems Canada Ltd.	Saint John	Canadian Dollar	1,000,000	100.00%	Prysmian (Dutch) Holdings B.V.
Draka Elevator Products. Inc.	Brantford	Canadian Dollar	n/a	100.00%	Draka Cableteq USA. Inc.
U.S.A.					
Prysmian Cables and Systems (US) INC.	Carson City	US Dollar	330,517,608	100.00%	Draka Holding N.V.
Prysmian Power Cables and Systems USA LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) INC.
Prysmian Construction Services Inc	Wilmington	US Dollar	1,000	100.00%	Prysmian Power Cables and Systems USA LLC
Prysmian Communications Cables and Systems USA LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) INC.
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 USALLC
Draka Cableteq USA. Inc.	Boston	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Draka Elevator Products. Inc.	Boston	US Dollar	1	100.00%	Draka Cableteq USA Inc.
Draka Communications Americas. Inc.	Boston	US Dollar	n/a	100.00%	Draka Cableteq USA Inc.
Draka Transport USA LLC	Boston	US Dollar	n/a	100.00%	Draka Cableteq USA. Inc.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
CENTRAL/SOUTH AMERICA					
ARGENTINA					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	66,966,667	94.68%	Prysmian Consultora Conductores e Instalaciones SAIC
				5.00%	Prysmian (Dutch) Holdings B.V
				0.32%	Third parties
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Prysmian (Dutch) Holdings B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
Cables Ópticos y Metálicos para Telecomunicaciones Telcon S.R.L.	Buenos Aires	Argentine Peso	500,000	100.00%	Prysmian Draka Brasil S.A
BRAZIL					
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	128,717,301	100.00%	Prysmian Cavi e Sistemi S.r.l.
Sociedade Produtora de Fibras Opticas S.A.	Sorocaba	Brazilian Real	1,500,100	51.00%	Prysmian Draka Brasil S.A
				49.00%	Third parties
Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil LTDA	Vila Velha	Brazilian Real	128,290,457	99.99%	Prysmian Cavi e Sistemi S.r.l.
				0.01%	Prysmian S.p.A.
Prysmian Draka Brasil S.A	Sorocaba	Brazilian Real	182,708,041	49.830737%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				39.633088%	Draka Comteq B.V.
				10.470458%	Draka Holding N.V
				0.064864%	Prysmian Cavi e Sistemi S.r.l.
				0.000714%	NKF Vastgoed B.V.
				0.000136%	Draka Kabel B.V.
				0.000002%	Prysmian Draka Brasil S.A.
				0.000001%	Third parties
Doiter Industria e Comercio Ltda	Espirito Santo. Vitoria	Brazilian Real	118,000	99.9992%	Draka Comteq Cabos Brasil S.A
				0.0008%	Third parties
Prysmian Optical Fibre Brasil S.A	Sorocaba	Brazilian Real	42,628,104	99.999994%	Prysmian Draka Brasil S.A.
				0.000002%	Prysmian Optical Fibre Brasil S.A
				0.000004%	Third parties
Draka Comteq Cabos Brasil S.A	Santa Catarina	Brazilian Real	43,928,631	99.999998%	Draka Comteq B.V.
				0.000002%	Third parties
CHILE					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,147,127,679	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
MEXICO					
Draka Durango S. de R.L. de C.V.	Durango	Mexican Peso	163,471,787	99.996%	Draka Mexico Holdings S.A. de C.V.
				0.004%	Draka Holding N.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,500	99.998%	Draka Holding N.V.
				0.002%	Draka Nederland B.V.
NK Mexico Holdings S.A. de C.V.	Mexico City	Mexican Peso	n/a	100.00%	Prysmian Finland OY
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	4,050,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Eurelectric Tunisie S.A.	Soliman	Tunisian Dinar	510,000	99.71%	Prysmian Cables et Systemes France S.A.S.
				0.05%	Prysmian (French) Holdings S.A.S.
				0.05%	Prysmian Cavi e Sistemi S.r.l.
				0.19%	Third parties
OCEANIA					
AUSTRALIA					
Prysmian Power Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	15,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Draka Cableteq Australia Pty Ltd	Liverpool	Australian Dollar	1,700,001	100.00%	Singapore Cables Manufacturers Pte Ltd
NEW ZELAND					
Prysmian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Power Cables & Systems Australia Pty Ltd.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
ASIA					
SAUDI ARABIA					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
CHINA					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	20,400,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Baosheng Cable Co.Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd.	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	55,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Bejing	Euro	55,000,000	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Product INC.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Product INC.
				25.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Shanghai Optical Fibre Cable Co Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co.KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd	Suzhou	Chinese Renminbi (Yuan)	174,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	12,000,000	28.125%	Yangtze Optical Fibre and Cable Company Ltd.
				25.00%	Draka Comteq B.V.
				46.875%	Third parties
NK Wuhan Cable Co. Ltd.	Wuhan	US Dollar	12,000,000	7.50%	Yangtze Optical Fibre and Cable Company Ltd.
				60.00%	NK China Investments B.V.
				32.50%	Third parties
PHILIPPINES					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding N.V.
				0.0000025%	Third parties
INDIA					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	32.00%	Draka UK Group Limited
				28.00%	Draka Treasury B.V.
				40.00%	Oman Cables Industry SAOG
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	12,738,400	9.99992%	Prysmian Cavi e Sistemi S.r.l.
				0.00008%	Prysmian S.p.A.
INDONESIA					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Prysmian (Dutch) Holdings B.V.
				0.52%	Prysmian Cavi e Sistemi S.r.l.
MALAYSIA					
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Sindutch Cable Manufacturer Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Marketing and Services Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd
Draka (Malaysia) Sdn Bhd	Malacca	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd
SINGAPORE					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	213,324,290	100.00%	Prysmian (Dutch) Holdings B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Prysmian (Dutch) Holdings B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Cableteq Asia Pacific Holding Pte Ltd	Singapore	Singapore Dollar	28,630,542	100.00%	Draka Holding N.V.
Singapore Cables Manufacturers Pte Ltd	Singapore	Singapore Dollar	990,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Cable Supply and Consulting Company Pte Ltd	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Comteq Singapore Pte Ltd	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) pte ltd	Singapore	Singapore Dollar	200,000	100.00%	Prysmian Finland OY
THAILAND					
MCI-Draka Cable Co. Ltd	Bangkok	Thai Baht	435,900,000	70.250172%	Draka Cableteq Asia Pacific Holding Pte Ltd
				0.000023%	Draka (Malaysia) Sdn Bhd
				0.000023%	Sindutch Cable Manufacturer Sdn Bhd
				0.000023%	Singapore Cables Manufacturers Pte Ltd
				29.749759%	Third parties

The following companies have been consolidated on a proportionate basis:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
ASIA					
CHINA					
Yangtze Optical Fibre and Cable Company Ltd.	Wuhan	Euro	63,328,220	37.50%	Draka Comteq B.V.
				62.50%	Third parties
JAPAN					
Precision Fiber Optics Ltd.	Chiba	Japanese Yen	360,000,000	50.00%	Plasma Optical Fibre B.V.
				50.00%	Third parties
MALAYSIA					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Prysmian (Dutch) Holdings B.V.
				60.00%	Third parties

The following companies have been accounted for using the equity method:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
EUROPE					
GERMANY					
Kabeltrommel GmbH & CO.KG	Troisdorf	Euro	10,225,838	1.00%	Bergmann Kabel und Leitungen GmbH
				28.68%	Prysmian Kabel und Systeme GmbH
				13.50%	Draka Cable Wuppertal GmbH
				56.82%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	11.77%	Prysmian Kabel und Systeme GmbH
				5.88%	Bergmann Kabel und Leitungen GmbH
				23.53%	Draka Cable Wuppertal GmbH
				58.82%	Third parties
KTG Europe GmbH	Troisdorf	Euro	100,000	100.00%	Kabeltrommel GmbH & CO.KG
U.K.					
Rodco Ltd.	Weybridge	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
POLAND					
Eksa Sp.Zo.o	Sokolów	Polish Zloty	394,000	29.949%	Prysmian Cavi e Sistemi S.r.l.
				70.051%	Third parties
RUSSIA					
Elkat Ltd.	Mosca	Russian Rouble	10,000	40.00%	Prysmian Finland OY
				60.00%	Third parties
ASIA					
CHINA					
Jiangsu Yangtze Zhongli Optical Fibre & Cable Co.. Ltd.	Changshu	Chinese Renminbi (Yuan)	92,880,000	51.00%	Yangtze Optical Fibre and Cable Company Ltd.
				49.00%	Third parties
Yangtze Optical Fibre & Cable Sichuan Co. Ltd.	Emeishan City	Chinese Renminbi (Yuan)	53,800,000	51.00%	Yangtze Optical Fibre and Cable Company Ltd.
				49.00%	Third parties
Tianjin YOFC XMKJ Optical Communications Co..Ltd.	Tianjin	Chinese Renminbi (Yuan)	220,000,000	49.00%	Yangtze Optical Fibre and Cable Company Ltd.
				51.00%	Third parties
Shenzhen SDGI Optical Fibre Co.. Ltd.	Shenzhen	Chinese Renminbi (Yuan)	149,014,800	49.00%	Yangtze Optical Fibre and Cable Company Ltd.
				51.00%	Third parties
Shantou Hi-Tech Zone Aoxing Optical Communication EquipmentsCo..Ltd.	Shantou	Chinese Renminbi (Yuan)	170,558,817	42.42%	Yangtze Optical Fibre and Cable Company Ltd.
				57.58%	Third parties
Yangtze (Wuhan) Optical System Corp.. Ltd.	Wuhan	Chinese Renminbi (Yuan)	50,000,000	44.00%	Yangtze Optical Fibre and Cable Company Ltd.
				56.00%	Third parties
Tianjin YOFC XMKJ Optical Cable Co.. Ltd.	Tianjin	Chinese Renminbi (Yuan)	100,000,000	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
				80.00%	Third parties
WuhanGuanyuan Electronic Technology Co. Ltd.	Wuhan	Chinese Renminbi (Yuan)	5,000,000	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
				80.00%	Third parties
Tianmen Xinrun Timber Produce Co.. Ltd.	Tianmen	Chinese Renminbi (Yuan)	5,000,000	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
				80.00%	Third parties
OMAN					
Oman Cables Industry SAOG	Al Rusayl Industrial Zone	Omani Rial	8,970,000	34.78%	Draka Holding N.V.
				65.22%	Third parties

LIST OF INVESTMENTS PURSUANT TO ART.126 OF CONSOB REGULATION 11971

Legal name	% ownership	Direct parent company
EUROPE		
SWITZERLAND		
Voltimum S.A.	13.71%	Prysmian Cavi e Sistemi S.r.l.
	86.29%	Third parties
ASIA		
SAUDI ARABIA		
Sicew-Saudi Italian Company for Electrical Works Ltd.	34.00%	Prysmain Cable Holding B.V.
	66.00%	Third parties
CHINA		
Zhenjiang Futong Optical Fiber Technology Co. Ltd.	10.38%	Yangtze Optical Fibre and Cable Company Ltd.
	89.62%	Third parties
Wuhan Yunjingfei Optical Fiber Material Co.. Ltd.	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
	80.00%	Third parties
INDIA		
Ravin Cables Limited	51.00%	Prysmian Cavi e Sistemi S.r.l.
	49.00%	Third parties
UNITED ARAB EMIRATES		
Power Plus Cable CO. LLC	49.00%	Ravin Cables Limited
	51.00%	Third parties
AFRICA		
SOUTH AFRICA		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Carlo Soprano and Andreas Bott, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 dated 24 February 1998, that during 2012 the accounting and administrative processes for preparing the consolidated financial statements:

- have been adequate in relation to the business's characteristics and,
- have been effectively applied.

2. The adequacy of the accounting and administrative processes for preparing the consolidated financial statements at 31 December 2012 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

It is reported that:

- the integration of companies in the Draka Group, acquired in February 2011, into the Group's system of procedures and controls is still in progress. The nine most significant companies by sales already completed full adoption of this system in 2011 and were joined in 2012 by a further seven of the more important companies, that adopted the key elements of the system, particularly relating to preparation of financial reports for consolidation purposes. This integration should be completed during 2013;
- during 2012, several of the Prysmian Group's companies were involved in the project to adopt a new information system. The process of fine-tuning the new system's operating and accounting functions is still in progress for some of them; in any case, the system of controls in place ensures consistency with the Group's system of procedures and controls.

3. They also certify that:

3.1 The consolidated financial statements at 31 December 2012:

a. have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
b. correspond to the underlying accounting records and books of account;
c. are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.

3.2 The directors' report contains a reliable analysis of performance and the results of operations, and of the situation of the issuer and the group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 27 February 2013

Chief Executive Officer
Valerio Battista

Managers responsible for preparing corporate accounting documents
Carlo Soprano ***Andreas Bott***

CONSOLIDATED FINANCIAL STATEMENTS

AUDIT REPORT

CONSOLIDATED FINANCIAL STATEMENTS AUDIT REPORT

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

1 We have audited the consolidated financial statements of Prysmian SpA and its subsidiaries ("Prysmian Group") as of 31 December 2012 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by CONSOB, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 23 March 2012.

3 In our opinion, the consolidated financial statements of the Prysmian Group as of 31 December 2012 comply with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position as of 31 December 2012, the result of operations and cash flows of the Prysmian Group for the year then ended.

4 As described in the explanatory notes to the consolidated financial statements in note 14 "Provisions for risks and charges", in 2009 the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and other European and Asian electrical cable manufacturers aimed at assessing the existence of price fixing agreements in

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Catania** 95129 Corso Italia 302 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10122 Corso Palestro 10 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37135 Via Francia 21/C Tel.0458263001

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the high voltage land and submarine cables business. In 2011, considering also the developments of the European Commission investigation, the Directors estimated a provision related to the jurisdictions involved, with the exception of Brazil. Although the outcome of the investigations in the different jurisdictions is still uncertain, this provision still represents the best estimate based on the information currently available.

5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance and ownership structure, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Prysmian Group as of 31 December 2012.

Milan, 15 March 2013

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.


AREVA
EDF

PARENT COMPANY

DIRECTORS' REPORT


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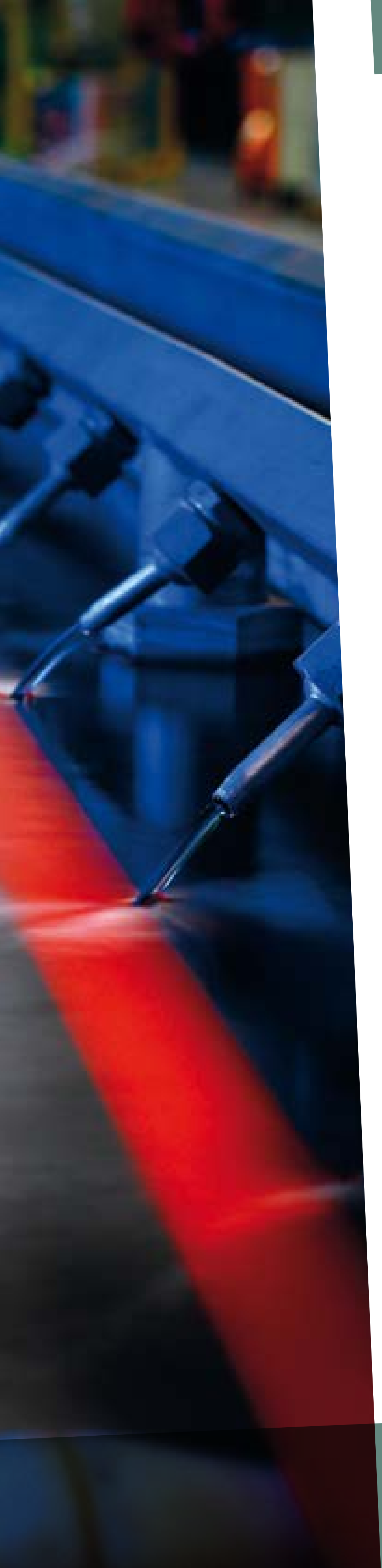
AXA

PARENT COMPANY



SIGNIFICANT EVENTS DURING THE YEAR

During 2012 the capital of Prysmian S.p.A. was increased through the issue of 115,300 ordinary shares following the exercise of options under the stock option plan 2007-2012.

The total number of shares at 31 December 2012 was 214,508,781 (including 3,028,500 treasury shares). The total number of outstanding shares with voting rights was 211,469,612, stated net of 10,669 treasury shares held indirectly.

On 27 February 2012, the squeeze-out, permitted under art. 2:359c of the Dutch Civil Code, was completed in order to purchase the 478,878 ordinary shares of Draka Holding N.V., for which acceptance was not obtained during the public mixed exchange and cash offer for all the Draka Holding N.V. ordinary shares. The successful conclusion of the squeeze-out means that Prysmian S.p.A. now holds the entire share capital of Draka Holding N.V..
The squeeze-out procedure required Prysmian S.p.A. to make available to these share-owners the sum of Euro 8,886,251.19, inclusive of legal interest required under Dutch law, on a deposit account held at the Dutch Ministry of Finance; this amount was calculated on the basis of a value of Euro 18.53 per share, as determined by the corporate division of the Amsterdam Appeal Court.

On 5 March 2012, Prysmian Cavi e Sistemi S.r.l and Prysmian S.p.A. respectively acquired 99.99% and 0.01% of the shares in Jaguar Communication Consultancy Services Private Ltd, an Indian company formed on 31 January 2012.

On 3 May 2012, Prysmian S.p.A. repaid the Credit Agreement entered into on 18 April 2007, under which an initial amount of Euro 100 million in credit had been made available to the Company.
Prysmian S.p.A. repaid the remaining balance of Euro 67 million on the Term Loan Facility.

On 3 May 2012, this credit agreement was replaced with the activation of the Forward Start Agreement (now termed Credit Agreement 2010) previously signed by the Group on 21 January 2010 with a pool of major national and international banks. This is a long-term agreement (maturing on 31 December 2014), negotiated in advance of its period of use, under which the lenders would provide Prysmian S.p.A. and some of its subsidiaries loans and credit facilities for a total of Euro 1,070 million (of which Term Loan Facility Euro 320 million provided to Prysmian S.p.A.).

On 1 June 2012, the Company acquired a 0.01% interest in Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil Ltda from its subsidiary Prysmian Cavi e Sistemi S.r.l..

With effect from 1 October 2012, Prysmian S.p.A. received through spin-off:
- from the subsidiary Prysmian Cavi e Sistemi S.r.l., the interests in Prysmian Cavi e Sistemi Italia S.r.l. (100%), Prysmian PowerLink S.r.l. (84.8%), Prysmian Treasury S.r.l. (100%) and Fibre Ottiche Sud – F.O.S. S.r.l. (100%);
- from the subsidiary Prysmian Cavi e Sistemi Italia S.r.l., a minority interest in Prysmian PowerLink S.r.l. (15.2%).

On 30 November 2012, the Company made capital contributions to the subsidiary Draka Holding N.V. for Euro 230,000 thousand, to the subsidiary Prysmian Treasury S.r.l. for Euro 12,000 thousand and to the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l. for Euro 12,000 thousand.

With reference to the business outlook, please refer to the Directors' Report contained in the Group Annual Report.

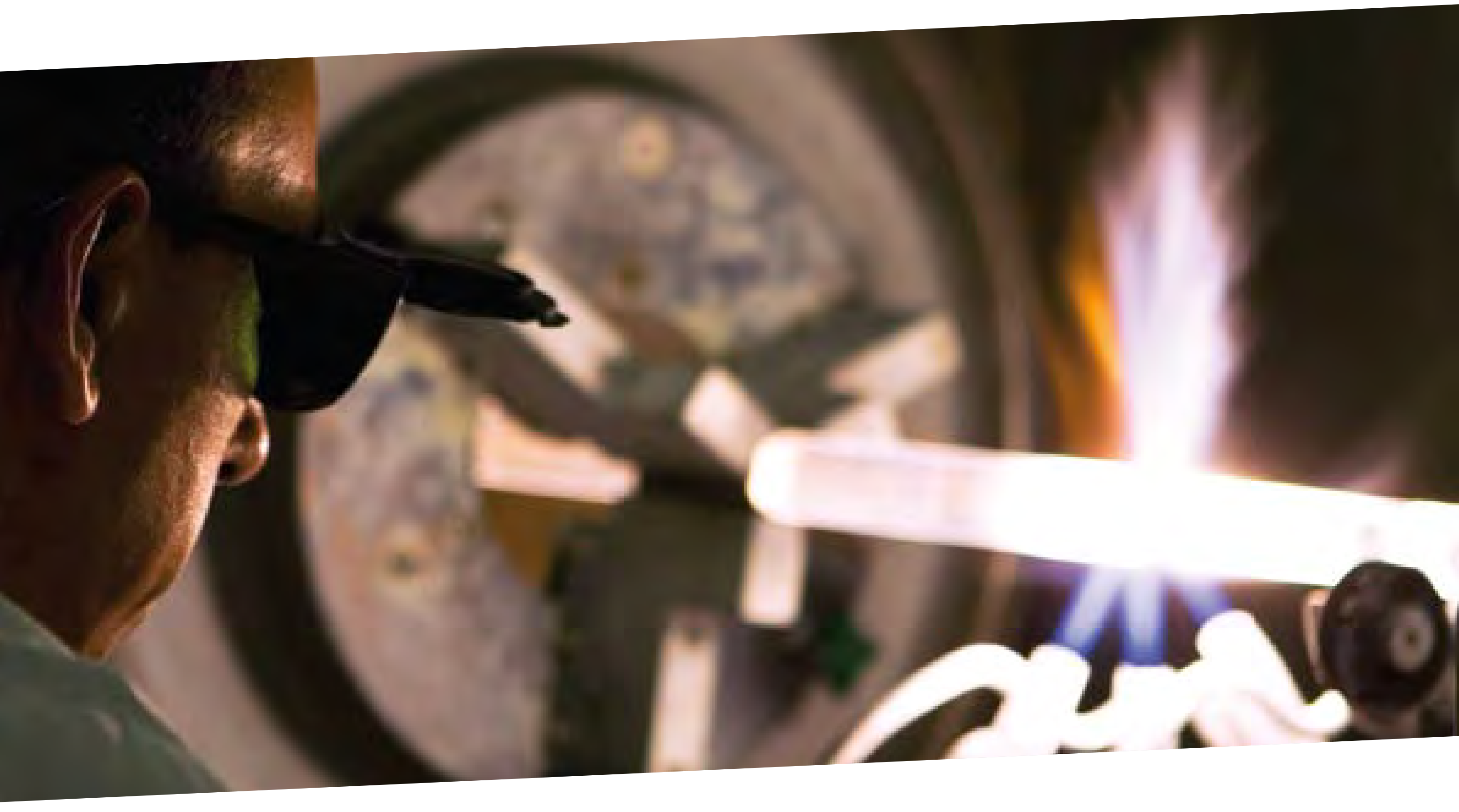
FINANCIAL PERFORMANCE OF PRYSMIAN S.P.A.

The tables presented and discussed below have been prepared by reclassifying the financial statements at 31 December 2012, 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 income of Prysmian S.p.A., the Group's investment holding company, primarily reflects dividends received from the subsidiary Prysmian Cavi e Sistemi S.r.l., revenue from services provided to subsidiaries and royalties for the use of patents and know-how by subsidiaries and possibly even third parties.

(in thousands of Euro)

	2012	2011
Dividends	150,000	161,332
Personnel and operating costs net of revenue and other income	(17,753)	(14,711)
Income from non-recurring transactions	350	-
Costs of non-recurring transactions	(6,267)	(50,380)
Net finance costs	(35,408)	(39,176)
Taxes	21,216	42,367
Net profit/(loss) for the year	**112,138**	**99,432**



INCOME STATEMENT

The Parent Company's income statement for 2012 reports Euro 112,138 thousand in net profit, an increase of Euro 12,706 thousand on the prior year.
This result reflects:

Dividends amount to Euro 150,000 thousand, compared with Euro 161,332 thousand in the prior year, and entirely consist of the dividends paid by the subsidiary Prysmian Cavi e Sistemi S.r.l..

Personnel and operating costs net of revenue and other income amount to Euro 17,753 thousand, compared with Euro 14,711 thousand in 2011.
In detail:

- **Personnel and operating costs** of Euro 128,440 thousand comprise Euro 48,488 thousand in personnel costs (Euro 38,108 thousand in 2011), and Euro 79,952 thousand in other operating costs (Euro 68,286 thousand in 2011) which consist of: Euro 69,250 thousand for services (see Note 17 to the Parent Company Financial Statements), Euro 8,685 thousand in amortisation and depreciation (see Note 16 to the Parent Company Financial Statements) and Euro 2,017 thousand in raw materials and consumables used (see Note 14 to the Parent Company Financial Statements). Personnel and operating costs recorded an overall increase of Euro 22,046 thousand, mainly because of costs incurred for activities previously carried out by Draka Holding N.V. within the former Draka Group.

- **Revenue and other income** of Euro 110,687 thousand (Euro 91,683 thousand in 2011) mostly refer to amounts charged back by Prysmian S.p.A. to its subsidiaries for coordination activities, for services provided by headquarters functions and for royalties relating to patents and know-how. The growth in revenue of Euro 19,004 thousand is the result of extending chargebacks for centrally provided services to former Draka Group companies.

Costs of non-recurring transactions amount to Euro 6,267 thousand (Euro 50,380 thousand in 2011) and include Euro 2,979 thousand for personnel costs, Euro 2,690 thousand in costs for special projects and Euro 589 thousand in provisions for legal costs relating to the antitrust investigations.

Net finance costs amount to Euro 35,408 thousand (Euro 39,176 thousand in 2011), mainly relating to interest payable on the bond issued by the Company on 9 April 2010 and to interest payable under the "Credit Agreement 2010" and "Credit Agreement 2011" (see Note 8 to the Parent Company Financial Statements).

Income **Taxes** are a positive Euro 21,216 thousand (Euro 42,367 thousand in 2011) and comprise Euro 1,206 thousand for recognising deferred tax assets and Euro 20,010 thousand for current taxes. The latter reflect the net benefits of not paying tax on tax losses transferred from some Italian companies under the group tax election.

More details about the Italian companies which have elected to file for tax on a group basis with Prysmian S.p.A. can be found in Note 20 to the Parent Company Financial Statements.

STATEMENT OF FINANCIAL POSITION

The Parent Company's statement of financial position is summarised as follows:

(in thousands of Euro)

	31 December 2012	31 December 2011
Net fixed assets	1,721,587	1,444,443
- of which: Investments in subsidiaries	1,660,977	1,397,156
Net working capital	114,087	59,478
Provisions	(27,619)	(26,998)
Net capital employed	**1,808,055**	**1,476,923**
Employee benefit obligations	15,880	7,507
Equity	871,588	786,439
Net financial position	920,587	682,977
Total equity and sources of funds	**1,808,055**	**1,476,923**

Note: the composition and method of calculating the above indicators are discussed in the Directors' Report contained in the Group Annual Report.

Fixed assets basically comprise the controlling interests in Prysmian Cavi e Sistemi S.r.l. and Draka Holding N.V..

- The increase in investments in subsidiaries of Euro 263,821 thousand since 31 December 2011 is due to the acquisition of 478,878 more ordinary shares in Draka Holding N.V. for the sum of Euro 8,886 thousand, to capital contributions made to the subsidiary Draka Holding N.V. for Euro 230,000 thousand, to the subsidiary Prysmian Treasury S.r.l. for Euro 12,000 thousand and to the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l. for Euro 12,000 thousand, and to Euro 935 thousand in increases for the compensation-related component of the stock option plan, with underlying Prysmian S.p.A. shares, for certain managers employed by other Group companies.

Investments in fixed assets amounted to Euro 11,573 thousand in 2012 (Euro 10,029 thousand in 2011), most of which relating to expenditure on realising the SAP Consolidation project (more details can be found in Note 2 to the Parent Company Financial Statements).

Net working capital of Euro 114,087 thousand comprises:

- Euro 80,026 thousand as the net positive balance between trade receivables and trade payables (see Notes 5 and 9 to the Parent Company Financial Statements);
- Euro 34,061 thousand in other receivables/payables (tax, employees etc), net of financial receivables/payables (see Notes 5 and 9 to the Parent Company Financial Statements);

The increase of Euro 54,609 thousand compared with 31 December 2011 is primarily due to higher receivables as a result of extending chargebacks to former Draka Group companies.

Provisions, presented above net of deferred tax assets, amount to Euro 27,619 thousand at 31 December 2012 (see Notes 4 and 10 to the Parent Company Financial Statements).

Equity amounts to 871,588 thousand at 31 December 2012, reporting a net increase of Euro 85,149 thousand since 31 December 2011, mainly due to the increase in the stock option reserve and to the net profit for the year.
A more detailed analysis of the changes in equity can be found in the specific table presented as part of the Parent Company Financial Statements.

The Group's consolidated equity at 31 December 2012 and consolidated net profit for 2012 are reconciled with the corresponding figures for the Parent Company Prysmian S.p.A. in a table presented in the Directors' Report contained in the Group Annual Report.

The Net financial position reports Euro 920,587 thousand in net debt at 31 December 2012, compared with Euro 682,977 thousand at 31 December 2011.
The higher level of debt is mainly attributable to the activation of the "Credit Agreement 2010" on 3 May 2012 (see Note 8 to the Parent Company Financial Statements).
The composition of net financial position is presented in detail in the following table.

NET FINANCIAL POSITION

A more detailed analysis of cash flows is presented in the statement of cash flows, forming part of the Parent Company financial statements presented in the following pages.

(in thousands of Euro)

	Note	31 December 2012	31 December 2011
Long-term financial payables			
- Term Loan Facility	8	660,800	400,000
Senior credit lines		**660,800**	**400,000**
- Bank fees	8	(7,326)	(5,621)
Credit agreements		**653,474**	**394,379**
- Bond	8	397,515	396,513
Total long-term financial payables		**1,050,989**	**790,892**
Short-term financial payables			
- Term Loan Facility	8	60,237	67,789
- Bank fees	8	(678)	(51)
- Bond	8	15,304	15,304
- Other borrowings	8	722	2,001
Total short-term financial payables		**75,585**	**85,043**
Total financial liabilities		**1,126,574**	**875,935**
Long-term financial receivables	5	21	19
Long-term bank fees	5	3,919	15,158
Short-term financial receivables	5	7	69
Short-term bank fees	5	3,919	6,353
Receivables from Group companies	5	197,440	170,169
Cash and cash equivalents	6	681	1,190
Total financial assets		**205,987**	**192,958**
Net financial position		**920,587**	**682,977**

Note 8 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 dated 28 July 2006 in compliance with the CESR recommendation dated 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 Group's operating companies. Its principal subsidiaries are:

- Draka Holding N.V.: this company serves as an operational holding company for the Draka Group. In 2012, Draka Holding N.V. reported Euro 24,654 thousand in revenue, Euro 21,458 thousand in dividends and Euro 53,326 thousand in net profit.
- Prysmian Cavi e Sistemi S.r.l.: this company serves as an operational holding company and is also involved in the management and installation of submarine and high voltage power systems, through until completion of the contracts in progress at 31 December 2012. In 2012, Prysmian Cavi e Sistemi S.r.l. reported Euro 185,554 thousand in revenue, Euro 21,337 thousand in dividends and Euro 142,401 thousand in net profit.
- Prysmian Powerlink S.r.l.: this company manufactures, installs and lays submarine cables. In 2012, it reported Euro 699,613 thousand in revenue and Euro 61,612 thousand in net profit.

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 the area of materials and optical fibre technology.
R&D costs incurred in 2012 and expensed to income amounted to Euro 19.2 million.
More details can be found in the Directors' Report contained in the Group Annual Report.

ENVIRONMENT AND SAFETY

During 2012, the integration between the Prysmian and Draka HSE functions really got underway, with an updating of the Group's procedures for its environmental management, health and safety systems. One of the main activities involved in this update, led by the Company's HSE function, was to upgrade the information system that gathers and reports HSE data and information, with the dual purpose of analysing and comparing the different Group entities resulting from the merger so as to align their practices and operating procedures, and of developing consolidated reports to document and monitor significant HSE indicators at Group level.
The indicators for monitoring HSE include energy consumption, waste management, the use of water resources and atmospheric emissions of greenhouse gases. These indicators are reported in the Group's Sustainability Report, in some cases as early as in the 2012 edition. In particular, with regard to greenhouse gas emissions, the Group has started to collect energy consumption data to keep a track of "direct" emissions (arising from the production process), and "indirect" ones (arising from bought-in energy); this process will allow Prysmian to participate in 2013 in the Carbon Disclosure Project (CDP), an international initiative that aims to contribute to the achievement of the Kyoto Protocol's targets for worldwide reduction in greenhouse gases.

During 2012, the Company's HSE function continued its efforts to support the implementation of environmental management, health and safety systems in all the Group's operating units, in which it conducted a number of pre-assessment audits to verify the correct application of existing procedures. Training was also provided at the same time to HSE site and subsidiary managers.

The Company's HSE function undertook communication and training initiatives during the year and promoted the use of tools at every level of the organisation, such as: publication of the "Golden Safety Rules", a document endorsed by the CEO and the CFO of Prysmian S.p.A. which contains a brief summary of the main operational rules and reaffirms one of the Group's guiding principles, namely protection of health and safety at work and of the environment.

With the activities conducted during 2012 and prior years, Prysmian S.p.A. has laid the foundations for a more conscious and integrated management of the Company's environmental, health and safety issues.
In fact, the integration process represents an opportunity for improvement; the Company's HSE function will coordinate the development of additional policies and operating procedures to manage health, safety and the environment at all its operating units.

More details can be found in the Directors' Report contained in the Group Annual Report.

HUMAN RESOURCES

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

- Leadership Alignment, aimed at aligning organisation and management in a common model during the integration process;
- People Development, to recruit, develop and recognise the value of people, with the aim of fostering the necessary talent, skills and motivation to develop the business;
- Organisational Development, to keep the organisation constantly in step with business needs;
- Social and internal relations, aimed at managing industrial relations and internal relations (communication) in line with the Group's values and policies.

The fundamental processes of the Company are based on a full expression of the Group's value system that must guide how management and employees act and behave towards customers, partners, suppliers, shareholders and communities.

Prysmian S.p.A. had a total of 324 employees at 31 December 2012 (294 at 31 December 2011), of whom 287 management/white-collar staff (260 at 31 December 2011) and 37 blue-collar staff (34 at 31 December 2011).

More details can be found in the Directors' Report contained in the Group Annual Report.

DIRECTION AND COORDINATION

Prysmian S.p.A. is not under the direction and coordination of other companies or entities but 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 Company's statement of financial position and income statement at 31 December 2012.

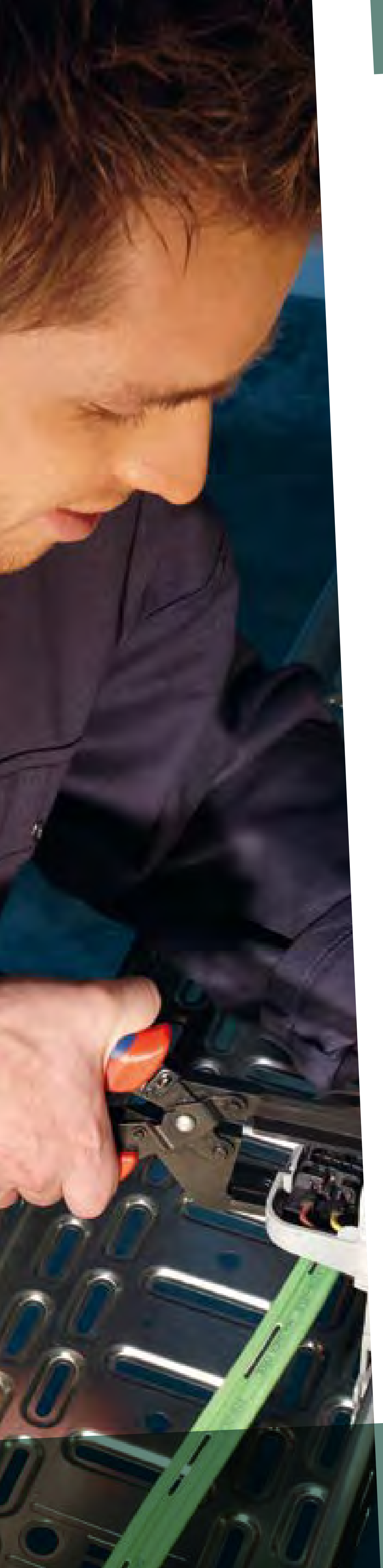
(in thousands of Euro)

	Investments in subsidiaries	Receivables	Payables	Employee benefit obligations	Costs			Income			
					Personnel costs	Goods and services	Finance costs	Goods and services	Finance income	Dividends	Income (costs) from group tax filing
Subsidiaries:											
Fibre Ottiche Sud - F.O.S. S.r.l.	40,383	195	(46)	-	-	(251)	-	158	51	-	-
Prysmian TelecomCables & Systems Australia PTY Limited	-	107	-	-	-	-	-	2	-	-	-
Prysmian Wuxi Cable Company Ltd	-	-	(50)	-	-	-	-	-	-	-	-
Prysmian Communications Cables and Systems Usa LLC	-	169	(19)	-	-	(30)	-	4	-	-	-
Prysmian Telecomunicações Cabos e Sistemas do Brasil S.A.	-	-	-	-	-	-	-	10	-	-	-
Sociedade Produtora de Fibras Ópticas S.A.	-	-	-	-	-	(2)	-	-	-	-	-
Prysmian Treasury Srl	12,000	197,463	(22)	-	-	(6)	(131)	16	3,001	-	-
Prysmian Cables & Systems Limited	-	1,729	(574)	-	-	(2,696)	(18)	199	374	-	-
Prysmian Energia Cables y Sistemas de Argentina S.A.	-	79	(106)	-	-	(98)	-	2	-	-	-
Prysmian Energia Cabos e Sistemas do Brasil S.A.	-	10	(184)	-	-	(239)	-	103	-	-	-
Prysmian Power Cables and Systems Canada LTD	-	-	(7)	-	-	(34)	-	-	40	-	-
Prysmian Cables et Systèmes France SAS	-	2,112	(266)	-	-	(283)	-	1,083	-	-	-
Prysmian Cables y Sistemas S.A.	-	1,769	(57)	-	-	(336)	-	330	243	-	-
Prysmian Construction Services Inc.	-	74	-	-	-	-	-	-	-	-	-
P.T. Prysmian Cables Indonesia	-	-	-	-	-	-	-	1	-	-	-
Prysmian - OEKWGmbH	-	21	-	-	-	-	-	21	-	-	-
Prysmian Kabel und Systeme GmbH	2,154	1,329	(40)	-	-	(570)	-	534	121	-	-
Prysmian MKM Magyar Kabel Muvek Kft	-	318	(11)	-	-	(64)	-	427	-	-	-
Turk Prysmian Kablo Ve Sistemleri A.S.	-	905	(56)	-	-	(189)	-	524	-	-	-
Prysmian Cabluri Si Sisteme S.A.	-	198	(16)	-	-	(40)	-	179	-	-	-
Fercable S.L.	-	13	-	-	-	-	-	13	-	-	-
Prysmian Tianjin Cables Co. Ltd.	-	-	(20)	-	-	(3)	-	-	-	-	-
Prysmian Kablo SRO	1	161	-	-	-	-	-	74	-	-	-
Prysmian Finland OY	-	754	(221)	-	-	(10)	-	1,061	61	-	-
Prysmian Cables and Systems B.V.	-	556	(73)	-	-	(280)	-	123	558	-	-
Prysmian Cavi e Sistemi Italia S.r.l.	48,955	1,686	(177)	-	-	(543)	-	1,847	12	-	(383)
Prysmian Baosheng Cable Co., Ltd	-	13	-	-	-	(61)	-	1	-	-	-
Prysmian Power Cables & Systems Australia PTY Limited	-	356	(137)	-	-	(844)	(2)	20	121	-	-
Prysmian Power Cables and Systems Usa LLC	-	2,531	(26)	-	-	(190)	(2)	333	253	-	-
Prysmian Cavi e Sistemi S.r.l.	277,522	103,944	(56)	-	-	(30)	-	91,955	404	150,000	10,077
Prysmian (Dutch) Holdings B.V.	-	1.241	-	-	-	-	-	-	121	-	-
Prysmian (French) Holdings SAS	-	-	-	-	-	-	-	-	222	-	-
Prysmian Treasury (LUX) S.à r.l.	-	-	-	-	-	-	-	-	51	-	-
Prysmain Power Cables & Systems New Zealand Limited	-	-	-	-	-	-	-	2	-	-	-
Prysmian PowerLink Srl	63,481	32,420	(46)	-	-	(13)	-	1,634	10,154	-	25,820
Prysmian (CHINA) Investment Company Ltd	-	14	(5)	-	-	(4)	-	8	-	-	-
LLC Investitsionno – Promyshlennaya Kompaniya Rybinskelektrokabel	-	213	(20)	-	-	-	-	39	-	-	-
LLC Rybinskelektrokabel	-	960	-	-	-	(1)	-	1,122	-	-	-

(in thousands of Euro)

	Investments in subsidiaries	Receivables	Payables	Employee benefit obligations	Costs			Income			
					Personnel costs	Goods and services	Finance costs	Goods and services	Finance income	Dividends	Income (costs) from group tax filing
Ravin Cables Limited (India)	-	25	-	-	-	-	-	-	-	-	-
Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil Ltda	-	28	(81)	-	-	(81)	-	77	-	-	-
Prysmian Electronics S.r.l.	-	34	(484)	-	-	(400)	-	17	-	-	21
Draka Holding N.V.	1,216,481	971	(9,231)	-	-	(9,234)	-	-	-	-	-
Kabelbedrijven Draka Nederland BV	-	252	7	-	-	(1)	-	-	-	-	-
Draka Comteq Fibre BV	-	247	-	-	-	-	-	35	-	-	-
Draka Communications Americas INC	-	100	-	-	-	(1)	-	-	-	-	-
Draka Cableteq USA INC	-	333	1	-	-	(48)	-	-	-	-	-
Draka Elevator Products INC	-	263	-	-	-	-	-	-	-	-	-
Draka Comteq France SAS	-	470	(119)	-	-	(556)	-	4	-	-	-
Draka Comteq Germany GmbH & Co.KG	-	273	(244)	-	-	(395)	-	23	-	-	-
Draka Norsk Kabel AS	-	204	(8)	-	-	(19)	-	2	-	-	-
Draka Kabel Sverige AB	-	151	(8)	-	-	(118)	-	1	-	-	-
Draka Denmark Copper Cable A/S	-	88	11	-	-	-	-	27	-	-	-
Draka Cable Wuppertal Gmbh	-	320	-	-	-	(1)	-	25	-	-	-
Draka Kabel B.V.	-	-	(16)	-	-	(16)	-	-	-	-	-
Draka Comteq Berlin GmbH & Co KG	-	116	-	-	-	-	-	9	-	-	-
AS Draka Keila Cables	-	42	-	-	-	-	-	14	-	-	-
Draka Cables Industrial SL	-	184	(9)	-	-	(9)	-	111	-	-	-
Draka Comteq Iberica SL	-	15	-	-	-	-	-	15	-	-	-
Draka Kabely SRO	-	93	(16)	-	-	(125)	-	1	-	-	-
Draka NK Cables OY	-	-	-	-	-	(62)	-	-	-	-	-
Draka Belgium N.V.	-	-	-	-	-	-	-	1	-	-	-
Draka Comteq Denmark A/S	-	2	(11)	-	-	(11)	-	2	-	-	-
Draka Denmark Holding A/S	-	161	-	-	-	-	-	342	-	-	-
Draka Fileca S.A.S.	-	71	(63)	-	-	(136)	-	-	-	-	-
Draka Deutschland GmbH	-	7	-	-	-	-	-	7	-	-	-
Draka Kabeltechnik GmbH	-	2	-	-	-	-	-	2	-	-	-
Draka Service GmbH	-	2	-	-	-	-	-	2	-	-	-
Draka Comteq UK Limited	-	-	(33)	-	-	(199)	-	-	1	-	-
Draka UK Limited	-	-	(23)	-	-	(124)	-	-	-	-	-
Draka Comteq Norway A.S.	-	64	-	-	-	-	-	-	-	-	-
Draka Comteq Cable Solutions B.V.	-	90	-	-	-	-	-	72	-	-	-
Draka Comteq Slovakia s.r.o.	-	4	-	-	-	-	-	4	-	-	-
Draka Sweden AB	-	56	-	-	-	-	-	71	-	-	-
Draka Istanbul Asansor Ihracaat Ithalat ÜretimLtd Sti.	-	9	-	-	-	-	-	9	-	-	-
Draka Comteq Kablo Limited Sirketi	-	9	-	-	-	-	-	9	-	-	-
Draka Marine Oil & Gas International LLC	-	92	7	-	-	-	-	-	-	-	-
Prysmian Draka Brasil	-	-	(169)	-	-	(169)	-	-	-	-	-
Draka Durango S. de R.L. de C.V.	-	-	-	-	-	-	-	3	-	-	-
Draka Cables (Hong Kong) Limited	-	-	-	-	-	-	-	1	-	-	-
Suzhou Draka Cable Co. Ltd	-	72	-	-	-	-	-	72	-	-	-
Draka Philippines Inc.	-	-	-	-	-	-	-	2	-	-	-
Sindutch Cable Manufacturer Sdn Bhd	-	-	(5)	-	-	(5)	-	2	-	-	-
Draka Cableteq Asia Pacific Holding Pte Ltd	-	296	-	-	-	-	-	4	-	-	-
Singapore Cables Manufacturers Pte Ltd	-	26	(17)	-	-	(40)	-	-	5	-	-
Draka Comteq Singapore Pte Ltd	-	-	-	-	-	(43)	-	-	1	-	-
MCI-Draka Cable Co. Ltd	-	1	-	-	-	-	-	2	-	-	-
Prysmian UK Group Limited	-	350	-	-	-	-	-	351	-	-	-
Prysmian PowerLink - Branch Singapore	-	-	(16)	-	-	(2)	-	-	-	-	-
Power Cables Malaysia SND– BHD	-	68	-	-	-	-	-	-	-	-	-
Prysmian Financial Services Ireland Limited	-	473	-	-	-	-	-	1,002	-	-	-
Compensation of directors, statutory auditors and key management personnel	-	-	(4,550)	(5,472)	(13,247)	(477)	-	-	-	-	-
Total	**1,660,977**	**357,404**	**(17,312)**	**(5,472)**	**(13,247)**	**(19,089)**	**(153)**	**104,146**	**15,794**	**150,000**	**35,535**

Information on related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 23 to the Parent Company Financial Statements.



ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2012.

SECONDARY OFFICES

For the list of secondary offices, please refer to the list of investments in subsidiaries appended to the Explanatory Notes to the Financial Statements.

CORPORATE GOVERNANCE

Information about corporate governance can be found in the Directors' Report contained in the Group Annual Report.

OWNERSHIP STRUCTURE

At 31 December 2012, the share capital of Prysmian S.p.A. amounts to Euro 21,451 thousands and consisted of 214,508,781 ordinary shares (including 3,028,500 treasury shares), with a nominal value of Euro 0.10 each. The total number of outstanding shares with voting rights was 211,469,612, stated net of 10,669 treasury shares held indirectly.

INCENTIVE PLANS

STOCK OPTION PLAN 2007-2012

On 30 November 2006, the Extraordinary Shareholders' Meeting of the Company approved an incentive scheme based on stock options ("the Plan"), reserved for employees of Prysmian Group companies, together with the Regulations governing its operation.
At the same time, the Shareholders' Meeting approved a share capital increase against payment, to be carried out in one or more separate stages, for the purposes of the above Plan, up to a maximum amount of Euro 310,000.00.
In compliance with the terms of the Plan Regulations, options were granted free of charge to 99 employees of the Company and other Prysmian Group companies to subscribe to 2,963,250 of the Company's ordinary shares.
Each option carries the right to subscribe to one share of nominal value Euro 0.10, at a price of Euro 4.65 per share. The unit price was determined by the Company's Board of Directors on the basis of the market value of the issuer's share capital at the date of the Plan's approval by the Company's Board of Directors. The value was determined on the basis of the issuer's economic and financial results at 30 September 2006 and took account of (i) the dilution produced by the grant of the options themselves, as well as (ii) the illiquidity of the presumed market value of the issuer's share capital at that date.
The purpose of adopting the stock option plan was to align the interests of beneficiaries with the growth in shareholders' wealth.
At 31 December 2012, there were 19 Plan beneficiaries, all of whom employees of the Company and the Prysmian Group. This figure takes account of those persons identified by the Extraordinary Shareholders' Meeting of 30 November 2006 ("Original Beneficiaries"), those Original Beneficiaries whose options have lapsed and Pier Francesco Facchini, the Director and Chief Financial Officer, identified by the Board of Directors on 16 January 2007 as an additional beneficiary of the Plan. A total of 115,300 options were exercised during 2012, involving the issue of a corresponding number of new ordinary shares of the Company, and leaving 82,937 options still outstanding at 31 December 2012.
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 additional Plan beneficiaries to the Original Beneficiaries.
The options have vested in four equal annual instalments on the anniversary of their grant date; the last vesting date was 4 December 2010.
Vested options can only be exercised during the so-called "Exercise periods" following the respective vesting date. Under the Plan Regulations, "Exercise period" is defined as each period of thirty days starting from the day after publication of the press release informing the public of the Board's approval of the Prysmian S.p.A. annual financial statements or half-yearly financial report.
On 15 April 2010, the Shareholders' Meeting of Prysmian S.p.A. approved an amendment to the Plan, with the introduction of four new option exercise periods, solely for beneficiaries still in the Group's employment.
Vested options will therefore be exercisable until the thirtieth day after publicly announcing the Board's approval of the Company's annual financial statements for 2012 (the original option expiry date was 30 days after the Board's approval of the annual financial statements for 2010).
For further information regarding the Plan, please refer to the information memoranda prepared under art. 84-bis of the Consob Issuer Regulations, which can be found on the Company's website www.prysmiangroup.com under Investor relations/Corporate governance.

LONG-TERM INCENTIVE PLAN 2011-2013

On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary authority to establish and execute the plan. The plan's purpose is to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and is conditional upon the achievement of performance targets, as detailed in the specific information memorandum.
The plan originally involved the participation of 290(*) employees of group companies in Italy and abroad viewed as key resources, and divides them into three categories, to whom the shares will be granted in the following proportions:
• *CEO*: to whom 7.70% of the rights to receive Prysmian S.p.A. shares have been allotted.
• *Senior Management*: this category has 44 participants who hold key positions within the Group (including the Directors of Prysmian S.p.A. who hold the positions of *Chief Financial Officer*, Energy Business Senior Vice President and *Chief Strategic Officer*), to whom 41.64% of the total rights to receive Prysmian shares have been allotted.
• *Executives*: this category has 245 participants who belong to the various operating units and businesses around the world, to whom 50.66% of the total rights to receive Prysmian shares have been allotted.

The plan establishes that the number of options granted will depend on the achievement of common business and financial performance objectives for all the participants. The plan establishes that the participants' right to exercise the allotted options depends on achievement of the Target (being a minimum performance objective of at least Euro 1.75 billion in cumulative Adj. EBITDA for the Group in the period 2011-2013, assuming the same group perimeter) as well as continuation of a professional relationship with the Group up until 31 December 2013. The plan also establishes an upper limit for Adj. EBITDA as the Target plus 20% (ie. Euro 2.1 billion), assuming the same group perimeter, that will determine the exercisability of the maximum number of options granted to and exercisable by each participant. Access to the plan has been made conditional upon each participant's acceptance that part of their annual bonus will be co-invested, if achieved and payable in relation to financial years 2011 and 2012.
The allotted options carry the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares may partly comprise treasury shares and partly new issue shares, obtained through a capital increase that excludes pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase, involving the issue of up to 2,131,500 new ordinary shares of nominal value Euro 0.10 each, for a maximum amount of Euro 213,150, was approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares will be allotted for zero consideration, while the shares obtained from the above capital increase will be allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

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

More details about incentive plans can be found in Note 15 to the Parent Company Financial Statements.

(*) Following movements since the plan's issue, the number of plan participants amounted to 276 at 31 December 2012. The number of employees of Prysmian S.p.A. participating in the above plan at the time of its issue was 45, but 44 as at 31 December 2012.

RISK FACTORS

Prysmian S.p.A. is exposed in the normal conduct of its business to a number of financial and non-financial risk factors which, if they should arise, could also have a material impact on its results of operations and statement of financial position. Prysmian S.p.A. adopts specific procedures to manage the risk factors that might influence its business results. 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 Company's business. For this purpose, the Board of Directors voted on 24 January 2006 to adopt a model of organisation, management and control ("Organisational Model"), designed to prevent commission of the criminal offences envisaged by Legislative Decree 231/01.

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

The Company's corporate governance structure is based on the recommendations and rules contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2011", which the Company has adopted. The "Corporate Governance" section of this report provides information on the structure adopted and related responsibilities and outlines the contents of the documents that comprise the new Organisational Model. Based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2012, the Company believes that, barring any extraordinary events, there are no significant uncertainties, such as to cast significant doubt upon the business's ability to continue as a going concern.

More details about context risks (External Risks) and process risks (Internal Risks) can be found in the Directors' Report contained in the Group Annual Report.

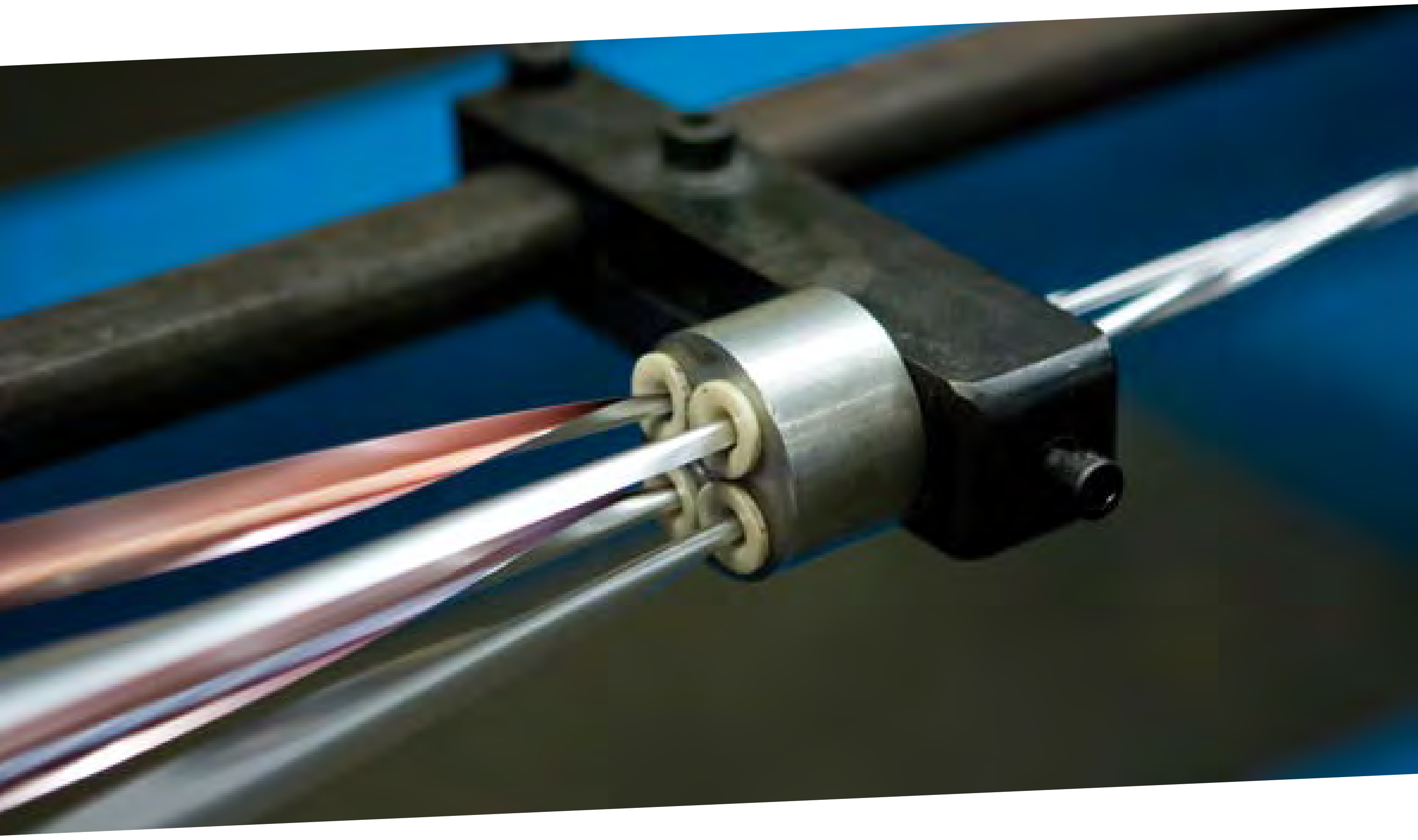
FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management policies are discussed in Sections C and C.1 of the Explanatory Notes to the Parent Company Financial Statements.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

Given its available liquidity and an intent to optimise borrowing costs, on 22 February 2013 the Prysmian Group made an early repayment of Euro 186 million (of which Euro 89 million pertaining to Prysmian S.p.A.) in respect of the payments due in 2013 and in the first half of 2014 against the Term Loan granted on 3 May 2012, which now stands at Euro 484 million.

With reference to the business outlook, please refer to the Directors' Report contained in the Group Annual Report.



PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND TO ALLOCATE NET PROFIT FOR 2012

Shareholders,

We are submitting the financial statements for the year ended 31 December 2012 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 2012, which close with a net profit of Euro 112,137,644.28, and

RESOLVES

a) to approve:
   - the report on operations by the Board of Directors;
   - the financial statements at 31 December 2012;

   as presented by the Board of Directors - as a whole and in their individual parts, along with the proposed provisions - which report a net profit of Euro 112,137,644.28;

b) to allocate net profit for the year of Euro 112,137,644.28 as follows:
   - Euro 3,000 to the Legal Reserve, thereby reaching one-fifth of share capital at 31 December 2012, as required by art. 2430 of the Italian Civil Code;
   - approximately Euro 89 million to pay a gross dividend of Euro 0.42 to each voting share (taking account of directly held treasury shares, currently numbering 3,028,500);
   - the remainder of approximately Euro 23 million to retained earnings.

The dividend will be payable from 25 April 2013, with the shares going ex-div on 22 April 2013, and will be paid to those shares outstanding on the ex-div date".

Milan, 27 February 2013

On behalf of the Board of Directors
The Chairman
Massimo Tononi

PARENT COMPANY

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

PARENT COMPANY

STATEMENT OF FINANCIAL POSITION

(in Euro)

	Note	31 December 2012	Of which related parties (Note 23)	31 December 2011	Of which related parties (Note 23)
NON-CURRENT ASSETS					
Property, plant and equipment	1	4,242,182		3,496,603	
Intangible assets	2	41,287,217		39,767,200	
Investments in subsidiaries	3	1,660,977,581	1,660,977,581	1,397,156,231	1,397,156,231
Deferred tax assets	4	6,000,533		4,913,813	
Other receivables	5	19,020,028	15,033,615	19,200,452	4,014,528
Total non-current assets		**1,731,527,541**		**1,464,534,299**	
Current assets					
Trade receivables	5	107,679,057	102,165,159	42,589,033	40,651,357
Other receivables	5	249,320,220	240,205,491	232,062,332	205,397,293
Cash and cash equivalents	6	681,083		1,189,938	
Total current assets		**357,680,360**		**275,841,303**	
Total assets		**2,089,207,901**		**1,740,375,602**	
Capital and reserves:					
Share capital	7	21,450,878		21,439,348	
Reserves	7	737,999,851		665,567,052	
Net profit/(loss) for the year	7	112,137,644		99,432,267	
Total equity		**871,588,373**		**786,438,667**	
Non-current liabilities					
Borrowings from banks and other lenders	8	1,050,989,117		790,892,338	
Employee benefit obligations	11	15,880,314	5,472,484	7,506,953	1,628,865
Total non-current liabilities		**1,066,869,431**		**798,399,291**	
Current liabilities					
Borrowings from banks and other lenders	8	75,585,614		85,043,193	
Trade payables	9	27,653,139	12,639,368	23,271,693	1,383,145
Other payables	9	13,816,913	4,597,782	15,311,203	4,735,628
Provisions for risks and charges	10	33,619,548		31,911,555	
Current tax payables		74,883	74,883	-	
Total current liabilities		**150,750,097**		**155,537,644**	
Total liabilities		**1,217,619,528**		**953,936,935**	
Total equity and liabilities		**2,089,207,901**		**1,740,375,602**	

INCOME STATEMENT

(in Euro)

	Note	2012	Of which related parties (Note 23)	2011	Of which related parties (Note 23)
Revenue from sales and services	12	55,729,996	55,729,938	41,450,988	41,450,973
Other income	13	55,307,572	48,416,236	50,232,364	46,555,486
of which non-recurring other income	*24*	*350,000*	*350,000*	-	
Raw materials and consumables used	14	(2,016,975)	(308,243)	(786,409)	(132,418)
Personnel costs	15	(51,467,270)	(13.246.544)	(41,414,088)	(8,132,401)
of which non-recurring personnel costs	*24*	*(2,978,653)*		*(3,306,000)*	
of which personnel costs for fair value of stock options		*(5,557,026)*	*3,043,209*	*(2,502,504)*	*1,548,680*
Amortisation, depreciation and impairment	16	(8,684,733)		(7,064,235)	
Other expenses	17	(72,538,958)	(18,780,921)	(107,508,241)	(6,058,527)
of which non-recurring other expenses	*24*	*(3,288,754)*	*(72,260)*	*(47,073,874)*	*(19,528)*
Operating income		**(23,670,368)**		**(65,089,621)**	
Finance costs	18	(51,253,008)	(153,043)	(51,983,321)	(127,812)
Finance income	18	15,844,923	15,793,656	12,806,855	12,724,988
Dividends from subsidiaries	19	150,000,000	150,000,000	161,331,515	161,331,515
Profit before taxes		**90,921,547**		**57,065,428**	
Taxes	20	21,216,097	35,535,044	42,366,839	28,902,519
Net profit/(loss) for the year		**112,137,644**		**99,432,267**	

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2012	2011
Net profit/(loss) for the year	**7**	**112,138**	**99,432**
Actuarial gains/(losses) on employee benefits - gross of tax	7	(522)	(27)
Actuarial gains/(losses) on employee benefits - tax effect	7	143	8
Total post-tax other comprehensive income/(loss) for the year	**7**	**(379)**	**(19)**
Total comprehensive income/(loss) for the year	**7**	**111,759**	**99,413**

STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)

	Share capital	Share premium reserve	Capital increase costs	Legal reserve	Treasury shares reserve	Extraordinary reserve	IAS/IFRS first time adoption reserve	Capital contribution reserve	Actuarial gains/(losses) - employee benefits	Stock option reserve	Treasury shares (*)	Retained earnings	Net profit/(loss) for the year	Total
	Nota 7	Nota 7	Nota 7	Nota 7	Nota 7	Nota 7	Nota 7	Nota 7	Nota 7	Nota 7	Nota 7	Nota 7		
Balance at 31 December 2010	**18,203**	**9,233**	**(2,664)**	**3,625**	**30,179**	**52,688**	**30,177**	**6,113**	**(726)**	**7,076**	**(30,179)**	**30,337**	**83,239**	**237,301**
Capital increases	3,236	475,739	-	-	-	-	-	-	-	-	-	-	-	478,975
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	(35,082)	(35,082)
Share-based compensation	-	-	-	-	-	-	-	-	-	6,888	-	-	-	6,888
Allocation of prior year net profit	-	-	-	16	-	-	-	-	-	-	-	48,141	(48,157)	-
Future capital increase costs	-	-	(1,056)	-	-	-	-	-	-	-	-	-	-	(1,056)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	(19)	-	-	-	99,432	99,413
Other	-	-	-	-	-	-	-	-	-	(5,500)	-	5,500	-	-
Balance at 31 December 2011	**21,439**	**484,972**	**(3,720)**	**3,641**	**30,179**	**52,688**	**30,177**	**6,113**	**(745)**	**8,464**	**(30,179)**	**83,978**	**99,432**	**786,439**
Capital increases	12	524	-	-	-	-	-	-	-	-	-	-	-	536
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	(44,395)	(44,395)
Share-based compensation	-	-	-	-	-	-	-	-	-	17,511	-	-	-	17,511
Allocation of prior year net profit	-	-	-	647	-	-	-	-	-	-	-	54,390	(55,037)	-
Future capital increase costs	-	-	(262)	-	-	-	-	-	-	-	-	-	-	(262)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	(379)	-	-	-	112,138	111,759
Balance at 31 December 2012	**21,451**	**485,.496**	**(3,982)**	**4,288**	**30,179**	**52,688**	**30,177**	**6,113**	**(1,124)**	**25,975**	**(30,179)**	**138,368**	**112,138**	**871,588**

(*) At 31 December 2012, a total of 3,028,500 treasury shares were held, with a nominal value of Euro 302,850.

STATEMENT OF CASH FLOWS

(in thousands of Euro)

	2012	Of which related parties (Note 23)	2011	Of which related parties (Note 23)
Profit before taxes	90,922		57,065	
Depreciation and impairment of property, plant and equipment	869		694	
Amortisation and impairment of intangible assets	7,816		6,370	
Share-based compensation	5,557		2,503	
Dividends	(150,000)	(150,000)	(161,332)	(161,332)
Net finance costs (income)	35,408	(15,641)	39,176	(12,597)
Changes in trade receivables/payables	(60,708)	(50,258)	(6,852)	(3,172)
Changes in other receivables/payables	(4,624)	(49,351)	2,627	4,807
Taxes collected/(paid) [2]	30,170	30,657	14,700	22,147
Utilisation of provisions (including employee benefit obligations)	(1,531)		(2,044)	
Increases in provisions (including employee benefit obligations)	11,091		34,069	
Transfer of employee benefit obligations	522		35	
A. Net cash flow provided by/(used in) operating activities	**(34,508)**		**(12,989)**	
Acquisitions [1]	(8,886)	(8,886)	(501,129)	(501,129)
Investments in property, plant and equipment	(2,237)		(859)	
Disposals of property, plant and equipment	623		-	
Investments in intangible assets	(9,336)		(9,170)	
Investments to recapitalise subsidiaries	(254,000)	(254,000)	-	
Dividends received	150,000	150,000	161,332	161,332
B. Net cash flow provided by/(used in) investing activities	**(123,836)**		**(349,826)**	
Finance costs paid [3]	(46,624)	(124)	(53,184)	(124)
Finance income received [4]	12,260	12,076	11,013	10,919
Changes in financial receivables/payables	236,058	(30,970)	438,116	51.645
Capital increases [5]	536		2,509	
Dividend distribution	(44,395)		(35,082)	
C. Net cash flow provided by/(used in) financing activities	**157,835**		**363,372**	
D. Total cash flow provided/(used) in the year (A+B+C)	**(509)**		**557**	
E. Net cash and cash equivalents at the beginning of the year	**1,190**		**633**	
F. Net cash and cash equivalents at the end of the year (D+E)	**681**		**1,190**	

[1] The figure of Euro 8,886 thousand represents the cash outlay to purchase the remaining ordinary shares in Draka Holding N.V., after completing the squeeze-out procedure on 27 February 2012.

[2] Refer to receipts relating to group tax filing receivables from Italian Group companies for the transfer of IRES (Italian corporate income tax) for 2012, net of IRES and IRAP (Italian regional business tax) paid by the Company.

[3] Finance costs paid comprise Euro 35,597 thousand in interest expense paid in 2012 (Euro 31,839 thousand in 2011), of which Euro 21,000 thousand in interest on the bond, Euro 675 thousand on the Term Loan (for the portion received by Prysmian S.p.A. under the Credit Agreement), Euro 5,226 thousand on the Term Loan 2010 and Euro 8,696 thousand on the Term Loan 2011, and Euro 10,810 thousand in bank fees and other costs relating to the current credit agreements.

[4] Finance income received includes Euro 9 thousand in interest collected in 2012 (Euro 22 thousand in 2011), Euro 4,370 thousand in amounts collected from Group companies for recharges of part of the bank fees incurred by Prysmian S.p.A. after entering into the Credit Agreement 2010, and Euro 7,696 thousand in amounts collected from Group companies for recharges of fees for guarantees given by the Company on their behalf.

[5] Refer to increases in share capital, of Euro 12 thousand, and in the share premium reserve, of Euro 524 thousand, as a result of stock options exercised in 2012.

Please refer to Note 28 for comments on the statement of cash flows.

EXPLANATORY NOTES

A. GENERAL INFORMATION

Prysmian S.p.A. ("the Company") is a company incorporated and domiciled in Italy and organised under the laws of the Republic of Italy. The Company was formed on 12 May 2005 and has its registered office in Viale Sarca, 222 - Milan (Italy).

The Company holds directly or indirectly, through its control of the sub-holding companies Prysmian Cavi e Sistemi S.r.l. and Draka Holding N.V. (acquired on 22 February 2011), the equity interests in the Prysmian Group's operating companies. The Company and its subsidiaries produce, distribute and sell cables and systems and related accessories for the energy and telecommunications industries worldwide.

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

Significant events during the year

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

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

On 5 March 2012, Prysmian Cavi e Sistemi S.r.l and Prysmian S.p.A. respectively acquired 99.99% and 0.01% of the shares in Jaguar Communication Consultancy Services Private Ltd, an Indian company formed on 31 January 2012.

On 3 May 2012, Prysmian S.p.A. repaid the Credit Agreement entered into on 18 April 2007, under which an initial amount of Euro 100 million in credit had been made available to the Company.
Prysmian S.p.A. repaid the remaining balance of Euro 67 million on the Term Loan Facility.

On 1 June 2012, the Company acquired a 0.01% interest in Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil Ltda from its subsidiary Prysmian Cavi e Sistemi S.r.l..

With effect from 1 October 2012, Prysmian S.p.A. received through demerger:

- from the subsidiary Prysmian Cavi e Sistemi S.r.l., the interests in Prysmian Cavi e Sistemi Italia S.r.l. (100%), Prysmian PowerLink S.r.l. (84.8%), Prysmian Treasury S.r.l. (100%) and Fibre Ottiche Sud – F.O.S. S.r.l. (100%);
- from the subsidiary Prysmian Cavi e Sistemi Italia S.r.l., a minority interest in Prysmian PowerLink S.r.l. (15.2%).

On 30 November 2012, capital contributions were made to the subsidiary Draka Holding N.V. for Euro 230,000 thousand, to the subsidiary Prysmian Treasury S.r.l. for Euro 12,000 thousand and to the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l. for Euro 12,000 thousand.

The share capital of Prysmian S.p.A. increased during 2012 after 115,300 options were exercised under the stock option plan. After this exercise, the total number of shares at 31 December 2012 was 214,508,781 (including 3,028,500 treasury shares).

The financial statements contained herein were approved by the Board of Directors on 27 February 2013.

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

BASIS OF PREPARATION

The 2012 financial statements represent the separate financial statements of the Parent Company Prysmian S.p.A..

The present financial statements have been prepared on a going concern basis, with the directors having assessed that there are no financial, operating or other kind of indicators that might provide evidence of the Company's inability to meet its obligations in the foreseeable future and particularly in the next 12 months. The risk factors relating to the business are described in the Directors' Report. Section C. Financial risk management and Section C.1 Capital risk management of these Explanatory Notes contain a description of how the Company manages financial risks, including liquidity and capital risks.

Under Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by art. 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 Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and published in the Official Journal of 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 guidance and new interpretations will be reflected in subsequent years, in the manner established from time to time by the relevant accounting standards.

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.

REPORTING FORMATS AND DISCLOSURES

The Company has elected to present its income statement according to the nature of expenses, whereas assets and liabilities in the statement of financial position have been classified as either current or non-current. The statement of cash flows has been prepared using the indirect method.

The Company has also applied the provisions of Consob Resolution 15519 dated 27 July 2006 concerning financial statement formats and the requirements of Consob Communication 6064293 dated 28 July 2006 regarding disclosures.

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 DIVIDENDS

Dividend income is recognised in the income statement when the right to receive the dividends is established, normally coinciding with the shareholders' resolution declaring the same, irrespective of whether such dividends are paid out of an investee company's pre- or post-acquisition earnings.

The distribution of dividends to shareholders is recognised as a liability in the Company's financial statements when the distribution of such dividends is approved.

B.2 SHARE-BASED PAYMENTS

Share-based payments are accounted for as follows, 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 as an expense in the income statement in the case of options that vest in favour of the Company's employees, as a credit if the related cost is recharged or as an increase in the value of investments in subsidiaries in the case of options that vest in favour of Group company employees. In all cases, the value is recognised on a straight-line basis over the option vesting period, with the matching entry going to equity; this recognition is based on the estimated number of stock options that 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.

(b) Equity-settled share-based payment transactions
Where plan 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.3 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost, less any impairment losses.
If there is 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 an investee has distributed dividends, the value of the investment is tested for impairment in at least one of the following circumstances:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets, including any associated goodwill;
- the dividend exceeds the total comprehensive income of the investee in the period to which the dividend refers.

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 through 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 using the "Discounted Cash Flow - equity side" method: this involves calculating the present value of estimated future cash flows generated by a subsidiary, including cash flows from operating activities and the consideration arising from the investment's ultimate sale, net of the financial position at the valuation date.

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.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 written guidelines on managing the different kinds of risks and on using financial instruments.

The financial risks to which Prysmian S.p.A. is subject, directly or indirectly through its subsidiaries, are the same as those of the companies of which it is the Parent Company. Reference should therefore be made to Section C. Financial risk management of the Explanatory Notes to the Group's Consolidated Financial Statements.

The principal types of risks to which the Company is exposed are discussed below:

(a) Exchange rate risk

At 31 December 2012 Prysmian S.p.A. does not have any significant receivables or payables positions or derivative financial 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 liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes 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.

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 net liabilities considered for sensitivity analysis include variable rate financial receivables and payables and cash and cash equivalents whose value is influenced by rate volatility. The Company calculates the pre-tax impact on the income statement of changes in interest rates.
The simulations carried out for balances at 31 December 2012 indicate that, with all other variables remaining equal, an increase of 25 basis points in interest rates would have increased financial payables by Euro 1,307 thousand (2011: increase of Euro 784 thousand) while a 25-point decrease would have decreased financial payables by Euro 1,307 thousand (2011: decrease of Euro 784 thousand). This simulation exercise is carried out on a regular basis to ensure that the maximum potential loss is within the limits set by management.

(c) Price risk

The Company is not exposed to price risk insofar 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 insofar 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 prefers flexibility when sourcing funds by using committed credit lines.
At 31 December 2012, cash and cash equivalents stood at Euro 681 thousand, compared with Euro 1,190 thousand at 31 December 2011. The Company can potentially use the credit lines granted to the Group relating to the securitization programme and to the Revolving Credit Facilities. More details can be found in the Explanatory Notes to the Consolidated Financial Statements (Note C. Financial risk management).

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

(in thousands of Euro)

				31 December 2012
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	114,304	296,224	809,261	-
Trade and other payables	41,470	-	-	-
Total	**155,774**	**296,224**	**809,261**	**-**

(in thousands of Euro)

				31 December 2011
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	128,836	49,894	904,270	-
Trade and other payables	38,583	-	-	-
Total	**167,419**	**49,894**	**904,270**	**-**

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

(in thousands of Euro)

		31 December 2012
	Loans and receivables	Other liabilities/assets
Trade receivables	-	107,679
Other receivables	-	268,340
Cash and cash equivalents	681	-
Borrowings from banks and other lenders	-	1,126,575
Trade payables	-	27,653
Other payables	-	13,817

(in thousands of Euro)

		31 December 2011
	Loans and receivables	Other liabilities/assets
Trade receivables	-	42,589
Other receivables	-	251,262
Cash and cash equivalents	1,190	-
Borrowings from banks and other lenders	-	875,935
Trade payables	-	23,272
Other payables	-	15,311

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 aims to maintain an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants required by the various Credit Agreements (Notes 8 and 27).

The Company monitors capital on the basis of its gearing ratio (ie. the ratio between net financial position and capital). Note 8 contains details of how the net financial position is determined. Capital is defined as the sum of equity and the net financial position.

The gearing ratios at 31 December 2012 and 31 December 2011 are shown below:

(in thousands of Euro)

	31 December 2012	31 December 2011
Net financial position	920,587	682,977
Equity	871,588	786,439
Total	1,792,175	1,469,416
Gearing ratio	**51%**	**46%**

The change in the gearing ratio is largely attributable to the deterioration in the net financial position, resulting from the increased level of debt mainly after activating the "Credit Agreement 2010" on 3 May 2012 (see Note 8).

C.2 FAIR VALUE

The fair value of financial instruments listed on an active market is based on market price at the reporting date. The market price used for derivatives is the bid price, while for financial liabilities the ask price is used.
The fair value of instruments not listed on an active market is determined using valuation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.
Other techniques, such as that of estimating discounted cash flows, are used for the purposes of determining the fair value of other financial instruments.
It is reported that the Company's statement of financial position does not contain any assets or liabilities measured at fair value.

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 financial statements requires management to apply accounting policies and methods which, at times, rely on subjective judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts, previously reported on the basis of estimates and assumptions, may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

The following is a brief description of the accounting policies that require the management of Prysmian S.p.A. to exercise greater subjectivity of judgement when preparing estimates and for which a change in underlying assumptions could have a significant impact on the financial statements.

(a) Provisions for risks and charges

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

(b) Impairment of assets

In accordance with the accounting standards applied by the Group, property, plant and equipment, 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 on 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 amount of impairment depend on factors which can vary over time, thus influencing judgements and estimates made by management. Irrespective of the existence of potential impairment indicators or otherwise, all intangible assets not yet ready for use must be tested for impairment once a year.

(c) Depreciation and amortisation

The cost of property, plant and equipment and intangible

assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of 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 that could impact 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.

(d) Taxes
Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at the end of the reporting period.
Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available against which they can be recovered.

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

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

Further information can be found in Note 11. Employee benefit obligations and Note 15. Personnel costs.

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

Further information can be found in Note 15. Personnel costs.

1. PROPERTY, PLANT AND EQUIPMENT

The following table presents the movements in property, plant and equipment over the course of 2012:

(in thousands of Euro)

	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2011	**198**	**1,298**	**405**	**806**	**790**	**3,497**
Movements in 2012:						
- Investments	-	411	208	356	908	1,883
- Disposals	-	(461)	(162)	-	-	(623)
- Reclassifications	-	134	124	552	(456)	354
- Depreciation	(50)	(318)	(250)	(251)	-	(869)
Total movements	**(50)**	**(234)**	**(80)**	**657**	**452**	**745**
Balance at 31 December 2012	**148**	**1,064**	**325**	**1,463**	**1,242**	**4,242**
Of which:						
- Historical cost	420	5,272	1.270	3,086	1,242	11,290
- Accumulated depreciation and impairment	(272)	(4,208)	(945)	(1,623)	-	(7,048)
Net book value	**148**	**1,064**	**325**	**1,463**	**1,242**	**4,242**

The amount of Euro 148 thousand for "Buildings" refers to expenditure on properties taken under lease.

"Plant and machinery" (Euro 1,064 thousand) and "Equipment" (Euro 325 thousand) mostly refer to instrumentation used for Research and Development activities.

"Other assets" (Euro 1,463 thousand) comprise Euro 1,299 thousand in office furniture and equipment and Euro 164 thousand in motor and other vehicles.

"Assets under construction and advances" (Euro 1,242 thousand) mostly refer to plant and machinery that will be used for Research and Development and which are expected to become available for use in the next year.

No borrowing costs were capitalised during the year.

Movements in property, plant and equipment in 2011 were as follows:

(in thousands of Euro)

	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2010	249	1,436	587	623	437	3,332
Movements in 2011:						
- Investments	-	110	24	149	576	859
- Disposals	-	-	-	-	-	-
- Reclassifications	-	-	-	223	(223)	-
- Depreciation	(51)	(248)	(206)	(189)	-	(694)
Total movements	**(51)**	**(138)**	**(182)**	**183**	**353**	**165**
Balance at 31 December 2011	**198**	**1,298**	**405**	**806**	**790**	**3,497**
Of which:						
- Historical cost	420	5,259	1,125	2.158	790	9,752
- Accumulated depreciation and impairment	(222)	(3,961)	(720)	(1,352)	-	(6,255)
Net book value	**198**	**1,298**	**405**	**806**	**790**	**3,497**

2. INTANGIBLE ASSETS

The following table presents the movements in the year by the principal components of intangible assets:

(in thousands of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Software	Intangibles in progress and advances	Total
Balance at 31 December 2011	**6,638**	**368**	**27,381**	**5,380**	**39,767**
Movements in 2012:					
- Investments	-	815	4.239	4,636	9,690
- *of which internally generated intangible assets*	-	-	*2.527*	*4,064*	*6,591*
- Reclassifications	-	383	4,374	(5,111)	(354)
- Amortisation	(1,193)	(217)	(6,406)	-	(7,816)
Total movements	**(1,193)**	**981**	**2,207**	**(475)**	**1,520**
Balance at 31 December 2012	**5,445**	**1,349**	**29,588**	**4,905**	**41,287**
Of which:					
- Historical cost	11,394	1,622	47,826	4,905	65,747
- Accumulated amortisation and impairment	(5,949)	(273)	(18,238)	-	(24,460)
Net book value	**5,445**	**1,349**	**29,588**	**4,905**	**41,287**

"Concessions, licences, trademarks and similar rights" refer to purchases of software licences.
"Software", which includes software development, reports a large increase mostly due to the new information system (SAP Consolidation project) which has already entered service and whose historical cost at 31 December 2012 is Euro 46,725 thousand. The costs of this information system will be amortised over 8 years ending in 2017.

"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 2012 includes Euro 2,824 thousand in expenditure on rolling out the SAP Consolidation project, aimed at harmonising the information system throughout the Group over the next few years.

No borrowing costs were capitalised during the year.

Movements in intangible assets in 2011 were as follows:

(in thousands of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Software	Intangibles in progress and advances	Total
Balance at 31 December 2010	**7,831**	**104**	**24,450**	**4,582**	**36,967**
Movements in 2011:					
- Investments	-	174	3,816	5,180	9,170
- *of which internally generated intangible assets*	-	-	3,007	4,335	7,342
- Reclassifications	-	143	4,239	(4,382)	-
- Amortisation	(1,193)	(53)	(5,124)	-	(6,370)
Total movements	**(1,193)**	**264**	**2,931**	**798**	**2,800**
Balance at 31 December 2011	**6,638**	**368**	**27,381**	**5,380**	**39,767**
Of which:					
- Historical cost	11,394	424	39,218	5,380	56,416
- Accumulated amortisation and impairment	(4,756)	(56)	(11,837)	-	(16,649)
Net book value	**6,638**	**368**	**27,381**	**5,380**	**39,767**

3. INVESTMENTS IN SUBSIDIARIES

This balance has undergone the following movements during the year:

(in thousands of Euro)

	31 December 2011	Capital Contribution	Squeeze-out procedure	Capital Contribution to stock option	Demerger related	31 December 2012
Prysmian Cavi e Sistemi S.r.l.	417,406	-	-	935	(140,819)	277,522
Draka Holding N.V.	977,595	230,000	8,886	-	-	1,216,481
Prysmian Cavi e Sistemi Italia S.r.l.	-	-	-	-	48,955	48,955
Prysmian PowerLink S.r.l.	-	-	-	-	63,481	63,481
Fibre Ottiche Sud - F.O.S. S.r.l.	-	12,000	-	-	28,383	40,383
Prysmian Treasury S.r.l.	-	12,000	-	-	-	12,000
Prysmian Kabel Und Systeme GmbH	2,154	-	-	-	-	2,154
Prysmian Kablo SRO	1	-	-	-	-	1
Prysmian Pension Scheme Trustee L.	-	-	-	-	-	-
Jaguar Communication Consultancy Services Private Ltd.	-	-	-	-	-	-
Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil Ltda	-	-	-	-	-	-
Total investment in subsidiaries	**1,397,156**	**254,000**	**8,886**	**935**	**-**	**1,660,977**

The following table summarizes the most important information about the equity interests held:

	Registered office	Share capital	% owned 2012	% owned 2011
Prysmian Cavi e Sistemi S.r.l.	Milan	Euro 100,000,000	100	100
Draka Holding N.V.	Amsterdam	Euro 39,094,979	69.691	99.121
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro 77,143,249	100	-
Prysmian PowerLink S.r.l.	Milan	Euro 50,000,000	100	-
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro 47,700,000	100	-
Prysmian Treasury S.r.l.	Milan	Euro 4,242,476	100	-
Prysmian Kabel Und Systeme GmbH	Berlin	Euro 15,000,000	6.25	6.25
Prysmian Pension Scheme Trustee L.	Hampshire	GBP 1	100	100
Prysmian Kablo SRO(1)	Bratislava	Euro 21,246,001	0.005	0.005
Jaguar Communication Consultancy Services Private Ltd. (1)	Mumbai	INR 12,738,400	0.0001	-
Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil Ltda (1)	Vila Velha	BRL 128,290,457	0.010	-

(1) Indirectly controlled

The increase of Euro 263,821 thousand in the value of investments in subsidiaries is attributable to the following transactions:

- on 27 February 2012, following the positive outcome of the squeeze-out, Prysmian S.p.A. purchased for Euro 8,886 thousand the 478,878 ordinary shares of Draka Holding N.V. for which acceptance was not obtained during the public mixed exchange and cash offer for all the Draka Holding N.V. ordinary shares (100% of interest held). During the year, the interest held was decreased to 69.691%, following the transfer of assets from the subsidiary Prysmian Cavi e Sistemi S.r.l. to Draka Holding N.V. as part of the corporate restructuring process. As a result of this transfer Prysmian Cavi e Sistemi S.r.l. has become the owner of 30.309% of the shares in Draka Holding N.V., an interest that is nonetheless indirectly owned by Prysmian S.p.A.;

- on 5 March 2012, Prysmian Cavi e Sistemi S.r.l and Prysmian S.p.A. respectively acquired 99.99% and 0.01% of the shares in Jaguar Communication Consultancy Services Private Ltd, an Indian company formed on 31 January 2012;
- on 1 June 2012, the Company acquired a 0.01% interest in Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil Ltda from its subsidiary Prysmian Cavi e Sistemi S.r.l;
- on 30 November 2012, the Company made capital contributions to the subsidiary Draka Holding N.V. for Euro 230,000 thousand, to the subsidiary Prysmian Treasury S.r.l. for Euro 12,000 thousand and to the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l. for Euro 12,000 thousand;
- increases totalling Euro 935 thousand for the compensation-related component of stock options over Prysmian S.p.A. shares held by managers employed by other Group companies, as explained in Note 15. Personnel costs. This component has been treated like a capital contribution to the subsidiaries and so reported as an increase in the value of the investments in the subsidiaries in which these managers are directly or indirectly employees. These increases are matched by a corresponding movement in the specific equity reserve. Further information can be found in Note 7. Share capital and reserves.

Demerger:
With effect from 1 October 2012 Prysmian S.p.A. received through demerger:
- from the subsidiary Prysmian Cavi e Sistemi S.r.l., the interests in Prysmian Cavi e Sistemi Italia S.r.l. (100%), Prysmian PowerLink S.r.l. (84.8%), Prysmian Treasury S.r.l. (100%) and Fibre Ottiche Sud – F.O.S. S.r.l. (100%);
- from the subsidiary Prysmian Cavi e Sistemi Italia S.r.l., a minority interest in Prysmian PowerLink S.r.l. (15.2%).

For completeness of disclosure, it is reported that the demerger took the form of a business combination involving entities or business under common control, and so was outside the scope of IFRS 3.

The financial statements for the year ended 31 December 2012 have therefore been prepared by applying the principle of continuity in values for the beneficiary. The values at which the Company has recognised the investments acquired with the demerger have been determined on the basis of net assets (of each demerged company), with a consequent proportionate reduction in the value of the investment in the subsidiary Prysmian Cavi e Sistemi S.r.l..

4. DEFERRED TAX ASSETS

These are detailed as follows:

(in thousands of Euro)

	31 December 2012	31 December 2011
Deferred tax assets:		
Deferred tax assets recoverable beyond 12 months	3,809	2,300
Deferred tax assets recoverable within 12 months	2,192	2,614
Total deferred tax assets	**6,001**	**4,914**

Movements in deferred tax assets are detailed as follows:

(in thousands of Euro)

	Employee benefit obligations	Provisions for risks	Capital increase costs	Other	Total
Balance at 31 December 2011	**980**	**1,281**	**1,049**	**1,604**	**4,914**
Impact on income statement	1,747	457	-	(998)	1,206
Impact on equity	143	-	(262)	-	(119)
Balance at 31 December 2012	**2,870**	**1,738**	**787**	**606**	**6,001**

Deferred tax assets amount to Euro 6,001 thousand (Euro 4,914 thousand at 31 December 2011) and reflect the effect of temporary differences between the accounting value of assets and liabilities at 31 December 2012 and their corresponding tax value.
These differences mainly refer to: Euro 2,444 thousand in costs relating to bonuses and incentives not yet paid in cash, Euro 1,134 thousand for the deductible portion of the provision against the investigation by Antitrust authorities, Euro 787 thousand in expenses relating to the capital increase serving the public mixed exchange and cash offer for the ordinary shares of Draka Holding N.V., announced on 22 November 2010 and formalised on 5 January 2011, and Euro 533 thousand for an impairment loss recognised against plant, machinery and equipment in 2008.

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in thousands of Euro)

			31 December 2012
	Non-current	Current	Total
Trade receivables	-	107,679	107,679
Total trade receivables	**-**	**107,679**	**107,679**
Other receivables:			
Tax receivables	-	2,010	2,010
Financial receivables	21	197,447	197,468
Prepaid finance costs	3,919	3,919	7,838
Receivables from employees	46	408	454
Other	15,034	45,536	60,570
Total other receivables	**19,020**	**249,320**	**268,340**
Total	**19,020**	**356,999**	**376,019**

(in thousands of Euro)

			31 December 2011
	Non-current	Current	Total
Trade receivables	-	42,589	42,589
Total trade receivables	**-**	**42,589**	**42,589**
Other receivables:			
Tax receivables	-	16,454	16,454
Financial receivables	19	170,238	170,257
Prepaid finance costs	15,158	6,353	21,511
Receivables from employees	9	224	233
Other	4,014	38,793	42,807
Total other receivables	**19,200**	**232,062**	**251,262**
Total	**19,200**	**274,651**	**293,851**

The following table breaks down trade and other receivables according to the currency in which they are expressed:

(in thousands of Euro)

	31 December 2012	31 December 2011
Euro	375,927	293,762
British pound	92	89
Total	**376,019**	**293,851**

Trade receivables at 31 December 2012 mainly refer to charges made by Prysmian S.p.A. to its subsidiaries for Corporate services, for patent and know-how user licences, for advisory costs incurred in relation to the Credit Agreement 2010 and for the charge made to Prysmian Financial Services Ireland Ltd. for services rendered in connection with the securitization of receivables.
The significant increase in trade receivables since 31 December 2011 is mainly due to charges, billable in full at 31 December 2012, for Corporate services following a corresponding increase in costs, and for royalties for the use of patent licences following the extension of charges to former Draka Group companies.

The book value of trade receivables approximates their fair value.
Trade receivables are all due within the next year and do not include any significant past due balances.

Tax receivables of Euro 2,010 thousand mainly refer to:
- tax credits for withholdings paid abroad (Euro 8,812 thousand);
- credits for excess payments on account of IRES - Italian corporate income tax (Euro 11,082 thousand) and IRAP - Italian regional business tax (Euro 338 thousand);
- provision for IRES for 2012 (Euro 19,356 thousand);
- VAT credits (Euro 651 thousand);
- remaining tax credit (Euro 406 thousand) for research and development under art. 1, par. 280-283, of Law 296 dated 27 December 2006, as per the authorisation received from the tax office on 15 June 2009.

Financial receivables mostly comprise the credit balance of Euro 197,440 thousand on the current account with Prysmian Treasury S.r.l., the Group's cash management company.

"Prepaid finance costs" mostly relate to:
- Euro 4,654 thousand for the Company's portion of the costs incurred for the revolving credit facilities under the Forward Start Credit Agreement signed on 21 January 2010 (now termed Credit Agreement, see Note 8 for more details), that the Company will amortise over the term of the agreement, ie. from 2012 to 2014, meaning that Euro 2,327 thousand is classified as non-current and Euro 2,327 thousand as current;
- Euro 3,184 thousand in costs incurred to renegotiate the Credit Agreement 2010 following acquisition of the Draka Group, that the Company will amortise over the term of the agreement, ie. until 2014. The portion of these costs classified as non-current is Euro 1,592 thousand, while the current portion is Euro 1,592 thousand.

At 31 December 2012, "Other" mainly comprises:
- Euro 15,034 thousand in receivables from Group companies for the chargeback of the compensation-related component of stock option plans involving Prysmian S.p.A. shares whose beneficiaries are managers employed by other Group companies;
- Euro 37,296 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 5,457 thousand in bank fees incurred upon entering the Credit Agreement 2010, recharged to Group companies and not yet collected.

The book value of financial receivables and other current receivables approximates their fair value.

6. CASH AND CASH EQUIVALENTS

These amount to Euro 681 thousand at 31 December 2012, compared with Euro 1,190 thousand at 31 December 2011. They relate to the cash held on bank current accounts denominated in Euro and repayable on demand.

The credit risk associated with cash and cash equivalents is limited insofar as the counterparties are major national and international banks.

The value of cash and cash equivalents is considered to be in line with their fair value at the reporting date.

7. SHARE CAPITAL AND RESERVES

Equity amounts to Euro 871,588 thousand at 31 December 2012, reporting an increase of Euro 85,149 thousand since 31 December 2011. The changes over this period are discussed in the paragraphs relating to the individual components of equity.

Share capital

Share capital amounts to Euro 21,451 thousand at 31 December 2012, consisting of 214,508,781 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 211,469,612, stated net of 10,669 treasury shares held indirectly.

The following table reconciles the number of outstanding shares at 31 December 2010, at 31 December 2011 and 31 December 2012:

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2010	**182,029,302**	**(3,028,500)**	**179,000,802**
Capital increase [(1)]	32,364,179	-	32,364,179
Treasury shares	-	-	-
Balance at 31 December 2011	**214,393,481**	**(3,028,500)**	**211,364,981**
Capital increase [(2)]	115,300	-	115,300
Treasury shares	-	-	-
Balance at 31 December 2012	**214,508,781**	**(3,028,500)**	**211,480,281**

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

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

More details about treasury shares can be found in the subsequent note on "Treasury shares".

Share premium reserve
This amounts to Euro 485,496 thousand at 31 December 2012, reporting an increase of Euro 524 thousand since 31 December 2011, due to the exercise of 115,300 options under the stock option plan described in Note 15. Personnel costs.

Capital increase costs
This reserve, which amounts to a post-tax negative Euro 3,982 thousand at 31 December 2012, relates to the costs incurred for the capital increase serving the public mixed exchange and cash offer for the ordinary shares of Draka Holding N.V., announced on 22 November 2010 and formalised on 5 January 2011.

Legal reserve
This amounts to Euro 4,288 thousand at 31 December 2012, and is Euro 647 thousand higher than at 31 December 2011 following apportionment of part of the prior year's net profit, as approved by the shareholders on 18 April 2012.

Treasury shares reserve
This reserve amounts to Euro 30,179 thousand at 31 December 2012, in compliance with the legal limit (art. 2357-ter of the Italian Civil Code). It was formed during 2008 after the shareholders adopted a resolution on 15 April 2008 authorising a programme to buy back up to 10% of the Company's shares. Under this resolution, purchases and sales of shares had to meet the following conditions: (i) the minimum price could be no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (ii) the maximum price could be no more than 10% above the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (iii) the maximum number of shares purchased per day could not exceed 25% of the average daily volume of trades in Prysmian shares on the Milan Stock Exchange in the 20 trading days prior to the purchase date; (iv) the purchase price could not be greater than the higher of the price of the last independent transaction and the highest independent bid price currently quoted on the market. On 7 October 2008, the Board of Directors subsequently granted the Chief Executive Officer and Chief Financial Officer separate powers to purchase up to 4 million of the Company's shares by 31 December 2008. At that date a total of 3,028,500 shares had been bought back for Euro 30.2 million.
On 9 April 2009, the shareholders renewed the authorisation to buy and dispose of treasury shares, while cancelling the previous resolution adopted on 15 April 2008. The authorisation permitted the purchase of shares representing no more than 10% of the Company's share capital at any time, including any treasury shares already held by the Company. Purchases could not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved annual financial statements. The programme was to last for a maximum of 18 months commencing from the date of the shareholders' approval and therefore expired on 9 October 2010.

Extraordinary reserve
This reserve amounts to Euro 52,688 thousand at 31 December 2012 and was formed following the apportionment of net profit 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 2012, the same as at 31 December 2011.

Stock option reserve
This reserve amounts to Euro 25,975 thousand at 31 December 2012, reporting a net increase of Euro 17,511 thousand since 31 December 2011 due to:
- the total cost of Euro 5,557 thousand recognised in the income statement during the year (Euro 2,503 thousand in 2011), for stock option plans involving Prysmian S.p.A. shares;
- the credit of Euro 11,019 thousand recognised for subsidiaries, which directly or indirectly employ managers of other Group companies who are beneficiaries of stock option plans involving Prysmian S.p.A. shares;
- an increase of Euro 935 thousand in the carrying amount of investments in subsidiaries, whose managers are beneficiaries of stock option plans involving Prysmian S.p.A. shares.

Further information can be found in Note 15. Personnel costs.

Treasury shares
The book value of treasury shares is Euro 30,179 thousand at 31 December 2012 and refers to 3,028,500 ordinary shares acquired under the share buy-back programme described earlier.

Movements in treasury shares are as follows:

Treasury shares					
	Number of ordinary shares	Total nominal value (in Euro)	% of total share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2010	**3,028,500**	**302,850**	**1.66%**	**9.965**	**30,179,003**
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2011	**3,028,500**	**302,850**	**1.41%**	**9.965**	**30,179,003**
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2012	**3,028,500**	**302,850**	**1.41%**	**9.965**	**30,179,003**

Retained earnings

Retained earnings amount to Euro 138,368 thousand at 31 December 2012, having increased by Euro 54,390 thousand since 31 December 2011 following the apportionment of net profit for 2011.

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	
				to cover losses	other purposes
Share Capital	**21,451**				
Capital reserves:					
Capital contribution reserve	6,113	A,B,C (*)	6,113		
Share premium reserve	485,496	A,B,C	485,496		
Earnings reserves:					
Extraordinary reserve	52,688	A,B,C	52,688		
IAS/IFRS first-time adoption reserve	30.177	A,B,C	30,177		
Legal reserve	4,288	B			
Retained earnings	138,368	A,B,C	138,368	25,488	
Total	**738,581**		**712,842**	**25,488**	
Undistributable amount			3		
Distributable amount			**712,839**		

Key:
A: to increase capital. B: to cover losses. C: distribution to shareholders.
(*) Entirely available for capital increases and to cover losses. For other uses it is first necessary to adjust the legal reserve to 20% of share capital (including by transferring amounts from the share premium reserve). At 31 December 2012 such an adjustment would amount to Euro 3 thousand.

Dividend distribution

The shareholders of Prysmian S.p.A. voted on 18 April 2012 to distribute a gross dividend of Euro 0.21 per share, for a total of Euro 44 million; this dividend was paid on 26 April 2012, with the shares going ex-dividend on 23 April 2012.
A proposal to pay a dividend per share of Euro 0.42 for a total of some Euro 89 million in respect of the year ended 31 December 2012 will be presented to the Shareholders' Meeting convened in single call for 16 April 2013.
The present financial statements do not reflect any liability for the proposed dividend.

8. BORROWINGS FROM BANKS AND OTHER LENDERS

These amount to Euro 1,126,574 thousand at 31 December 2012, compared with Euro 875,935 thousand at 31 December 2011.

(in thousands of Euro)

			31 December 2012
	Non-current	Current	Total
Borrowings from banks and other lenders	653,474	60,281	713,755
Bond	397,515	15,304	412,819
Total	**1,050,989**	**75,585**	**1,126,574**

(in thousands of Euro)

			31 December 2011
	Non-current	Current	Total
Borrowings from banks and other lenders	394,379	69,739	464,118
Bond	396,513	15,304	411,817
Total	**790,892**	**85,043**	**875,935**

Non-current borrowings from banks and other lenders
At 31 December 2012, non-current borrowings from banks and other lenders, amounting to Euro 653,474 thousand, comprise Euro 395,659 thousand for the Company's share of the outstanding debt under the Credit Agreement 2011 entered into by Prysmian S.p.A. on 7 March 2011 and Euro 257,815 thousand for its share of the debt under the Credit Agreement 2010 entered into 21 January 2010.

Current borrowings from banks and other lenders
The current portion of borrowings from banks and other lenders, amounting to Euro 60,281 thousand, reflects Euro 58,522 thousand in debt repayable in 2013 under the Credit Agreement 2010, Euro 661 thousand in 2012 interest payable on the Credit Agreement 2010, and Euro 376 thousand in 2012 interest payable on the Credit Agreement 2011.

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

(in thousands of Euro)

	31 December 2012	31 December 2011
Credit Agreement [1]	713,033	462,117
Bond	412,819	411,817
Other borrowings	722	2,001
Total	**1,126,574**	**875,935**

[1] Credit Agreements refer to the following lines: Term Loan Facility 2010 and Term Loan Facility 2011.

Credit Agreement 2010 and Credit Agreement 2011

The evolution of the Credit Agreements 2010 and 2011, signed at Group level, is summarised below, along with their impact on the Company's financial statements.

On 3 May 2012, the Group repaid the credit agreement signed on 18 April 2007 (Credit Agreement) under which Prysmian S.p.A. and some of its subsidiaries had been granted an initial total of Euro 1,700 million in loans and credit facilities (of which Euro 100 million provided to Prysmian S.p.A.).
The Group repaid the remaining balance on the Term Loan Facility for Euro 670 million (of which Euro 67 million repaid by Prysmian S.p.A.) and Euro 5 million in amounts drawn down against the Revolving Credit Facility for Euro 400 million. The Bonding Facility for Euro 300 million had been cancelled on 10 May 2011 in advance of its natural maturity.

On 3 May 2012, this credit agreement was replaced with the activation of the Forward Start Credit Agreement (now termed Credit Agreement 2010) previously signed by the Group on 21 January 2010 with a pool of major national and international banks. This is a long-term agreement for Euro 1,070 million (maturing on 31 December 2014), negotiated in advance of its period of use, under which the lenders have made available to Prysmian S.p.A. and some of its subsidiaries loans and credit facilities totalling Euro 1,070 million (of which Euro 320 million provided to Prysmian S.p.A.).

This credit agreement is split at a Group level as follows:

(in thousands of Euro)

Term Loan Facility 2010	670,000
Revolving Credit Facility 2010	400,000

The repayment schedule of the Term Loan under the Credit Agreement 2010 is structured as follows:

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

The "Credit Agreements" line also includes the Credit Agreement 2011, entered into by Prysmian S.p.A. on 7 March 2011 with a pool of major banks for Euro 800 million with a five-year maturity. This agreement comprises a loan for Euro 400 million (Term Loan Facility 2011), all of which is recorded among the Company's liabilities and repayable in full on 7 March 2016, and a revolving facility for Euro 400 million (Revolving Credit Facility 2011).

At 31 December 2012, the fair values of the Credit Agreements 2010 and 2011 approximate the related carrying amounts.

The following tables summarise the committed lines available to the Company at 31 December 2012 and 31 December 2011.

(in thousands of Euro)

			31 December 2012
	Total lines	Used	Unused
Term Loan Facility 2010	320,000	(320,000)	-
Term Loan Facility 2011	400,000	(400,000)	-
Totale Credit Agreement	**720,000**	**(720,000)**	**-**

(in thousands of Euro)

			31 December 2011
	Total lines	Used	Unused
Term Loan Facility	100,000	(100,000)	-
Term Loan Facility 2011	400,000	(400,000)	-
Totale Credit Agreement	**500,000**	**(500,000)**	**-**

At the Group level there is also another Euro 950 million in committed lines as follows:
- Revolving Credit Facility 2010 (Euro 400 million);
- Revolving Credit Facility 2011 (Euro 400 million);
- Securitization (Euro 150 million).

These lines are available to a certain number of Group companies, including Prysmian S.p.A..
As at 31 December 2012 and 31 December 2011, the Company had not drawndown any of Group credit facilities shown above.

More details about the nature and drawdown of the Group-level facilities shown above can be found in the Explanatory Notes to the Consolidated Financial Statements (Note 12. Borrowings from banks and other lenders).

Bond

Further to the resolution adopted by the Board of Directors on 3 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market on 30 March 2010 for a total nominal amount of Euro 400 million. The bond, with an issue price of Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and is traded on the related regulated market. The fair value of the bond at 31 December 2012 was Euro 420,000 thousand (Euro 395,200 thousand at 31 December 2011).

Movements in Borrowings from banks and other lenders

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

(in thousands of Euro)

	Credit Agreements	Bond	Other borrowings	Total
Balance at 31 December 2011	**462,117**	**411,817**	**2,001**	**875,935**
Drawdowns	315,035	-	-	315,035
Repayments	(67,000)	-	(2,001)	(69,001)
Amortisation of bank and financial fees and other expenses	2,633	1,002	-	3,635
Interest and other movements	248	-	722	970
Total movements	**250,916**	**1,002**	**(1,279)**	**250,639**
Balance at 31 December 2012	**713,033**	**412,819**	**722**	**1,126,574**

(in thousands of Euro)

	Credit Agreements	Bond	Other borrowings	Total
Balance at 31 December 2010	**76,888**	**410,858**	**1,276**	**489,022**
Drawdowns	394,380	-	-	394,380
Repayments	(10,000)	-	(1,276)	(11,276)
Amortisation of bank and financial fees and other expenses	177	959	-	1,136
Interest and other movements	672	-	2,001	2,673
Total movements	**385,229**	**959**	**725**	**386,913**
Balance at 31 December 2011	**462,117**	**411,817**	**2,001**	**875,935**

Borrowings from banks and other lenders report an overall change of Euro 250,639 thousand. Details of the main movements are as follows:

- increase of Euro 315,035 thousand, for the Company's Euro 320,000 thousand share of the Term Loan Facility (Credit Agreement 2010), net of Euro 4,965 thousand for its share of capitalised bank expenses;
- repayments of Euro 67,000 thousand against the Term Loan Facility (Credit Agreement);
- changes in other borrowings mainly reflect the payment of Euro 1,852 thousand in fees on undrawn revolving facilities and loyalty fees, and the recognition of Euro 627 thousand in fees for the period on the Revolving Credit Facilities 2010 and 2011.

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2012 and 2011:

(in thousands of Euro)

			31 dicembre 2012
	Variable rate	Fixed rate	Total
Due within 1 year	60,281	15,304	75,585
Due between 1 and 2 years	257,814	-	257,814
Due between 2 and 3 years	-	397,515	397,515
Due between 3 and 4 years	395,660	-	395,660
Due between 4 and 5 years	-	-	-
Due after more than 5 years	-	-	-
Total	**713,755**	**412,819**	**1,126,574**
Average interest rate in period, as per contract	2.6%	5.3%	3.5%

(in thousands of Euro)

			31 December 2011
	Variable rate	Fixed rate	Total
Due within 1 year	69,739	15,304	85,043
Due between 1 and 2 years	-	-	-
Due between 2 and 3 years	-	-	-
Due between 3 and 4 years	-	396,513	396,513
Due between 4 and 5 years	394,379	-	394,379
Due after more than 5 years	-	-	-
Total	**464,118**	**411,817**	**875,935**
Average interest rate in period, as per contract	3.1%	5.3%	4.1%

The Credit Agreement 2010 and 2011 do not require any collateral security. Further information can be found in Note 27. Financial Covenants.

NET FINANCIAL POSITION

(in thousands of Euro)

	Note	31 December 2012	Of which related parties (Note 23)	31 December 2011	Of which related parties (Note 23)
Long-term financial payables					
- Term Loan Facility	8	660,800		400,000	
- Bank fees	8	(7,326)		(5,621)	
Credit agreements		**653,474**		**394,379**	
- Bond	8	397,515		396,513	
Total long-term financial payables		**1,050,989**		**790,892**	
Short-term financial payables					
- Term Loan Facility	8	60,237		67,789	
- Bank fees	8	(678)		(51)	
- Bond	8	15,304		15,304	
- Other borrowings	8	722		2,001	
Total short-term financial payables		**75,585**		**85,043**	
Total financial liabilities		**1,126,574**		**875,935**	
Long-term financial receivables	5	21		19	
Long-term bank fees	5	3,919		15,158	
Short-term financial receivables	5	7		69	
Short-term bank fees	5	3,919		6,353	
Receivables from Group companies	5	197,440	197,440	170,169	170,169
Cash and cash equivalents	6	681		1,190	
Total financial assets		**205,987**		**192,958**	
Net financial position		**920,587**		**682,977**	

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

(in thousands of Euro)

	Note	31 December 2012	Of which related parties (Note 23)	31 December 2011	Of which related parties (Note 23)
Net financial position - as reported above		**920,587**		**682,977**	
Long-term financial receivables	5	21		19	
Long-term bank fees	5	3,919		15,158	
Recalculated net financial position		**924,527**		**698,154**	

9. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in thousands of Euro)

	31 December 2012	31 December 2011
Trade payables	27,653	23,272
Total trade payables	**27,653**	**23,272**
Other payables:		
Tax and social security payables	3,919	3,766
Payables to employees	7,987	9,609
Accrued expenses	490	151
Other	1,421	1,785
Total other payables	**13,817**	**15,311**
Total	**41,470**	**38,583**

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;
- tax payables mainly relating to tax withheld from employees and not yet paid to the tax authorities;
- payables to employees for accrued wages and salaries not yet paid;
- other payables, which mainly relate to amounts due to Group companies for the transfer of recoverable withholding taxes (Euro 75 thousand) to the Company under the group income tax election (art. 117 et seq of the Italian Income Tax Code).

At 31 December 2012, the liabilities for trade payables and other payables are all due within 12 months.

The following table breaks down trade payables according to the currency in which they are expressed:

(in thousands of Euro)

	31 December 2012	31 December 2011
Euro	27,097	22,927
British Pound	237	136
US Dollar	164	108
Chinese Renminbi (Yuan)	-	18
Australian Dollar	137	80
Other currencies	18	3
Total	**27,653**	**23,272**

10. PROVISIONS FOR RISKS AND CHARGES

These amount to Euro 33,620 thousand, compared with Euro 31,911 thousand at 31 December 2011.

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

(in thousands of Euro)

	Contractual and legal risks	Other risks and charges	Total
Balance at 31 December 2011	**31,874**	**37**	**31,911**
Increases	2,712	-	2,712
Utilisations	(1,003)	-	(1,003)
Releases	-	-	-
Total movements	**1,709**	**-**	**1,709**
Balance at 31 December 2012	**33,583**	**37**	**33,620**

The net increase of Euro 1,709 thousand in the provision for contractual and legal risks includes Euro 589 thousand in increases and Euro 1,003 thousand in utilisations for legal fees relating to the Antitrust investigations in progress in various jurisdictions. More specifically, the European Commission and the Japanese antitrust authority started an investigation in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006. The investigation in Japan has ended without any sanctions for Prysmian S.p.A.. The other investigations are still in progress.
In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, in the high voltage underground and submarine cables market. Prysmian S.p.A. has taken steps to present its preliminary defence.
At the start of July 2011, Prysmian S.p.A. received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudge its final decision. Prysmian S.p.A. has submitted its defence which it was also able to present at the hearing before the European Commission held during the month of June 2012. Already during 2011, in view of the developments in the European Commission investigation, Prysmian S.p.A. has decided to estimate the risk relating to the antitrust investigations underway in the various jurisdictions, except for Brazil. At 31 December 2012, the Company's share of the provision recognised in respect of these investigations is around Euro 31 million. This provision is the best estimate of the liability based on the information now available even though the outcome of the investigations underway in the various jurisdictions is still uncertain.

These amounts have not been discounted because the related outlay is expected to occur in the next 12 months.

11. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amount to Euro 15,880 thousand (Euro 7,507 thousand at 31 December 2011) and are detailed as follows:

(in thousands of Euro)

	31 December 2012	31 December 2011
Employee indemnity liability (Italian TFR)	5,029	3,975
Termination and other benefits	1,663	996
Incentive plans	9,188	2,536
Total	**15,880**	**7,507**

The change of Euro 8,373 thousand is mainly due to the recognition of the liability for the new long-term incentive plan 2011-2013 which will be settled in 2014; further details can be found in Note 15. Personnel costs.

The income and expenses relating to employee benefit obligations are as follows:

(in thousands of Euro)

	31 December 2012	31 December 2011
Employee indemnity liability (Italian TFR)	382	353
Termination and other benefits	585	13
Incentive plans	6,652	2,536
Total	**7,619**	**2,902**

EMPLOYEE INDEMNITY LIABILITY

This is detailed as follows:

(in thousands of Euro)

	2012	2011
Opening balance	**3,975**	**3,746**
Current service cost	200	171
Interest cost	182	182
Actuarial (gains)/losses recognised in equity	522	27
Staff transfer	522	35
Utilisations	(372)	(186)
Total movements	**1,054**	**229**
Closing balance	**5,029**	**3,975**

OTHER INFORMATION

Other information relating to employee indemnity liability is as follows:

	31 December 2012	31 December 2011
Discount rate	2.75%	4.75%
Future expected salary increase	2.00%	2.00%
Inflation rate	2.00%	2.00%

Contributions and payments for employee benefit obligations (employee indemnity liability) are estimated at Euro 208 thousand for 2013.

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

				2012
	Average	%	Closing	%
Blue collar	36	11%	37	11%
White collar and management	278	89%	287	89%
Total	**314**	**100%**	**324**	**100%**

				2011
	Average	%	Closing	%
Blue collar	35	12%	34	12%
White collar and management	253	88%	260	88%
Total	**288**	**100%**	**294**	**100%**

12. REVENUE FROM SALES AND SERVICES

These amount to Euro 55,730 thousand, compared with Euro 41,451 thousand in the prior year, and refer to revenue from charges by Prysmian S.p.A., under specific contracts, to its sub-holding company Prysmian Cavi e Sistemi S.r.l. for coordination activities and services provided by headquarters functions to Group companies. The significant increase is due to the extension of these charges to former Draka Group companies after transferring its headquarters functions to the Company along with the associated costs.

13. OTHER INCOME

This amounts to Euro 55,308 thousand, compared with Euro 50,232 thousand in 2011, and is detailed as follows:

(in thousands of Euro)

	2012	2011
Royalties	40,771	34,442
Other services	1,001	1,176
Rental income	1,155	1,149
Insurance reimbursements and indemnities	19	109
Other income	12,012	13,356
Non-recurring other income:		
Special project income	*350*	-
Total other income	12,362	13,356
Total	**55,308**	**50,232**

Royalties refer to amounts charged to the subsidiary Prysmian Cavi e Sistemi S.r.l. (Euro 40,562 thousand) and to other companies outside the Group (Euro 209 thousand) for the use of patents and know-how.

Other services refer to amounts charged to Prysmian Financial Services Ireland Ltd., an Irish special purpose company, 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, based on the space used by each of them.

Other income refers to sundry types of income and expense recharges.

14. RAW MATERIALS AND CONSUMABLES USED

These amount to Euro 2,017 thousand (Euro 786 thousand in 2011) and include purchases of fuel and other materials.

15. PERSONNEL COSTS

These are detailed as follows:

(in thousands of Euro)

	2012	2011
Wages and salaries	29,720	24,900
Social security	7,152	5,969
Retirement pension costs	1,658	1,546
Non-recurring personnel costs (income):		
Company reorganisation	*2,979*	*3,306*
Total non-recurring personnel costs (income)	2,979	3,306
Other personnel costs	9,958	5,693
Total	**51,467**	**41,414**

Personnel costs have increased in 2012 relative to 2011 partly as a result of higher management bonuses and incentives, as discussed in Note 23.

Retirement pension costs (Euro 1,658 thousand) refer to the amount of employee indemnity liability accruing 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.

Other personnel costs mostly reflect the recognition of liabilities for the new long-term incentive plan 2011-2013 which will be settled in 2014; more details can be found in the later paragraph on "Long-term incentive plan".

Share-based payments

At 31 December 2012 and 31 December 2011, 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.

Stock option plan 2007-2012

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

The following table provides further details about the stock option plan:

(in Euro)

	31 December 2012		31 December 2011	
	Number options	Exercise price	Number options	Exercise price
Options at start of year	198,237	4.65	737,846	4.65
Granted	-	4.65	-	4.65
Cancelled	-	-	-	-
Exercised	(115,300)	4.65	(539,609)	4.65
Options at end of year	82,937	4.65	198,237	4.65
of which Prysmian Spa	*65,333*	*4.65*	*145,265*	*4.65*
of which vested at end of year	82,937	4.65	198,237	4.65
of which Prysmian Spa	*65,333*	*4.65*	*145,265*	*4.65*
of which exercisable [1]	-	-	-	-
of which not vested at end of year	-	4.65	-	4.65
of which Prysmian Spa	-	*4.65*	-	*4.65*

[1] Options can be exercised in specified periods only.

As at 31 December 2012 the options are all fully vested. Following an amendment of the original plan, approved by the Shareholders' Meeting on 15 April 2010, the options can be exercised in just one remaining 30-day period, running from the date of the Board of Directors' approval of the proposed annual financial statements for 2012.

The incentive plan's amendment has been accompanied by an extension of the term for the Company's capital increase in relation to this plan, with a consequent revision of art. 6 of its by-laws.

The new terms of exercise have not resulted in substantial changes in the fair value of unexercised options and so have not had any impact on the income statement.

The fair value of the original stock option plan was measured using the Black-Scholes method. Under this model, the options had a grant date weighted average fair value of Euro 5.78, determined on the basis of the following assumptions:

Average life of options (years)	3.63
Expected volatility	40%
Average risk-free interest rate	3.78%
Expected dividend yield	0%

As at 31 December 2012, the options have an average remaining life of approximately 3 months.

Long-term incentive plan 2011-2013

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

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

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

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

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

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

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

(*) Following movements since the plan's issue, the number of plan participants amounted to 276 at 31 December 2012. The number of employees of Prysmian S.p.A. participating in the above plan at the time of its issue was 45, but 44 as at 31 December 2012.

The following table provides further details about the plan:

(in Euro)

	For consideration		For no consideration	
	Number options (*)	Exercise price	Number options (*)	Exercise price
Options at start of year	2,131,500	0.10	2,017,223	-
Granted	-	0.10	5,772	-
Cancelled	-	-	(132,120)	-
Exercised	-	0.10	-	-
Options at end of year	2,131,500	0.10	1,890,875	-
of which Prysmian Spa	*645,396*	*0.10*	*669,132*	-
of which vested at end of year	-	0.10	-	-
of which Prysmian Spa	-	*0.10*	-	-
of which exercisable	-	-	-	-
of which not vested at end of year	2,131,500	0.10	1,890,875	-
of which Prysmian Spa	*645,396*	*0.10*	*669,132*	-

(*) The number of options shown has been determined assuming that the objective achieved is a mean between the Target and the Adjusted EBITDA upper limit.

The fair value of the options has been determined using the Cox-Ross-Rubistein binomial pricing model, based on the following assumptions:

	Options for consideration	Options for no consideration
Grant date	2 September 2011	2 September 2011
Remaining life at grant date (in years)	2.33	2.33
Exercise price (Euro)	0.10	-
Expected volatility	45.17%	45.17%
Risk-free interest rate	1.56%	1.56%
Expected interest rate	3.96%	3.96%
Option fair value at grant date (Euro)	10.53	10.63

At 31 December 2012, the options have an average remaining life of 1 year.

At 31 December 2012, the overall cost recognised in the income statement under "Personnel costs" in relation to the fair value of the options granted has been estimated at Euro 5,557 thousand.

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

As at 31 December 2012, there are no loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

16. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in thousands of Euro)

	2012	2011
Depreciation of buildings, plant, machinery and equipment	618	505
Depreciation of other property, plant and equipment	251	189
Amortisation of intangible assets	7.816	6,370
Total	**8,685**	**7,064**

The significant increase in amortisation of intangible assets is mainly due to amortisation of the new information system now in use.

17. OTHER EXPENSES

These amount to Euro 72,539 thousand in 2012, compared with Euro 107,508 thousand in the prior year. The decrease is mainly due to a significant reduction in non-recurring expenses.

(in thousands of Euro)

	2012	2011
Professional services	34,066	33,121
IT costs	18,028	7,291
Insurance	1,430	1,080
Maintenance services	182	668
Operating and other costs	3,531	8,307
Utilities	2,025	1,489
Travel costs	4,267	3,187
Rental costs	5,608	5,291
Increases in provisions for risks	113	-
Non-recurring other expenses and provisions:		
Increase in provisions for risks	*599*	*30,350*
Special project costs	*2,690*	*16,724*
Total non-recurring other expenses	3,289	47,074
Total	**72,539**	**107,508**

Details about Other expenses are as follows:
Professional services mainly refer to outsourcing costs (particularly for IT and personnel administration services) of Euro 8,769 thousand (Euro 12,796 thousand in 2011), costs for the use of personnel seconded from other Group companies of Euro 7,546 thousand (Euro 3,492 thousand in 2011), costs incurred to manage the patents portfolio of Euro 2,567 thousand (Euro 2,274 thousand in 2011), research and development costs of Euro 3,420 thousand (Euro 3,662 thousand in 2011) and costs relating to the receivables securitization programme of Euro 983 thousand (Euro 952 thousand in 2011).
Professional services also include the compensation of the directors and statutory auditors of Prysmian S.p.A., respectively of Euro 430 thousand (Euro 350 thousand in 2011) and Euro 47 thousand (unchanged on 2011), and the fees of the independent auditors of Euro 772 thousand (Euro 1,600 thousand in 2011).
IT costs report a significant increase mainly due to the centralisation of costs previously incurred by the former Draka Group's parent company.
Maintenance services mainly refer to software, electronic equipment and motor vehicles.
Operating and other costs mainly refer to costs incurred for promotional activities and attendance at exhibitions and trade fairs. The decrease is mainly attributable to the costs of Euro 5,289 thousand, incurred and recharged in 2011, in connection with a project started up by the Finnish subsidiary.
Rental costs primarily refer to rent of Euro 2,007 thousand for the Company's office building (Euro 1,958 thousand in 2011) and rent of Euro 2,056 thousand for the premises and laboratories used by the Company's Research and Development department (Euro 1,945 thousand in 2011).
Non-recurring other expenses mostly relate to the addition of Euro 589 thousand to the estimated provision for the Antitrust investigation started by the European Commission and to Euro 1,373 thousand in costs incurred in the year for the Draka Group's integration.

18. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

(in thousands of Euro)

	2012	2011
Interest on borrowings	15,595	11,597
Interest on bond	21,000	21,000
Amortisation of bank and financial fees and other expenses	6,989	6,303
Interest costs on employee benefits	240	227
Other bank interest	39	31
Costs for undrawn credit lines	3,444	2,633
Sundry bank fees	3,726	9,861
Other	7	127
Finance costs	**51,040**	**51,779**
Foreign currency exchange losses	213	204
Total finance costs	**51,253**	**51,983**

Interest on borrowings relates to Euro 675 thousand on the portion of the Term Loan received by Prysmian S.p.A. under the Credit Agreement, to Euro 5,848 thousand on the portion of the Term Loan received by Prysmian S.p.A. under the Credit Agreement 2010 and to Euro 9,072 thousand on the Term Loan Facility 2011. The increase compared with 2011 is mainly due to higher interest on the new loan (Credit Agreement 2010) agreed on 21 January 2010 and activated on 3 May 2012 (more details can be found in Note 8).

The bond interest refers to interest accruing in the year on the bond issued on 9 April 2010.

Amortisation of bank and financial fees and other expenses mainly reflects the Company's share of the annual costs relating to the loans obtained under the Credit Agreement, the Credit Agreement 2010 and the Credit Agreement 2011.

Sundry bank fees decreased significantly in 2012, most of which due to fees incurred in the previous year in relation to the Credit Agreement 2010 (Euro 7,871 thousand).

Other finance costs refer to the Company's share of the annual costs relating to the receivables securitization.

Finance income is detailed as follows:

(in thousands of Euro)

	2012	2011
Interest income from banks and other financial institutions	308	1,383
Other finance income	15,364	11,224
Finance income	**15,672**	**12,607**
Foreign currency exchange gains	173	200
Total finance income	**15,845**	**12,807**

Interest income from banks and other financial institutions includes Euro 299 thousand in interest earned on the current account balance with Prysmian Treasury S.r.l., the Group's cash management company (Euro 1,362 thousand in 2011).

Other finance income mainly refers to:
- the recharge to Group companies of Euro 1,819 thousand for part of the bank fees incurred by Prysmian S.p.A. after entering the Credit Agreement 2010 (Euro 5,662 thousand in 2011);
- the recharge to Group companies of Euro 2,549 thousand in costs incurred by Prysmian S.p.A. for undrawn credit lines (Euro 4,003 thousand in 2011);
- the recharge to Group companies of Euro 10,982 thousand in fees for guarantees given by the Company on their account.

19. DIVIDENDS FROM SUBSIDIARIES

Prysmian S.p.A. collected a total of Euro 150,000 thousand in dividends from the subsidiary Prysmian Cavi e Sistemi S.r.l. in 2012.

20. TAXES

These are detailed as follows:

(in thousands of Euro)

	2012	2011
Current income taxes	(20,010)	(41,538)
Deferred income taxes	(1,206)	(829)
Total	**(21,216)**	**(42,367)**

Current income taxes report a positive Euro 20,010 thousand in 2012, compared with Euro 41,538 thousand in 2011, and reflect the net benefits of not paying tax on tax losses transferred from some Italian companies under the group tax election.

Please refer to Note 4 for information about deferred taxes.

Taxes charged on profit before taxes differ from those calculated using the theoretical tax rate applying to the Company for the following reasons:

(in thousands of Euro)

	2012	Tax rate	2011	Tax rate
Profit before taxes	90,922		57,065	
Theoretical tax expense at Parent Company's nominal tax rate	25,004	27.5%	15,693	27.5%
Dividends from subsidiaries	(39,188)	(43.1%)	(42,148)	(73.9%)
Other permanent differences	854	0.9%	8,178	14.3%
Utilisation of credit for tax paid abroad in prior years	-	0.0%	(24,987)	(43.8%)
Other	(1,235)	(1.4%)	7,224	12.7%
Net effect of group tax filing for the year	(6,651)	(7.3%)	(6,327)	(11.1%)
Effective income taxes	**(21,216)**	**(23.3%)**	**(42,367)**	**(74.2%)**

Since 2006 the Company, along with all its Italian resident subsidiaries, has opted to file for tax on a group basis, 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 the tax laws and regulations.
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.

These rules were amended on 26 March 2012 to incorporate in the transactions between the head of the tax group and the individual participating companies, the amendments introduced by Legislative Decree 201/2011 and the Ministerial Decree dated 14 March 2012 concerning Aid for Economic Growth.

Prysmian S.p.A. acts as the head of the tax group and calculates a single taxable base for companies in the Italian tax group; this has the benefit of being able to offset taxable profits against tax losses in a single tax return, thereby ensuring optimisation of the tax charge.

On 7 June 2012, the head of the tax group sent the required notice of renewal of the group tax election for the three years 2012 – 2013 – 2014 for the following companies:

- Fibre Ottiche Sud (FOS) S.r.l.
- Prysmian Cavi e Sistemi S.r.l.
- Prysmian Cavi e Sistemi Italia S.r.l.
- Prysmian Treasury S.r.l.

This notice also included the election to include the newly formed Prysmian Electronics S.r.l. in the group tax filing. Prysmian PowerLink S.r.l. had renewed its election to file for tax on a group basis for the three years 2011 - 2012 – 2013 on 7 June 2011.

The rate used for calculating the tax charge is 27.5% for IRES (Italian corporate income tax), and 5.57% for IRAP (Italian regional business tax).

21. CONTINGENT LIABILITIES

As a global operator, the Company is exposed to legal risks primarily, by way of example, in the areas of product liability, and environmental, antitrust and tax rules and regulations. Outlays relating to current or future proceedings cannot be predicted with certainty. It is possible that the outcomes of such proceedings may give rise to costs that are not covered or not fully covered by insurance, which would therefore have a direct effect on the Company's results.

It is also reported, with reference to the Antitrust investigations in the various jurisdictions involved, that the only jurisdiction for which Prysmian S.p.A. has been unable to estimate the related risk is Brazil.

22. COMMITMENTS

The Company has the following types of commitments at 31 December 2012:

(a) Commitments to purchase property, plant and equipment and intangible assets.
Contractual commitments, already given to third parties at 31 December 2012 and not yet reflected in the financial statements, amount to Euro 1,228 thousand (Euro 480 thousand at 31 December 2011), of which Euro 446 thousand in relation to the SAP Consolidation project (Euro 42 thousand at 31 December 2011).
(b) Operating lease commitments.
Future commitments relating to outstanding operating leases at 31 December 2012 are as follow:

(in thousands of Euro)

	2012	2011
Due within 1 year	4,339	4,830
Due between 1 and 5 years	3,575	6,727
Due after more than 5 years	-	-
Total	**7,914**	**11,557**

(c) Comfort letters in support of bank guarantees given to Group companies.
Comfort letters in support of bank guarantees given in the interest of Group companies amount to Euro 68 thousand (the same as at 31 December 2011), all of which relating to P.T. Prysmian Cables Indonesia.

(d) Other guarantees given in the interest of Group companies for Euro 946,757 thousand (Euro 107,704 thousand at 31 December 2011), detailed as follows:

(in thousands of Euro)

	2012	2011
Prysmian Cavi e Sistemi S.r.l.	65,114	52,996
Prysmian Cables and Systems B.V.	42,804	27,637
Prysmian PowerLink S.r.l.	809,102	-
Prysmian Cables & Systems Limited	24,262	23,704
Prysmian Kabel und Systeme GmbH	271	314
F.O.S. - Fibre Ottiche Sud S.r.l.	5,204	3,053
Total	**946,757**	**107,704**

The comfort letters and guarantees given in the interest of Group companies in (c) and (d) mainly refer to projects and supply contracts and to the offsetting of VAT credits under the Group VAT settlement. The increase is mainly attributable to the guarantee issued to the subsidiary Prysmian PowerLink S.r.l. for the Western HVDC Link project.

(e) Comfort letters in support of bank guarantees given in the interest of the Company for Euro 2,440 thousand, compared with Euro 420 thousand in the prior year.

As required by art. 2427 point 22-ter, it is reported that, in addition to the above disclosures about commitments, there are no other agreements that are not reflected in the statement of financial position that carry significant risks or benefits and which are critical for assessing the Company's assets and liabilities, financial position and results of operations.

23. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and its subsidiaries 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.

Related party transactions also include key management compensation.

The following tables summarise related party transactions in the year ended 31 December 2012:

(in thousands of Euro)

					31 December 2012
	Investments in subsidiaries	Trade and other receivables	Trade and other payables	Employee benefit obligations	Tax payables
Subsidiaries	1,660,977	357,404	12,687	-	75
Other related parties: Compensation of directors, statutory auditors and key management personnel	-	-	4,550	5,472	-
Total	**1,660,977**	**357,404**	**17,237**	**5,472**	**75**

(in thousands of Euro)

					31 December 2011
	Investments in subsidiaries	Trade and other receivables	Trade and other payables	Employee benefit obligations	Tax payables
Subsidiaries	1,397,156	250,063	1,912	-	-
Other related parties: Compensation of directors, statutory auditors and key management personnel	-	-	4,207	1,629	
Total	**1,397,156**	**250,063**	**6,119**	**1,629**	**-**

(in thousands of Euro)

							2012
	Revenue from sales and services	Raw materials and consumables used	Cost of goods and services	Personnel costs	Finance income/ (costs)	Dividends	Taxes
Subsidiaries	104,146	308	18,304	-	15,641	150,000	35,535
Other related parties:							
Compensation of directors, statutory auditors and key management personnel	-	-	477	13,247	-	-	-
Total	**104,146**	**308**	**18,781**	**13,247**	**15,641**	**150,000**	**35,535**

(in thousands of Euro)

							2011
	Revenue from sales and services	Raw materials and consumables used	Cost of goods and services	Personnel costs	Finance income/ (costs)	Dividends	Taxes
Subsidiaries	88,006	132	5,662	-	12,597	161,332	28,903
Other related parties:							
Compensation of directors, statutory auditors and key management personnel	-	-	397	8,132	-	-	-
Total	**88,006**	**132**	**6,059**	**8,132**	**12,597**	**161,332**	**28,903**

Transactions with subsidiaries

These refer to services supplied to and received from Group companies and to current account transactions with the Group's cash management company.

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)

	2012	2011
Salaries and other short-term benefits - fixed part	3,885	3,341
Salaries and other short-term benefits - variable part	6,274	3,227
Other benefits	45	16
Share-based payments	3,043	1,549
Total	**13,247**	**8,133**
of which Directors	**11,424**	**7,397**

24. 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 Company's income statement are shown below, involving total net non-recurring expenses of Euro 5,918 thousand in 2012 and Euro 50,380 thousand in 2011.

(in thousands of Euro)

	2012	2011
Non-recurring other income:		
Special project income	350	-
Total non-recurring other income	350	-
Non-recurring other personnel costs:		
Company reorganisation	(2,979)	(3,306)
Total non-recurring other personnel costs	(2,979)	(3,306)
Non-recurring other expenses:		
Special project costs	(2,690)	(16,724)
Increases in provisions for risks	(599)	(30,350)
Total non-recurring other expenses	**(3,289)**	**(47,074)**
Total	**(5,918)**	**(50,380)**

The statement of financial position and the net financial position contain no material amounts in connection with non-recurring events.

25. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Directors' compensation amounts to Euro 11,854 thousand in 2012, and Euro 7,648 thousand in 2011. Statutory auditors' compensation for duties performed in Prysmian S.p.A. amounts to Euro 47 thousand in 2012, the same as in 2011. Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as directors or statutory auditors of Prysmian S.p.A.

Further details can be found in the Remuneration Report.

26. ATYPICAL OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during the year.

27. GROUP FINANCIAL COVENANTS

The Credit Agreement 2010 and Credit Agreement 2011, details of which are presented in Note 8, require the Group to comply with a series of covenants on a consolidated basis. The main covenants, classified by type, are listed below:

a) Financial covenants
- Ratio between EBITDA and Net finance costs (as defined in the Credit Agreements)
- Ratio between Net Financial Position and EBITDA (as defined in the Credit Agreements)

The evolution of the covenants for the above agreements is shown in the following table:

	30 June 2011	31 December 2011	30 June 2012	31 December 2012	30 June 2013	31 December 2013	30 June 2014 and thereafter
Net financial position/EBITDA(*)	3.50x	3.50x	3.50x	3.00x	3.00x	2.75x	2.50x
EBITDA/Net finance costs (*)	4.00x	4.00x	4.00x	4.25x	4.25x	5.50x	5.50x

b) Non-financial covenants
A number of non-financial covenants have been established in line with market practice applying to transactions of a similar nature and size. These covenants involve a series of restrictions on the grant of secured guarantees to third parties, on the conduct of acquisitions or equity transactions, and on amendments to the Company's by-laws.

Default events
The main default events are as follows:
- default on loan repayment obligations;
- breach of financial covenants;
- breach of some of the non-financial covenants;
- declaration of bankruptcy or subjection of Group companies to other insolvency proceedings;
- issuance of particularly significant judicial rulings;
- occurrence of events that may adversely and significantly affect the business, the assets or the financial conditions of the Group.

Should any default event occur, the lenders are entitled to demand full or partial repayment of the outstanding amounts lent under the Credit Agreements, together with interest and any other amount due under the terms and conditions of these Agreements. No collateral security is required.

Actual financial ratios, calculated on a consolidated basis for the Prysmian Group, are as follows:

	31 December 2012	31 December 2011
EBITDA/Net finance costs (*)	6.78	6.40
Net financial position/EBITDA (*)	1.32	1.74

(*) The ratios have been calculated on the basis of the definitions contained in the Credit Agreement 2010 and the Credit Agreement 2011, as well as the figures relating to the Draka Group for the period 1 January - 31 December 2011.

The above financial ratios comply with both the covenants contained in the Credit Agreement 2010 and in the Credit Agreement 2011.

28. STATEMENT OF CASH FLOWS

Net cash flow used by operating activities amounted to Euro 34,508 thousand in 2012, inclusive of Euro 30,170 thousand in taxes collected by the Group's Italian companies for IRES transferred under the group tax filing (art. 117 et seq of the Italian Income Tax Code).

Net cash flow used for investing activities came to Euro 123,836 thousand, net of Euro 150,000 thousand in dividends collected from subsidiaries.

Net finance costs recognised in the income statement came to Euro 35,408 thousand inclusive of non-cash items; excluding these items, net cash finance costs reflected in the statement of cash flows amounted to Euro 34,364 thousand, most of which referring to interest expense, bank fees and other incidental expenses in connection with the Credit Agreement 2010, the Bond and the Credit Agreement 2011 signed on 7 March 2011.

Cash flow provided by financing activities included the Credit Agreement 2011 and the Credit Agreement 2010, activated on 3 May 2012, net of the first repayment and net of the dividends paid to shareholders on 26 April 2012.

29. 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 2012 and 2011 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network:

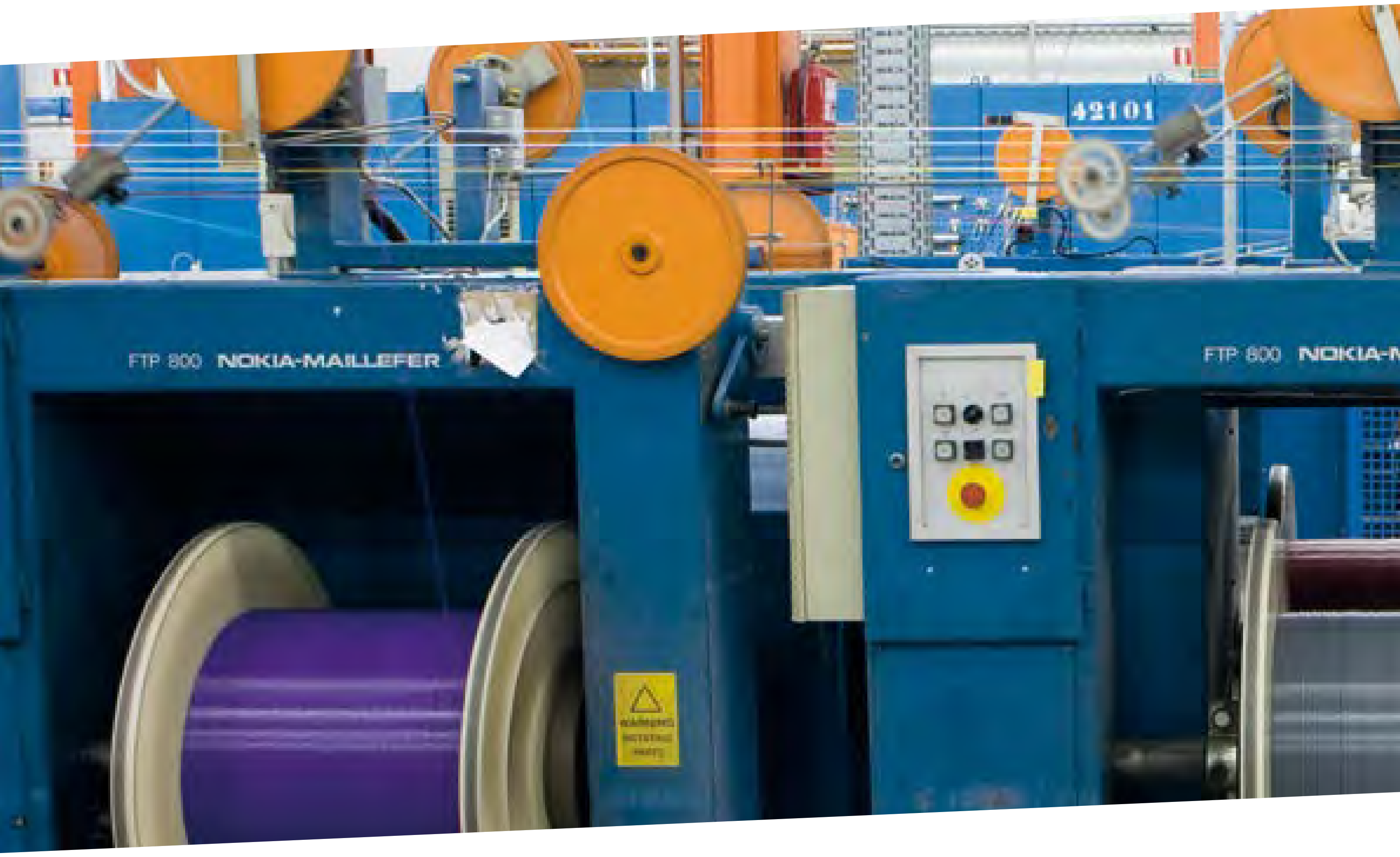
(in thousands of Euro)

	Supplier of services	Fees relating to 2012	Fees relating to 2011
Audit services	PricewaterhouseCoopers S.p.A.	772	1,600
Certification services	PricewaterhouseCoopers S.p.A.(1)	103	140
Other services	PricewaterhouseCoopers S.p.A.(2)	115	314
Total		**990**	**2,054**

(1) Audit support and other services.
(2) Tax and other services.

30. EVENTS AFTER THE REPORTING PERIOD

Given its available liquidity and an intent to optimise borrowing costs, on 22 February 2013 the Prysmian Group made an early repayment of Euro 186 million (of which Euro 89 million pertaining to Prysmian S.p.A.) in respect of the payments due in 2013 and in the first half of 2014 against the Term Loan granted on 3 May 2012, which now stands at Euro 484 million.



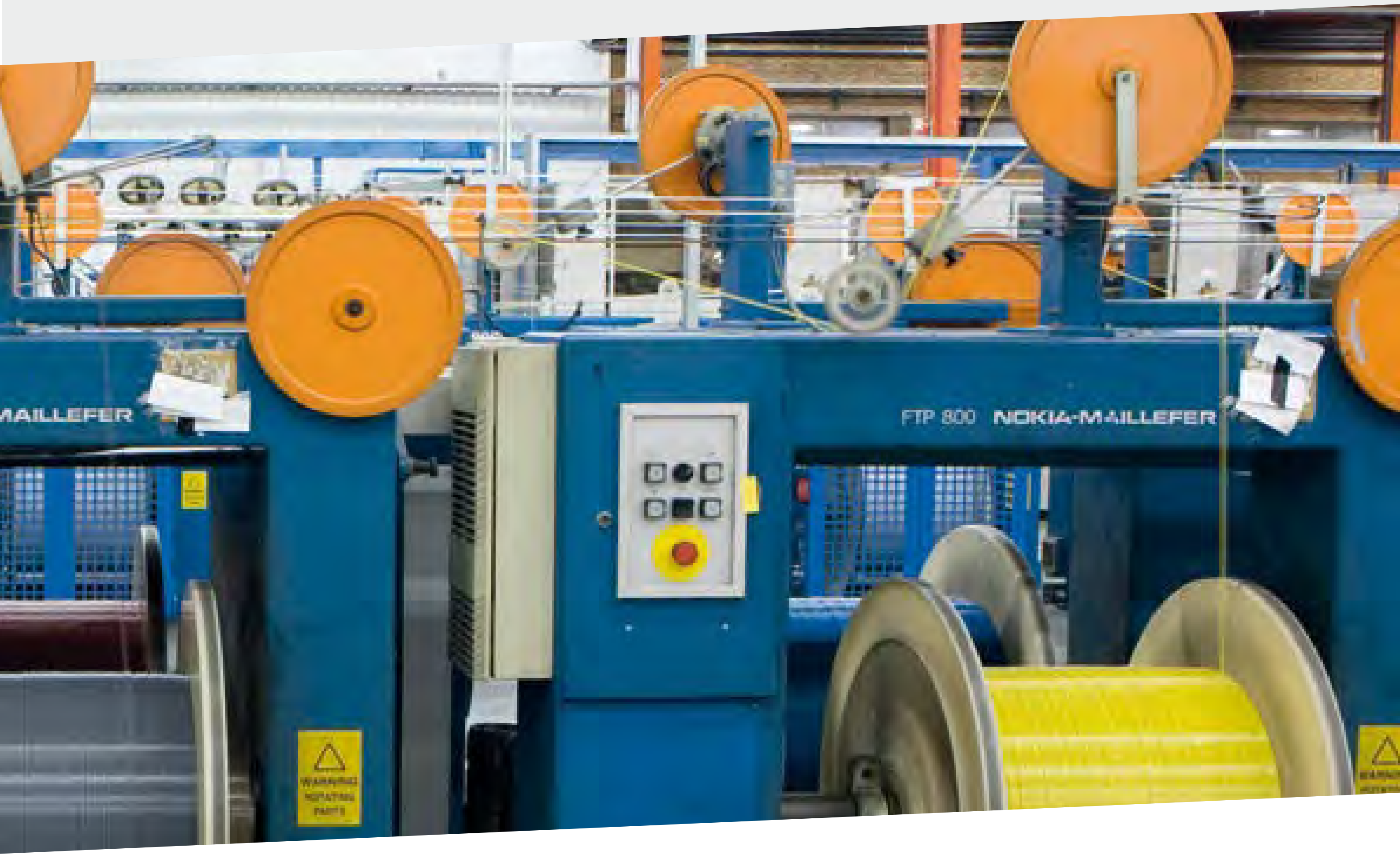
31. FILING OF FINANCIAL STATEMENTS

Prysmian S.p.A.'s financial statements at 31 December 2012 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.prysmiangroup.com.

The financial statements of the two sub-holding companies, Prysmian Cavi e Sistemi S.r.l. and Draka Holding N.V., will be filed at the registered office in Viale Sarca 222, Milan.

Milan, 27 February 2013

On behalf of the board of directors
The chairman
Massimo Tononi



LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2012

(in thousands of Euro)

	Registered office	Book value	% owned	Share capital	Total equity	Prysmian share of equity	Net profit/ (loss) for the year
Italian subsidiaries							
Prysmian Cavi e Sistemi S.r.l.	Milan, Viale Sarca 222	277,522	100	100,000	603,266	603,266	19,970
Prysmian Cavi e Sistemi Italia S.r.l.	Milan, Viale Sarca 222	48,955	100	77,143	111,893	111,893	(1,010)
Prysmian PowerLink S.r.l.	Milan, Viale Sarca 222	63,481	100	50,000	162,304	162,304	60,498
F.O.S. - Fibre Ottiche Sud S.r.l.	Battipaglia, Strada Provinciale 135	40,383	100	47,700	73,497	73,497	(8,124)
Prysmian Treasury S.r.l.	Milan, Viale Sarca 222	12,000	100	4,242	9,603	9,603	(10,880)
Total Italian subsidiaries		**442,341**					
Foreign subsidiaries							
Draka Holding N.V.	Amsterdam, De Boelelann 7	1,216,481	69,691	39,095	1,319,949	919,886	53,326
Prysmian Kabel und Systeme GmbH	Berlin, Germany	2,154	6,25	15,000	(14,963)	(935)	(10,939)
Prysmian Kablo SRO	Bratislava, Slovakia	1	0.005	21,246	3,100	0,1550	(35)
Jaguar Communication Consultancy Services Private Ltd,	Mumbai, India	-	0.0001	316	76	0,0001	(254)
Prysmian Surflex Umbilicais e Tubos Flexiveis do Brasil Ltda	Vila Velha, Brazil	-	0.01	47,582	91,430	9	(1,631)
Total foreign subsidiaries		**1,218,636**					
Grand total		**1,660,977**					

The above figures are taken from the IFRS reporting packages of the subsidiaries at 31 December 2012.

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Carlo Soprano and Andreas Bott, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 dated 24 February 1998, that during 2012 the accounting and administrative processes for preparing the financial statements:
- have been adequate in relation to the business's characteristics and,
- have been effectively applied.

2. The adequacy of the accounting and administrative processes for preparing the financial statements at 31 December 2012 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

3. They also certify that:

3.1 The financial statements at 31 December 2012:
- 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;
- correspond to the underlying accounting records and books of account;
- are able to provide a true and fair view of the issuer's statement of financial position and results of operations.

3.2 The directors' report contains a reliable analysis of performance and the results of operations, and of the issuer's situation, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 27 February 2013

Chief Executive Officer
Valerio Battista

Managers responsible for preparing corporate accounting documents
Carlo Soprano ***Andreas Bott***

PARENT COMPANY

AUDIT REPORT

PARENT COMPANY AUDIT REPORT

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

1 We have audited the financial statements of Prysmian SpA as of 31 December 2012 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our 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 23 March 2012.

3 In our opinion, the financial statements of Prysmian SpA as of 31 December 2012 comply with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position as of 31 December 2012, the result of operations and cash flows of Prysmian SpA for the year then ended.

4 As described in the explanatory notes to the financial statements in note 10 "Provisions for risks and charges", in 2009 the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and other European and Asian electrical cable manufacturers aimed at assessing the existence of price fixing agreements in the high voltage land and submarine cables business. In 2011, considering also the developments of the European Commission investigation, the Directors estimated a provision related to the

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Catania** 95129 Corso Italia 302 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10122 Corso Palestro 10 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37135 Via Francia 21/C Tel.0458263001

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jurisdictions involved, with the exception of Brazil. Although the outcome of the investigations in the different jurisdictions is still uncertain, this provision still represents the best estimate based on the information currently available.

5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance and ownership structure, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure are consistent with the financial statements of Prysmian SpA as of 31 December 2012.

Milan, 15 March 2013

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

PARENT COMPANY

REPORT BY THE BOARD OF STATUTORY AUDITORS

REPORT BY THE BOARD OF STATUTORY AUDITORS (ART. 153 LEGISLATIVE DECREE 58 OF 24/2/1998 AND ART. 2429, PAR. 2, ITALIAN CIVIL CODE)

Shareholders,
The present report refers to the activities performed by this Board of Statutory Auditors in accordance with art. 149 et seq of Legislative Decree 58/1998 and with Legislative Decree 39/2010; it follows the format recommended by Consob in its Communication 1025564 dated 6 April 2001, as subsequently amended.

The supervisory activities required of us by law have been duly performed, taking into account the standards of conduct for the Board of Statutory Auditors established by the Italian Accountancy Profession and the recommendations and guidance of Consob.

1 **Discussion of the Company's transactions with the most significant impact on its results of operations, financial position and assets and liabilities and their compliance with the law and the Company's deed of incorporation**

After concluding the squeeze-out on 27 February 2012, Prysmian completed the process of acquiring Draka Holding N.V., in which it already held 99.121% of the issued shares. The total cost of the transaction, which began in April 2011, amounted to Euro 987 million, of which Euro 501 million paid in cash and Euro 477 million settled through the issue of 31.8 million new shares in Prysmian S.p.A. (corresponding to approximately 14.9% of its new share capital) to the shareholders of Draka Holding NV, and lastly, Euro 9 million in cash to settle the squeeze-out.
The industrial integration of the Draka Group into Prysmian continued in 2012 as planned, with the goal of completing the integration by 2015 confirmed; the integration is expected to involve some Euro 200 million in restructuring costs, and to deliver around Euro 150 million in annual run-rate synergies.
For memorandum purposes only, we recall that the organisational structure of the new Prysmian Group was announced on 13 July 2011, with work on its implementation starting immediately. The initial project and subsequent implementation was conducted using the best business management practices with the assistance of suitable professional and financial personnel; the decisions adopted were suitably supported by appropriate preliminary analysis.
Apart from the information presented in meetings of the Board of Directors, the Board of Statutory Auditors has also received information in this respect through specific meetings with the human resources director. Although challenging and not without the usual difficulties surrounding such changes, the integration process of the two groups has not suffered any setbacks or unexpected turns worthy of mention in this report.

Apart from this, the Company duly performed its activities as a group holding company during 2012, exercising "Direction and coordination" for its subsidiaries as well as providing them with various kinds of services. With effect from 1 October 2012, the parent company Prysmian S.p.A. received through demerger from its subsidiaries Prysmian Cavi e Sistemi S.r.l. and Prysmian Cavi e Sistemi Italia S.r.l., their interests in certain operating companies based in Italy, thereby reorganising the chain of corporate control of the Prysmian Group's Italian investments.

The year under review also saw a number of significant transactions and events that warrant specific mention in this report, for memorandum purposes only in specific relation to our supervisory duties. The Board of Directors has provided adequate disclosure about such transactions and events in its report, to which reference should be made for more details. Such transactions and events included:

- the consolidation of the Company's leading position in power transmission cables; Prysmian is present in the world's largest underground and submarine connection projects; among others, during 2012 Prysmian secured a contract worth approximately Euro 800 million for the Western HVDC Link project, the new submarine power line between England and Scotland being built by National Grid Electricity Transmission, the British grid operator, and Scottish Power Transmission, the Scottish grid operator, as well as a contract worth around Euro 400 million for the MON.ITA project, a new submarine power line between Montenegro and Italy being built by Terna Rete Italia S.p.A.;
- the repayment of the remaining Euro 670 million under the Credit Agreement entered in April 2007, after securing refinancing for Euro 1,070 million under the Forward Start Credit Agreement signed in January 2010;
- the acquisition in November 2012 of 100% of Global Marine Systems Energy Ltd (GME) for a purchase price of approximately Euro 53 million; this is a British company active in the installation of submarine cables, whose strategic assets include a cable ship that is already at work on projects in the North Sea;
- the Group's capital expenditure in 2012 of approximately Euro 152 million (Euro 159 million in 2011), of which 58% for selective increases in production capacity, 14% for structural maintenance work and 16% for research and development; and lastly, 12% for product design, aimed at reducing fixed and variable production costs;
- the continuation of the project to standardise and roll out the SAP-based financial and management accounting system; the project was revised in 2011 to take account of Draka's integration into the Prysmian Group and will continue until 2015;
- developments in the antitrust investigation; at the beginning of 2009, antitrust authorities in Europe, the USA and Japan started investigations into several European and Asian cable manufacturers to verify the existence of alleged anti-competitive agreements in the high voltage underground and submarine cables markets; subsequently, the Australian and New Zealand authorities also started similar investigations. During 2011, the Canadian and Brazilian antitrust authorities also initiated investigations. The investigations in Japan and New Zealand have ended without any sanctions for the Company, while the other investigations are still in progress and the Group is fully collaborating with the relevant authorities. In Australia, the competent authority has filed a case against Prysmian Cavi e Sistemi S.r.l. and two other cable manufacturers for alleged violations of antitrust rules in connection with one particular high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has duly filed its defence. In July 2011, Prysmian received a statement of objection from the European Commission in relation to the antitrust investigation started by the same European Commission in January 2009; this document, which does not prejudge any decision by the authority, contains the Commission's preliminary position on alleged anti-competitive practices. Prysmian has submitted its defence during a hearing before the European Commission held in June 2012.
  In view of the various investigations in progress in the various jurisdictions except for Brazil, the Prysmian Group already recognised in 2011 a provision for risks and charges totalling Euro 207 million, stating nonetheless that *"it is not... possible to exclude that the Group could be required to meet liabilities not covered by the provisions for risks should these cases have an adverse outcome, with a consequently negative, even material, impact on its activities..."*.

  With reference to the above points and company performance in general, as stated above, we always received prompt information during the year about the progress of the above events and of others discussed in the Directors' Report. The Board of Statutory Auditors is of the opinion that the above company transactions comply with the law and the Company's By-laws, are in the Company's interests, are not manifestly imprudent or risky, do not conflict with any resolutions adopted by shareholders and are not such as to compromise the integrity of the Company's net assets.

2 Atypical or unusual transactions

There were none.

2.1 Atypical or unusual transactions with related parties

There were none.

2.2 Atypical or unusual transactions with third parties or intragroup companies

There were none.

2.3 Ordinary intragroup transactions with related parties

In compliance with the Related Parties Regulation 17221, adopted by Consob on 13 March 2010, as later amended, since 2010 the Company has adopted a set of procedures for the management, examination, approval and market disclosure of related party transactions.

The Directors have provided disclosures about ordinary intragroup transactions and related party transactions in their report accompanying both the consolidated financial statements (see Explanatory Note 33) and the Parent Company's separate financial statements (see Explanatory Note 23). These mainly relate to trade transactions involving intragroup purchases and sales of raw materials and finished goods, of technical, organisational and general services provided by the Parent Company, financial services

provided by the Group's treasury company and employment relationships with directors and key management personnel. During the year the Board of Statutory Auditors checked that intragroup or related party transactions were carried out in compliance with these procedures, and in any case under contracts entered into on an arm's length basis. The intragroup transactions examined appeared to be consistent, in the best interests of the Company and the Group it heads, as well as properly motivated and documented.
The Board of Statutory Auditors does not have anything to add to these disclosures which seem to be satisfactory.

3 Opinion on the adequacy of the information provided by the Directors about atypical or unusual transactions

No atypical and/or unusual transactions took place and so no opinion is required.

4 Observations on disclosures specifically mentioned in the Independent Auditors' Opinion

The Independent Auditors issued unqualified opinions on the separate financial statements and the consolidated financial statements on 15 March 2013. In their opinion on the consolidated financial statements, the Independent Auditors have drawn attention to one of the disclosures by reporting that: "As described in note 14 to the consolidated financial statements *("Provisions for risks and charges"), during 2009 the European Commission and other competent antitrust authorities started investigations into the Prysmian Group and other European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive agreements in the high voltage underground and submarine cables markets. Already during 2011, in view of the recent developments in the European Commission investigation, the directors decided to estimate the liability relating to the antitrust investigations underway in the various jurisdictions, except for Brazil. This liability is still the best estimate based on the information currently available, even though the outcome of the investigations underway in the various jurisdictions is still uncertain".*
The Independent Auditors draw attention to the same disclosure in their opinion on the separate financial statements of Prysmian S.p.A..
The Board of Statutory Auditors does not have any other observations to add to those already made in point 1 of the present report.

5 Complaints under art. 2408 of the Italian Civil Code

During the Shareholders' Meeting of 18 April 2012, the shareholder Carlo Fabris lodged a complaint under article 2408 of the Italian Civil Code, concerning the indication, in the meeting's notice, of a deadline for the submission of questions. In particular, he argued that there is no rule allowing the introduction of such a deadline, and that, had he not attended personally, he would certainly have sent some questions after this deadline to see how the Company would have behaved.
First of all, the Board of Statutory Auditors notes that - according to the minutes of the meeting of 18 April 2012 - the shareholder concerned owns 2 shares, representing a capital of Euro 0.20 out of a total of Euro 21,443,097.20; this does therefore not qualify as a complaint falling under paragraph 2 of art. 2408, that needs to be discussed in our annual report.
The Board of Statutory Auditors has conducted a detailed examination of the applicable legislation and the related facts and legal rights; it has also noted that the Company has not received any other complaints and has reached the conclusions set out below.
The establishment of a deadline for the presentation of questions (16 April 2012 with reference to the meeting on 18 April 2012) is not imperative and there is no consequence for failing to comply with this deadline; the deadline fixed by the Company was solely for organisational purposes to allow it to provide a fuller and more detailed response to questions submitted in advance by shareholders not attending the meeting. During the meeting of 18 April 2012, however, all requests for information from shareholders were dealt with, including the questions asked by the same shareholder Fabris.

The Company's approach has been confirmed by the fact that Legislative Decree 91 of 18 June 2012, published after the meeting in question, has introduced in article 127-ter of Italy's Unified Financial Act, the obligation to indicate such a cut-off date in the notice of shareholders' meetings, with the stated purpose of allowing companies to properly prepare the information provided to shareholders in the meeting, as set out in the Ministry of Economy's Consultation Paper dated 13 February 2012, which states that such a deadline makes it possible "to give greater attention to the need to prepare properly for shareholders' meetings and to conduct them correctly".

6 Presentation of petitions

There were none.

7 Other services provided by the Independent Auditors

See the table in Note 38 to the consolidated financial statements.

8 Engagement of parties connected with the Independent Auditors

See the table in Note 38 to the consolidated financial statements.

9 Legal opinions issued

During 2012 the Board of Statutory Auditors issued:
- an opinion at the meeting of the Board of Directors on 10 May 2012, concerning the division between the Directors of the annual emoluments set by the Shareholders' Meeting for the entire Board of Directors;
- an opinion at the meeting of the Board of Directors on 8 November 2012, concerning the appointment of Andreas Bott as manager responsible for preparing corporate accounting documents.

10 Frequency of meetings of Board of Directors and Board of Statutory Auditors

During 2012 the Board of Statutory Auditors held 9 meetings; it also attended 6 meetings of the Board of Directors, 6 meetings of the Control and Risks Committee, 3 meetings of the Compensation and Nominations Committee, as well as the one Shareholders' Meeting held during the year.

11 Observations on compliance with principles of good administration

The Board of Statutory Auditors has obtained information about and monitored compliance with the principles of good administration. This was done by attending meetings of the Board of Directors and of the Control and Risks Committee, through personal meetings with the Directors, by direct observation and investigation, by obtaining information from company managers, by meeting with the Independent Auditors, also for the mutual exchange of relevant information under art. 150, par. 2 of Italy's Unified Financial Act (TUF).

The work of the Board of Statutory Auditors focused on controlling the legality of management decisions by the Directors and whether the decision-making process followed rational economic and financial principles in accordance with the techniques and standards recommended by best business practice. This activity by the Board of Statutory Auditors did not, however, involve going into the merits of the opportunities and benefits of the decisions themselves.

The Board of Statutory Auditors checked that typical, usual and more significant transactions did not fall outside the Company's business purpose, did not conflict with the By-laws, did not represent a conflict of interests, even potentially, and were not such as to compromise the integrity of net assets or were not, in any case, manifestly imprudent or risky. The Board of Statutory Auditors also controlled that such decisions did not conflict with any resolutions adopted by the Company's governing bodies or did not harm the rights of individual shareholders or minority shareholders.

The Board of Statutory Auditors also checked that decisions by the Board of Directors involving the more important transactions were supported by the usual investigations, analyses, checks and opinions and evaluations by outside advisors, recommended by best corporate practice, in relation to the economic and financial fairness of such transactions and their correspondence with the Company's interests.

The Board of Statutory Auditors does not have any observations to make concerning compliance with the principles of good administration.

12 Observations on adequacy of organisational structure

The Board of Statutory Auditors has obtained information about and monitored the adequacy of the Company's organisational structure, through a process of direct observation, interviews, the gathering of information from competent company functions and the conduct of meetings with persons responsible for internal and external audit.

During the year the Board of Statutory Auditors monitored, in close collaboration with the Independent Auditors, the Control and Risks Committee and the Head of Internal Audit, whether any organisational-operational dysfunctions were reported that directly arose from organisational shortcomings; there were no cases requiring mention in this report.

The company organisational structure was updated during 2011 for the integration between the Prysmian and Draka

Groups; minor changes were made in 2012 that do not warrant mention in this report; the organisational structure was also updated for particular requirements as they arose; the Board of Statutory Auditors has been regularly informed about any rotations of key positions.
Our opinion on the reliability of the organisational structure as a whole is confirmed as positive.
The existing system of delegated authority is based on a distinction, by nature, between various kinds of deeds and transactions, as well as on maximum financial limits on the execution of the various types of management action. Overall, it is based on rational principles and is appropriate for the Company's type of business.

13 Observations on adequacy of internal control system
The Board of Statutory Auditors has monitored the adequacy of the internal control system, directly through meetings with persons in charge of the various company functions, by attending meetings of the Control and Risks Committee and by periodic meetings with the Independent Auditors, and can report that the system has not displayed any major weaknesses or facts or matters warranting disclosure in the present report.
The annual internal audit plans have been adopted in agreement between the Internal Audit department and the Chief Executive Officer, after presentation to the Board of Statutory Auditors and the Control and Risks Committee; they are approved annually by the Board of Directors. The preparation of such plans clearly does not rule out unplanned work when the bodies and functions concerned see the need or opportunity to do so.
The systematic meetings of the Head of Internal Audit with the Control and Risks Committee, with the Board of Statutory Auditors in attendance, have made it possible to effectively follow the progress and results of internal auditing activities. These meetings have also allowed the Board of Statutory Auditors to coordinate with the Control and Risks Committee the conduct of its duties as "Internal Control and Financial Audit Committee" assumed after implementation of art. 19 of Legislative Decree 39/2010, involving particular vigilance over (i) the financial reporting process and (ii) the effectiveness of the systems of internal control, internal audit and risk management.
The reviews and controls performed on the areas and functions covered by internal auditing have led us to form an opinion of substantive fairness and reliability in relation to the internal control system.
No significant weaknesses in the system have been identified so that, even though it is constantly evolving and being improved, the system can be viewed as reliable.
The Prysmian Group has a strong central system of internal control, which allows it to closely and promptly monitor the operations and risks of all its subsidiaries located in many countries, while the Draka Group was organised on a more decentralised basis in favour of individual units.
The integration process has therefore also aimed to extend the central system of control to the former Draka business perimeter, in order to achieve full and immediate monitoring of all business processes and risks. Integration of the systems of internal control is still in progress.
By way of memorandum only, we note that during 2012 the Board of Directors of Prysmian S.p.A. started to develop a dynamic Enterprise Risk Management (ERM) system, which will become an integral part of the system of internal control and risk management.
The "Report by the Monitoring Board (set up under Legislative

Decree 231/01)" on the work performed in the second half of 2012, was presented to the Board of Directors on 27 February 2013 and provided, among others, an account of its monitoring and updating of the Organisational Model adopted by the Company under Legislative Decree 231/01 and its actual application.
A specific section of the Directors' Report accompanying the consolidated financial statements describes the risk factors to which the Company is exposed, while the "Report on Corporate Governance and Ownership Structure" provides a full account of the activities for managing risks relating to the financial reporting process, with particular attention to the disclosures required by Law 262/05.

14 Observations on adequacy of accounting and administrative system

The Board of Statutory Auditors has regularly monitored that the existing system is operating correctly, including through meetings with the Group CFO and with the Managers responsible for preparing corporate accounting documents, and even with individual heads of function within the administrative office.
The Parent Company provides certain accounting and administrative services to the Group's Italian companies, although several accounting and administrative functions are delegated to subsidiaries, whose respective CFOs report directly to the Group CFO.
As stated earlier, a major project has been in progress since 2009 to standardise the financial and management accounting system, based on the adoption of a standard SAP platform by all the Group's companies; this project was revised and rescheduled in 2011 to take account of the integration of the Prysmian and Draka Groups; in 2012 the project continued according to plan, involving the most important companies in the Group; the project is due to be completed by 2015.
In brief, the accounting and administrative system has proved itself reliable; like in the previous year, the consolidation of Draka, despite its complexity, has not given rise to any critical situations warranting mention in this report.
Our opinion on the system is positive, and in particular, we believe that the accounting and administrative system is capable of correctly representing the results of operations.
The annual financial report therefore reflects the Company's performance in 2012 and contains a comprehensive analysis of its situation, performance and operating results, and a description of the principal risks and uncertainties to which the Company is exposed, with a detailed and consistent presentation of its assets and liabilities, financial position and results of operations contained in the "Directors' Report" and in the "Explanatory Notes". As a result of business combinations during the year (see Section E. Business Combinations), the value of goodwill in the financial statements amounts to Euro 405 million (Euro 352 million at the end of the previous year as a result of the Draka acquisition); impairment testing has not revealed the need to recognise any impairment losses.

15 Observations on adequacy of instructions given to subsidiaries (art. 114 TUF)

The Board of Statutory Auditors has taken note of the Company's instructions to its subsidiaries in accordance with art. 114, par. 2, TUF and is of the opinion that they are suitable for fulfilling the duties of communication required by law.

16 Relevant matters emerging during meetings with the Independent Auditors (art. 150 TUF and art. 19 Legislative Decree 39/2010)

Regular contact was maintained during the year under review with the Independent Auditors, with whom a productive exchange of data and information was established, also in view of the new duties assumed by the Board of Statutory Auditors under art. 19 of Legislative Decree 39/2010 in its role as the *"Internal Control and Financial Audit Committee"*.
This involved not only meetings, also attended by the Company, but also informal contact between members of the Board of Statutory Auditors and representatives of the Independent Auditors, during which the following matters were particularly discussed: (i) organisation of the statutory audit of the separate and consolidated financial statements and (ii) matters concerning the independence of the Independent Auditors with particular reference to services other than auditing ones.
No facts or matters warranting mention in the present report have emerged in connection with the process of preparing the separate and consolidated financial statements; in particular, the Independent Auditors have not informed the Board of Statutory Auditors of any critical matters or significant weaknesses such as to influence the overall reliability of the process of preparing these documents.
By the date of the shareholders' meeting convened to approve the financial statements for 2012, the Independent Auditors will send a statement confirming their independence and the absence of any incompatibilities under art. 10 and art. 17 of Legislative Decree 39/2010, the information required by art. 17 par. 9 (a) of the same decree concerning non-audit services provided to the Prysmian Group, and the Report required by art. 19 of Legislative Decree 39/2010.

17 Compliance with Self-Regulatory Code

The disclosures in this paragraph are also given in compliance with art. 149 par.1.c-bis) of TUF.
The Company has adopted the principles established by the Self-Regulatory Code published by Borsa Italiana S.p.A.; the Board of Directors approved the Annual Report on Corporate Governance and Ownership Structure in its meeting on 27 February 2013.
For memorandum purposes only, we recall that: (i) the Control and Risks Committee, made up of board members, acts in a consultative and proposal-making capacity to the Board of Directors; its role, duties and operation are discussed in chapter 9 of the Report on Corporate Governance; (ii) the Board of Directors has appointed Valerio Battista, the Chief Executive Officer, as the director in charge of

supervising the operation of the system of internal control and risk management; (iii) the Company has also set up a Compensation and Nominations Committee; its role, duties and operation are discussed in chapter 7 of the Report on Corporate Governance. During the year the Antitrust Committee was dissolved, having completed its task of drawing up suitable procedures to prevent the occurrence of episodes similar to those that have involved the Group; we recall that these procedures (the Antitrust Code of Conduct) were adopted by the Board of Directors on 12 May 2011; verification of the application and updating of these procedures is the responsibility of the Internal Audit department; (iv) the Company has also adopted specific procedures for:

- the conduct of related party transactions;
- the conduct of Shareholders' Meetings;
- the communication of price sensitive information outside the Company;
- reporting obligations relating to transactions by "relevant persons" involving shares or other financial instruments issued by the Company (Code of Conduct for Internal Dealing);
- compliance with the obligations to inform the Board of Statutory Auditors under art. 150, par. 1, TUF.

The Board of Statutory Auditors has checked that the Board of Directors has applied the proper principles when evaluating the independence of its non-executive members, and that the related verification procedures were properly performed. The Board of Statutory Auditors has also reviewed and confirmed the independence of its own members. The Board of Statutory Auditors therefore has no observations to make as a result of this review.
Lastly, the Board of Statutory Auditors recalls that the Company has an Investor Relations function which is responsible for relations with shareholders and institutional investors.

18 Concluding remarks on supervisory activities
The Board of Statutory Auditors has checked that the Company has an appropriate and adequate organisational structure, such as to ensure its compliance with legislation and its correct and timely performance of the associated requirements.
This detailed control – as already reported above - has also been managed and supplemented with:

- specific targeted activities for reviewing compliance with law or the By-laws;
- attendance at meetings of the Board of Directors;
- acquisition of information about tests and monitoring performed by the Independent Auditors;
- gathering of additional information in meetings - even informally - with the Directors, the Internal Audit department, the Control and Risks Committee and the heads of the various company functions;
- review, together with the Company, of any new instructions or communications by Consob that affect the Company.

In this way it has been possible to confirm that the organisational and technical conditions exist for effectively complying with the By-laws, laws and regulations that govern the Company's officers, activities and business.

19 Proposals for the Shareholders' Meeting (art. 153 TUF)
The Board of Statutory Auditors acknowledges that it has monitored the observance of procedural and legal requirements for the preparation of the Parent Company's separate financial statements and of the consolidated financial statements for 2012 and the fulfilment of the duties of the Directors and Independent Auditors in this regard.
The financial statements being submitted for your examination reflect the Company's performance, with a detailed and consistent presentation of its assets and liabilities, financial position and results of operations contained in the "Directors' Report" and in the "Explanatory Notes". The consolidated financial statements reflect the performance of the Prysmian Group, as well as its assets and liabilities, financial position and results of operations; the Directors' Report suitably describes the Group's results of operations, assets and liabilities and financial position, its performance and events after the reporting period; lastly, it is consistent with the consolidated financial statements.

Based on the controls performed directly and the information exchanged with the Independent Auditors, and taking note of their unqualified opinion on the separate financial statements, which are consistent with the Directors' Report; having acknowledged that the Directors have not made any exceptions as permitted in certain circumstances by art. 2423, par. 4 of the Italian Civil Code, the Board of Statutory Auditors does not have any observations or proposals concerning the separate financial statements, the Directors' Report and the proposed apportionment of the net profit for the year which, consequently, and to the extent of our remit, can be approved by yourselves.

Milan, 15 March 2013
The board of statutory auditors

Chairman	Standing Statutory Auditor	Standing Statutory Auditor
Marcello Garzia	***Paolo Burlando***	***Luigi Guerra***

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