A WORLDWIDE LEADING PLAYER IN THE CABLE INDUSTRY

2007 Annual Report

PRYSMIAN
CABLES & SYSTEMS

2007 Annual Report

Prysmian Group

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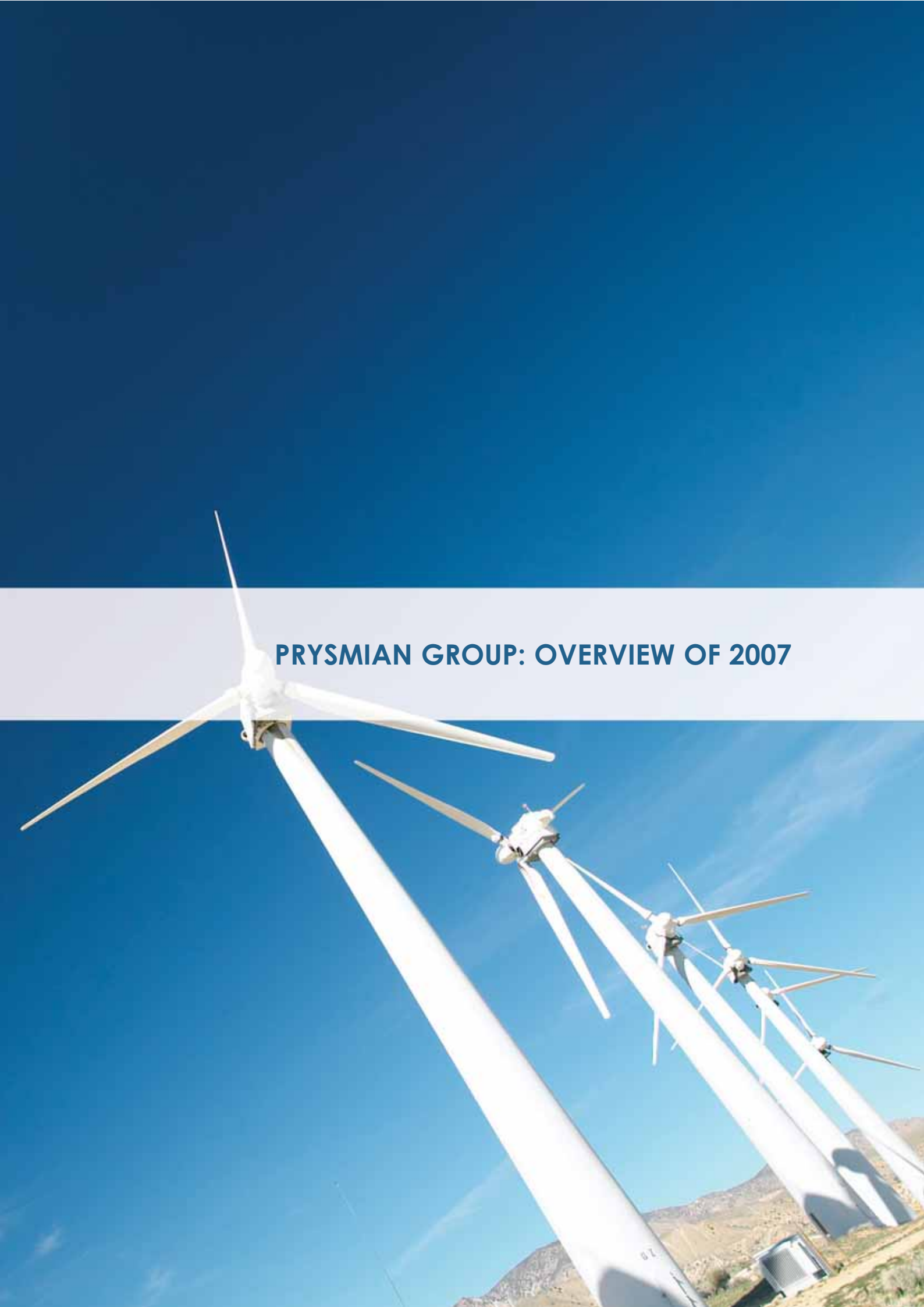
PRYSMIAN GROUP: OVERVIEW OF 2007




a worldwide
leading player
in the
cable industry

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

(in millions of Euro)	2007	2006	% Change
Sales	5,118	5,007	+2.2%
Contribution margin[1]	960	827	+16.1%
EBITDA	573	371	+54.4%
Adjusted EBITDA[2]	529	407	+30.2%
Operating income	508	258	+96.8%
Adjusted operating income[3]	464	330	+36.3%
Income before taxes	387	147	+162.6%
Net income	302	91	+231.9%

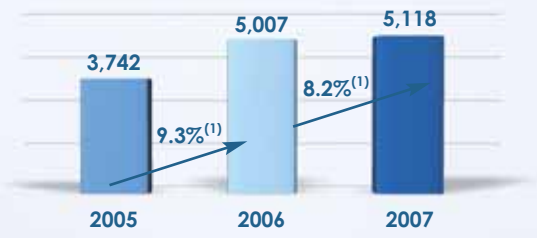
(in millions of Euro)	2007	2006	Change
Net capital employed	1,282	1,177	+105
Employee provisions	112	128	-16
Shareholders' equity	454	170	+284
of which attributable to minority interest	21	19	+2
Net financial position	716	879	-163

(in millions of Euro)	2007	2006	% Change
Investments	89	85	+4.2%
Employees (at year-end)	12,243	12,143	+0.8%
Earnings/(loss) per share			
Basic	1.67	0.49	
Diluted	1.65	0.49	

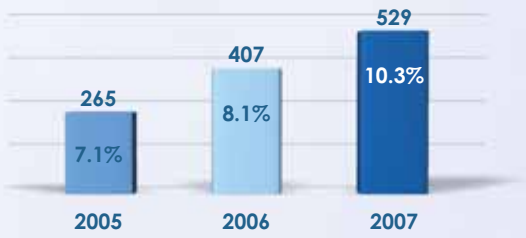
(1) Contribution margin defined as: Adjusted EBITDA + fixed costs.
(2) Adjusted EBITDA is defined as EBITDA net of income and expenses that are non-recurring by nature.
(3) Adjusted operating income is defined as operating income net of income and expenses that are non-recurring by nature.

KEY FINANCIALS
(in millions of Euro)

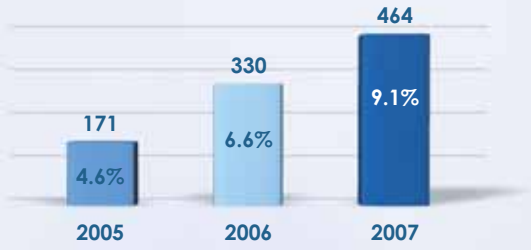
SALES



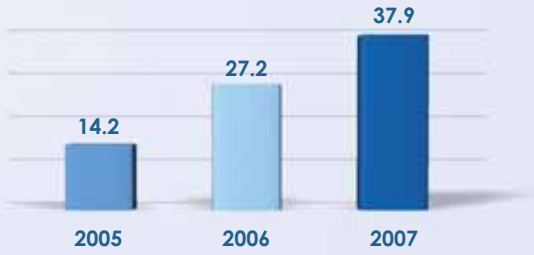
ADJUSTED EBITDA(2) ON SALES



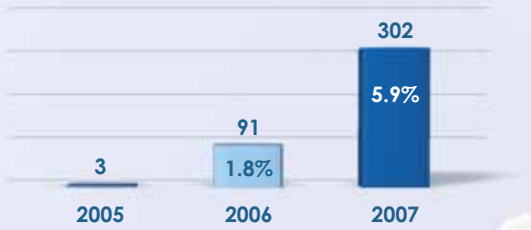
ADJUSTED OPERATING INCOME(2) ON SALES



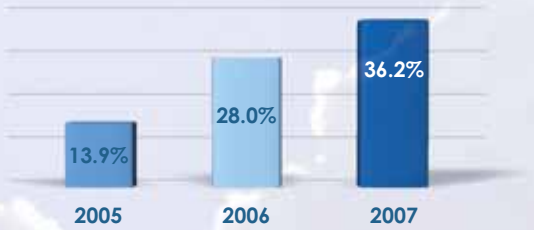
ADJUSTED OPERATING INCOME(2) PER EMPLOYEE
(€ '000)

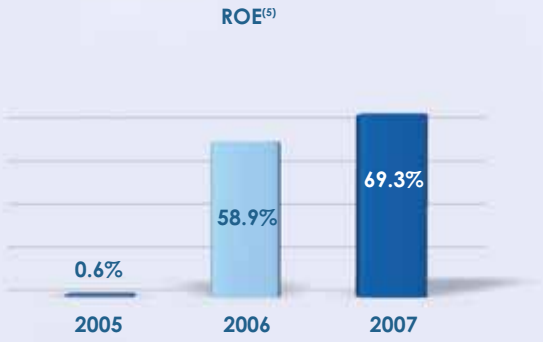


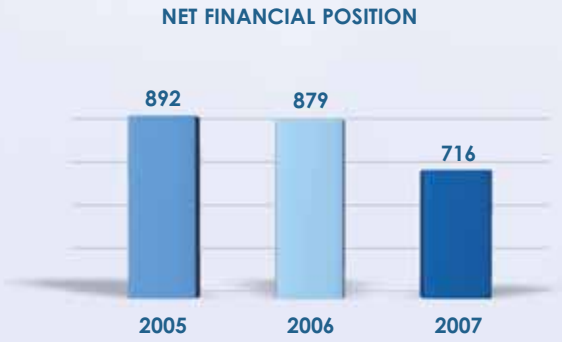
NET INCOME ON SALES

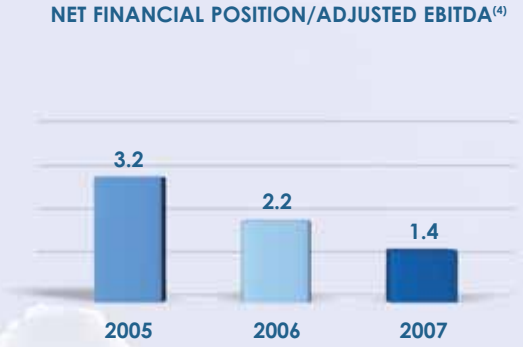


ROCE(3)









(1) Organic Growth: growth net of perimeter changes, metals price effects and exchange rate translation effect.
(2) Adjusted EBITDA and Adjusted Operating Income are defined as EBITDA and Operating Income that are non-recurring by nature.
(3) Calculated as Adjusted Operating Income/(Shareholders' Equity YE + Net Financial Position YE + Employee provisions YE).
(4) Calculated as Net Financial Position to third parties YE/Adjusted EBITDA..
(5) Calculated as Net Income after minority interest/Shareholders' equity attributable to the Group.

LETTER TO SHAREHOLDERS


Valerio Battista
CEO

Prysmian has been listed on the stock market since May 2007, and is recognised as the primary IPO in Italy for the year and one of the most important in Europe. This is in fact a return to the stock exchange for Prysmian: as an integral part of the Pirelli group, our Company has already enjoyed significant visibility on the financial markets. As the record shows, it has been a positive debut for Prysmian, and shares have quickly become part of the S&P/MIB index, exchanging significant trading volumes.

Prysmian has been able to gain the confidence and appreciation of investors in the market, reporting excellent business and financial results throughout the year. These results were achieved thanks to the organisational and strategic decisions taken in recent years, as well as the growing focus on businesses and markets characterised by higher added value and better growth potential.

The good performance during 2007 is reflected in the improvement of all the financial indicators: sales, operating income and net income all increased significantly in comparison to the previous year. Consolidated sales reached Euro 5,118 million, posting an organic growth of 8.2%. EBITDA before non-recurring items increased by 30% to Euro 529 million, accounting for 10.3% of sales compared with 8.1% in 2006. Net income more than tripled from Euro 91 million in 2006 to Euro 302 million. This was once again one of the top performances in the industry, and demonstrated Prysmian's capacity to generate profits and excellent returns on invested capital, with ROCE surging from an already high level of 28.0% in 2006 to 36.2%.

Today Prysmian is recognised by the market as a company that is highly capable to reward investors' confidence. The Company has been able to pursue this commitment by focusing on growth and implementing a strategy based on constant improvement and business development. This strategy has been sustained particularly by the ability to generate financial resources and sizable operating cash flows, which have allowed the Company to support an investment policy focusing on growth in higher value added businesses. In 2007 the Company's capital expenditures amounted to around Euro 90 million, increasing over the previous year, and mainly allocated to expanding the capacity of plants for fast growing products and markets. These include submarine power cables, high voltage and extra-high voltage underground cables, industrial cables and high technology products such as Airbag/Airguard cables and Low Smoke Zero Halogen (LS0H) cables. A major portion of capital expenditure was also allocated to projects to improve industrial efficiency. In addition, after the new umbilicals plant in Brazil came into full service in 2007, Prysmian began another major investment during the same year involving the construction of a new high voltage cable facility in the USA.

Prysmian is committed not only to organic growth, but also to external expansion through an active acquisition policy. After the acquisition of the cable business of Tianjin Angel Group in China in 2006, the Group completed other deals such as the acquisition of International Wire & Cable (IWC), a New Zealand company specialised in the manufacture of medium-voltage cables, and, most significantly, the definitive agreement with the Indian company Nicco Corporation for the setup of a joint-venture which will regroup all Nicco's operations in the cables'sector. The agreement, in which Prysmian will hold 60%, will allow the Company to gain a significant industrial and commercial presence in the Indian market, which has excellent growth potential in view of the significant ongoing investments in infrastructure.

In 2007 Prysmian continued to implement its development strategy, both internally and through external expansion. This has proved to be a successful strategy in light of the results achieved in the businesses and markets in which the Company operates. In the Energy Cables business, strong growth was achieved in the industrial cables segment where turnover increased from Euro 629 million in 2006 to Euro 795 million. Boosted by the new facility in Brazil, cables for the Oil, Gas & Petrochemicals industry

posted the best performance, but other sectors with a strong growth outlook such as renewables energy and in particular cables for solar and wind plants, also recorded satisfactory performances The result in the Utilities market was also impressive, Prysmian confirmed its position as global leader in power transmission cables and systems, especially in submarine projects. Operators of power transmission grids and utilities increased their level of investments in order to modernise the networks, with particularly strong demand coming from the Middle-East, Russia and Asia. Prysmian has gained a significant part of this market, and has been awarded major projects such as the delivery of the new submarine Trans Bay power link in San Francisco and the Cometa link between the Balearic Islands and the Iberian Peninsula. In 2007, Prysmian also completed and delivered the submarine Neptune link in the US and progressed on what is currently one of the major projects of its kind in the world: the SA.PE.I., a power transmission link between Sardinia and the Italian Peninsula is a strategic project for the development of the entire Italian power grid. Prysmian has also been awarded several major contrats in Europe by German company E.On Netz and the Danish company Dong Energy, which will see Prysmian working on the power links for off-shore wind parks. Within the power distribution market, Prysmian introduced a significant innovation by manufacturing the first cable with integrated P-Laser technology, which will radically change the market thanks to its high quality, flexibility, and ease of installation. Finally, in the Trade & Installers business, Prysmian achieved satisfactory organic growth and a further improvement in the business mix. In 2007, the Company continued to focus on higher value added products, such as Fire Resistant and LS0H cables, especially in Europe.

Organic sales growth for the Telecom Cables business area, was 6.3%, with a good performance in the optical cables segment in both northern Europe and emerging markets such as India. Among the new technologies and products introduced to the market in 2007, were the CasaLight™ optical fibre and the VertiCasa™ cabling system, which met market demand brilliantly by focusing on concerns that the installation of the final metres of fibre in existing buildings could require economically unsustainable capital expenditure.

As shown by the detailed analysis of the business performance of the various segments, Prysmian was not only highly competitive in 2007, but also gained an excellent position in markets that are enjoying the most favourable growth outlooks. In particular, we have strong expectations for the high value added and high technology segments of submarine cables, high voltage cables and industrial cables. The Utilities business has significant long-term investment plans to modernise its networks, and our Company is well-positioned for the coming year with an order book for high voltage land cables that covers the whole of 2008 and orders for submarine cables up until the end of 2009.

We are focused on the core markets, have a clear and sustainable growth and expansion policy, and we have achieved satisfactory results. These are the factors that make Prysmian a reliable and innovative company for its customers, profitable and capable of creating value for its shareholders, as well as being committed to playing a conscious role in sectors such as energy and telecommunications that have a big impact on the environment and our quality of life.

Valerio Battista, Chief Executive Officer

Fabio Romeo
Head of Energy Business

Pier Francesco Facchini
CFO

Giovanni B. Scotti
Head of TLC business

PRYSMIAN AND THE FINANCIAL MARKETS

2007 HIGHLIGHTS

3 May	Prysmian listing in the Blue Chip segment of Borsa Italiana
18 June	Prysmian is included in the Midex segment
24 September	Prysmian is included in the S&P MIB index, which groups the top 40 Italian companies by capitalisation and share liquidity volume
6 November	November: after the Goldman Sachs Group Inc. placement of 22.2% of capital, Prysmian's free float increased to 58.3%[1]
30 November	Prysmian is included in the Morgan Stanley Capital International index, grouping the world's top companies by capitalisation.

(1) Excluding from the free float the 9.9% of the capital owned by Taihan Global Luxembourg Investment S.à r.l.

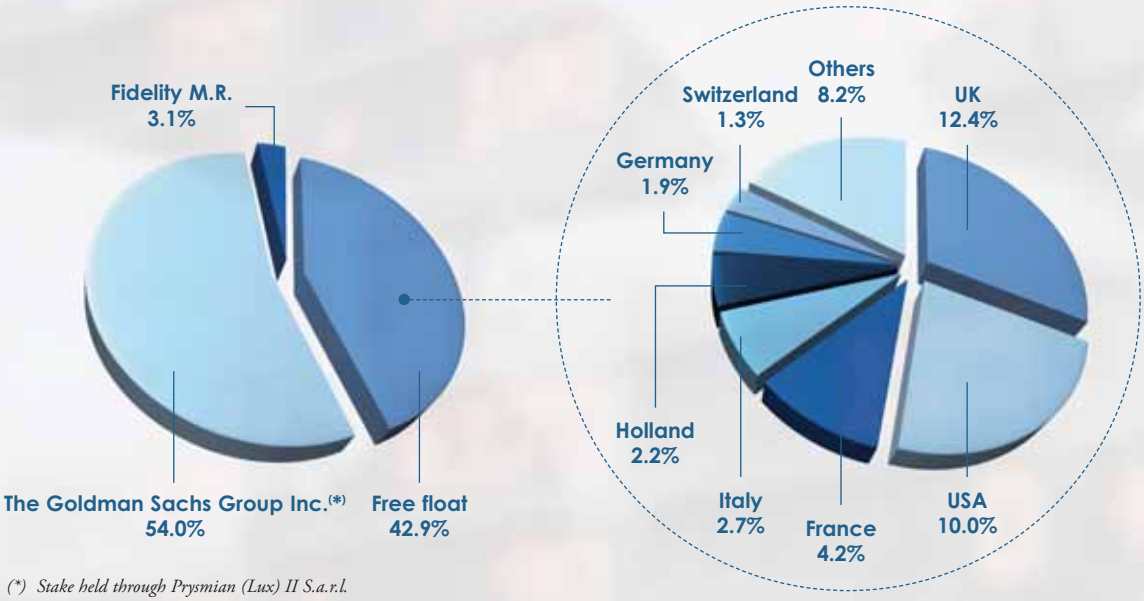
INITIAL PUBLIC OFFERING

On 3 May 2007, Prysmian completed the listing process for the Borsa Italiana Blue Chip segment. Resulting from the sale of 46% of the shares held by Prysmian (Lux) II S.à r.l. (92% subsidiary of The Goldman Sachs Group Inc. and 8% held by the company's Management and Directors), the listing of the Prysmian ordinary shares took place at a price of Euro 15.0 per share, corresponding to Euro 2.7 billion in capitalisation.
During the roadshow before the listing, the Company's Top Management held several group meetings and 73 one-on-one meetings with institutional investors in seven different countries.

Shares offered to Institutional investors were over four times subscribed. The IPO results are as follows:

- 6.4% of the share capital was assigned to the retail investors
- 39.6% of the share capital was assigned to 194 professional and institutional investors

OWNERSHIP STRUCTURE AFTER THE LISTING



(*) Stake held through Prysmian (Lux) II S.a.r.l.

PRYSMIAN SHARE PERFORMANCE ON THE STOCK MARKET

Listed on 3 May 2007, Prysmian has been included in the S&P MIB 40 index since 24 September and in the Morgan Stanley Capital International index since 30 November.

From the listing until 31 December 2007, the Prysmian share increased by 13% compared to the placement price, recording one of the best performances among newly listed companies in 2007 and among international companies in the industry. The Prysmian share also outperformed the major international indices, including: MIBTEL -14%, S&P MIB: -12%, CAC 40 (France): -7%; IBEX (Spain): +5%; FTSE 100 (UK): +6%; DAX (Germany): +7%.

2007[1] Performance: + 12.6%

Market Cap. at 31 December 2007: Euro 3,040 mln

Price at 31 December 2007	16.89 €
Year-end change compared to the listing	+12.6%
Market Capitalization at 31 December 2007	3,040 Mil €
Average price[2]	18.36 €
Average change[2]	+22.4%
Average Market Capitalization[2]	3,305 Mil €
Average Daily Trading Volume[2]	0.96 Mil

(1) Performance calculated in the period from 3 May to 31 December 2007
(2) In the period from 3 May to 31 December 2007

INVESTOR RELATIONS

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

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

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

In 2007, after the listing on the Stock Exchange, financial market relations were particularly intense, with more than 200 meetings held during roadshow, conference organised by the main international brokers, and meetings at Company headquarters.

Coverage of the Prysmian stock increased significantly during the year, confirming national and international financial market's increasing interest in the Company. Fourteen independent Analysts regularly cover the Prysmian stock: ABN Amro, Banca Aletti, Banca Leonardo, Banca IMI, Cheuvreux, Citigroup, Euromobiliare, Exane BNP Paribas, Goldman Sachs, Intermonte, JP Morgan, Mediobanca, Merrill Lynch, and UniCredit HVB.

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

Investor Relations contact details:

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@ investor.relations@prysmian.com

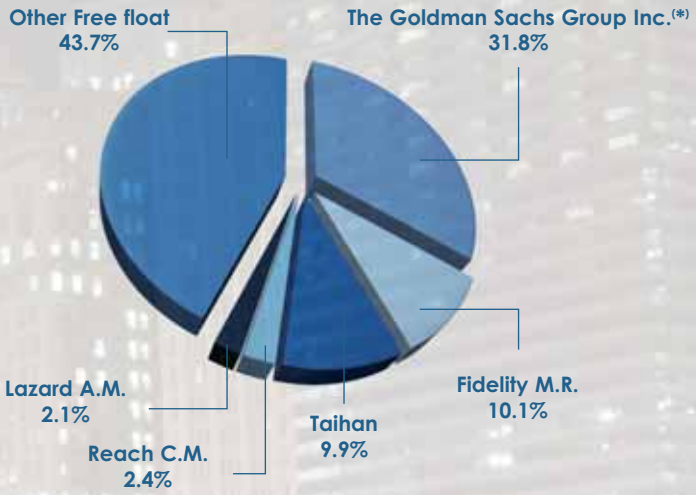
Luca Caserta, Head of Investor Relations

T +39 02 6449 51400

@ luca.caserta@prysmian.com

OWNERSHIP STRUCTURE

At 31 December 2007, Prysmian S.p.A. share capital amounted to 180 million ordinary shares with a par value of Euro 0.1 each. The ownership structure at 31 December 2007 is as follows.



Source: CONSOB

(*) Stake held through Prysmian (Lux) II S.a.r.l. (30.3%) and The Goldman Sachs Group Inc. (1.47%)

FINANCIAL CALENDAR

7 March 2008	Board of Directors - 2007 Consolidated Annual Report
14 or 15 April 2008	Shareholders' Meeting to approve the Financial Statements
14 May 2008	Board of Directors – Report on the First Quarter 2008
27 August 2008	Board of Directors – Half-Year Report as of June 30, 2008
12 November 2008	Board of Directors – Report on the Third Quarter 2008

COMPANY BOARDS

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

(*) Independent directors
(1) Members of the Internal Control Committee
(2) Members of the Compensation Committee

ORGANISATIONAL STRUCTURE

SALES exceeding

5 billion Euro in 2007

PRYSMIAN GROUP PROFILE

As a leading player in the high technology business of energy and telecom cables and systems, the Prysmian Group is a truly global company with sales of more than Euro 5 billion in 2007. Strongly positioned in the higher value-added market segments, Prysmian designs, develops, manufactures, supplies and installs a wide range of cables, addressing the most diverse applications in both the energy and telecom sectors.

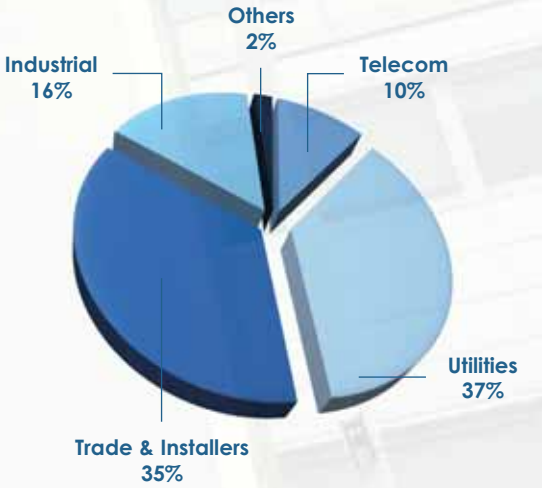
Specialising in delivering products and systems created for specific customer requirements, the key strengths of Prysmian include: a close focus on Research & Development, the capacity to innovate with products and production processes, and the use of advanced proprietary technologies.

With its two businesses, Energy Cables & Systems (cables and systems for land and submarine power transmission and distribution, for industrial applications and for the distribution of electricity to residential and commercial buildings) and Telecom Cables & Systems (optical cables and fibres and copper cables for video, data and voice transmission), Prysmian Group boasts a global presence with subsidiaries in 36 countries, 54 plants in 21 countries, 7 Research & Development centres in Europe, USA and South America and employs more than 12,000 people worldwide. This broad and diverse geographical distribution of manufacturing facilities allows Prysmian to respond more efficiently and effectively to the needs of local markets and customers.

Prysmian continuously strives to improve all aspects of customer service with great emphasis, providing them with improved logistics and assistance services, including periodical monitoring, maintenance and provision of emergency services for existing installed cables and systems.

Prysmian can also rely on its own cable-laying vessel Giulio Verne, which allows the laying of submarine cables even in the most critical conditions and provides a significant competitive advantage to the Company due to its advanced technologies

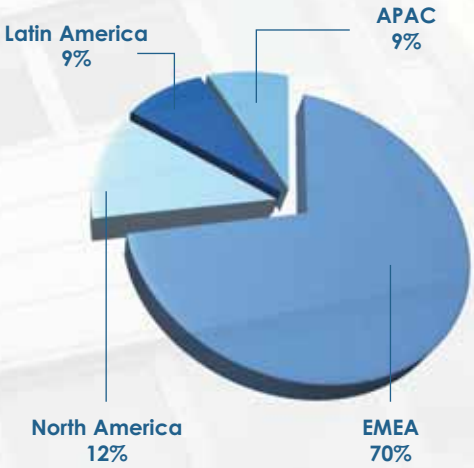
BREAKDOWN OF SALES BY BUSINESS AREAS AT 31/12/2007

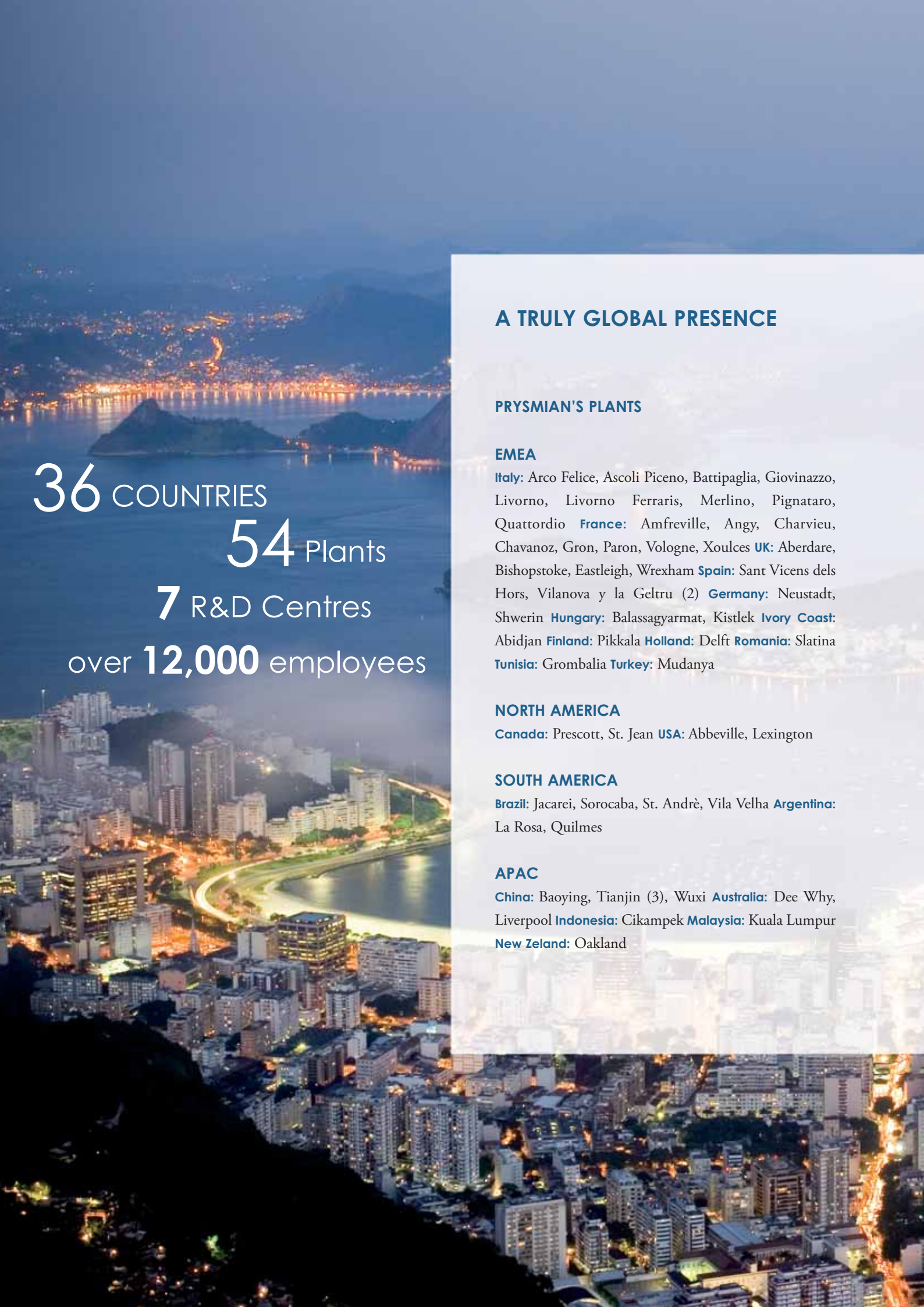


Total Energy: 4,583 millions of Euro | Total Telecom: 535 millions of Euro

Total Net Sales : 5,118 millions of Euro

BREAKDOWN OF SALES BY GEOGRAPHICAL AREAS AT 31/12/2007





36 COUNTRIES

54 Plants

7 R&D Centres

over 12,000 employees

A TRULY GLOBAL PRESENCE

PRYSMIAN'S PLANTS

EMEA

Italy: Arco Felice, Ascoli Piceno, Battipaglia, Giovinazzo, Livorno, Livorno Ferraris, Merlino, Pignataro, Quattordio **France:** Amfreville, Angy, Charvieu, Chavanoz, Gron, Paron, Vologne, Xoulces **UK:** Aberdare, Bishopstoke, Eastleigh, Wrexham **Spain:** Sant Vicens dels Hors, Vilanova y la Geltru (2) **Germany:** Neustadt, Shwerin **Hungary:** Balassagyarmat, Kistlek **Ivory Coast:** Abidjan **Finland:** Pikkala **Holland:** Delft **Romania:** Slatina **Tunisia:** Grombalia **Turkey:** Mudanya

NORTH AMERICA

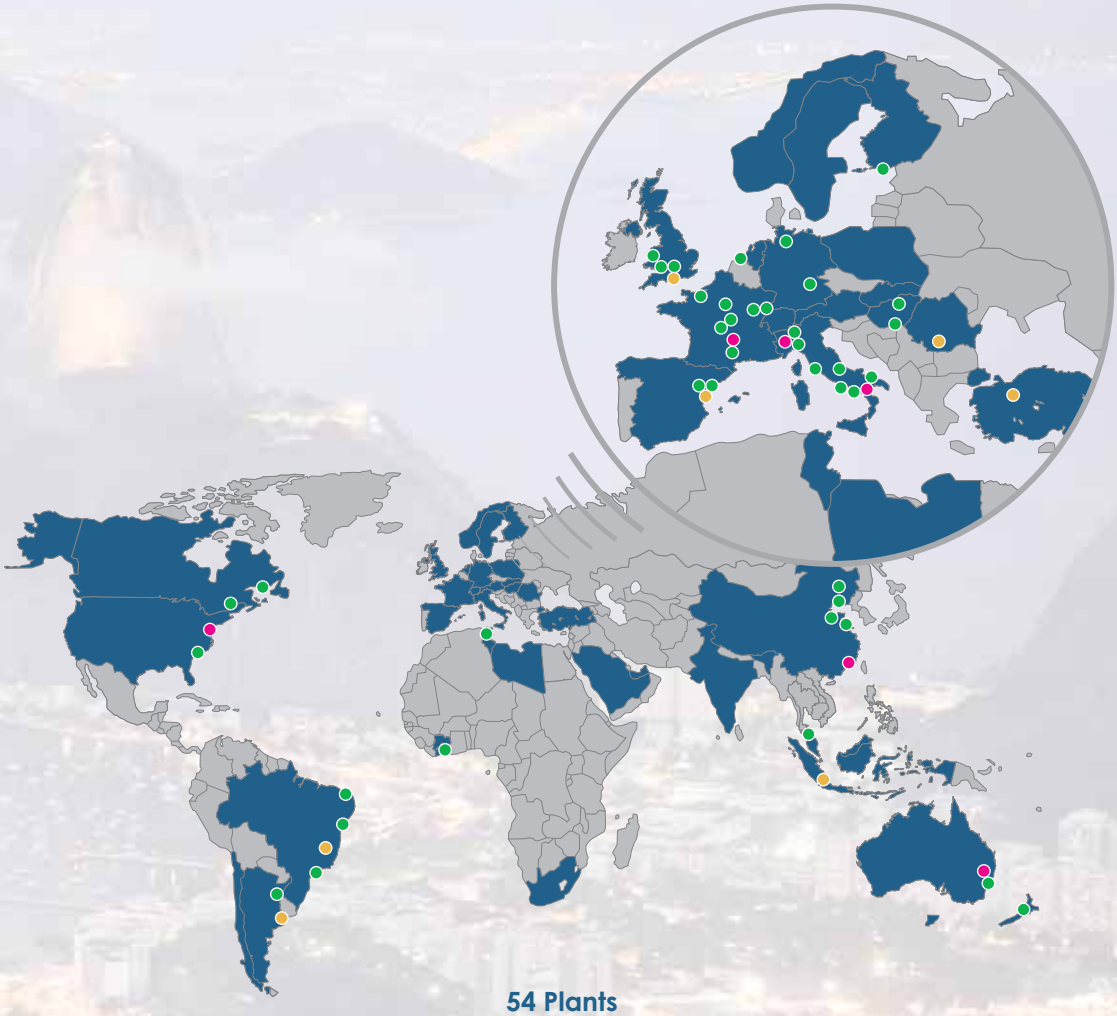
Canada: Prescott, St. Jean **USA:** Abbeville, Lexington

SOUTH AMERICA

Brazil: Jacarei, Sorocaba, St. Andrè, Vila Velha **Argentina:** La Rosa, Quilmes

APAC

China: Baoying, Tianjin (3), Wuxi **Australia:** Dee Why, Liverpool **Indonesia:** Cikampek **Malaysia:** Kuala Lumpur **New Zeland:** Oakland



54 Plants

Shared Energy and Telecom (7)

Energy (41)

Telecom (6)

Prysmian Global Presence (36 countries)


product DESIGN
project management
INSTALLATION and MAINTENANCE

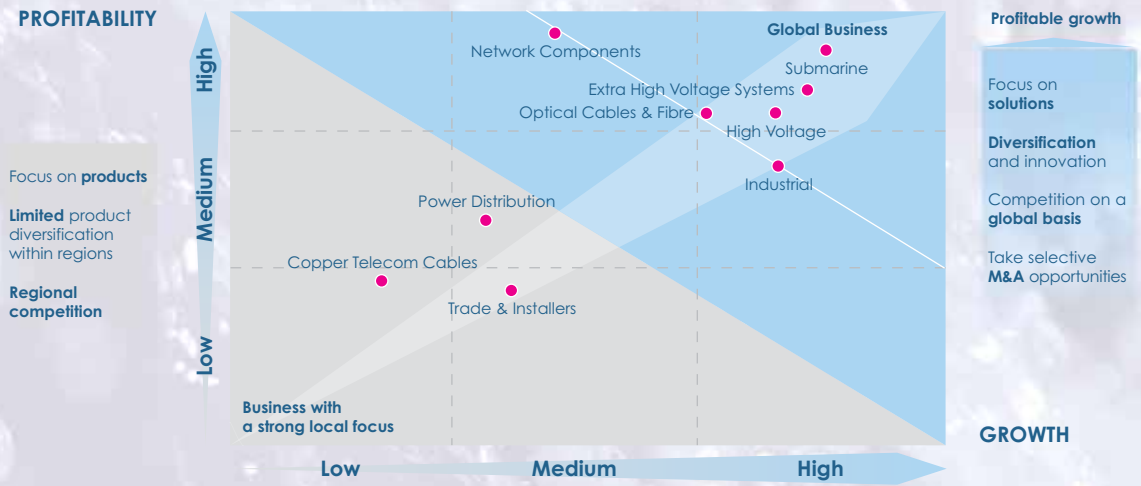
FOCUS ON HIGH VALUE-ADDED MARKETS

Prysmian is a global Group which over a period of almost 130 years in the business has built strong relationships with all the major global players in the energy and telecommunications industries (utilities, industrial and distribution companies, TLC operators) such as: AKER; Alstom; Bharti; British Telecom; E.On; Eletropaulo; Endesa; Enel; France Telecom; Hegemeyer; Iberdrola; National Grid; Petrobras; Rexel; RTE/EDF, Siemens; Sonepar; Telefonica Brazil; Telstra; Terna; Valeo; Verizon.

The key success factor for Prysmian is to have designed and implemented a clear and sustainable development strategy focused on growth in high value added and high technology sectors and on the most profitable markets featuring higher growth rates. High and extra-high voltage underground and submarine power transmission cables and systems, industrial cables for applications in the most strategic sectors (from Oil, Gas & Petrochemicals, transportation, mining, to renewable energy plants), and optical cables for voice, video, and data transmission: these are the industries and the markets that Prysmian considers strategic. Industries where the level of technology, the ability to constantly innovate, and commitment to providing value-added services are the factors of differentiation and competitive position.

Prysmian occupies leadership positions in these markets and it intends to further strengthen them mainly through constant investment in Research & Development and the introduction of new logistics and customer service services. Product quality and innovation are the hallmarks of Prysmian approach to industries where the products are more standardised, such as low and medium voltage cables. Fire Resistant and Low Smoke Zero Halogen (LS0H) cables are Prysmian's cutting-edge products in the residential and commercial construction cables market.

AN EFFECTIVE MARKET SEGMENTATION STRATEGY



INNOVATIVE SOLUTIONS FOR POWER TRANSMISSION AND DISTRIBUTION

Prysmian designs, manufactures, distributes, and installs a wide range of cables and systems for the transmission and distribution of low, medium, high, and extra-high voltage electricity with land and submarine applications and for special industrial applications, accompanied by a wide range of accessories.

UTILITIES

Power Transmission Systems. Prysmian designs, produces and installs high and extra-high voltage cables for power transmission both from power plant sites and in the transmission and primary distribution networks.
This business area focuses mainly on turnkey solutions, customised to meet Customer needs, which are generally higher value-added products for Prysmian. Products in this business area include cables insulated with paper impregnated with oil or fluid, rated for voltages up to 1100 kV and extruded polymer insulated cables for voltages below 500 kV. Prysmian's extra-high voltage and high voltage power transmission products are highly customised and have a high technological content. This business area provides Customers with installation and post-installation services, as well as network management and maintenance services, including network performance monitoring, network cables repair and maintenance, and emergency services, such as disaster recovery.

Submarine Power Transmission and Distribution Systems. Prysmian designs, produces and installs turnkey submarine power transmission and distribution systems worldwide. The Group develops proprietary cables and accessories utilising all types of submarine power transmission and distribution technology, which are suitable for installation at depths of up to 2,000 meters. The product offerings of this business line include cables insulated with paper impregnated with oil or fluid for power transmission up to 500 kV in direct and alternate current and extruded polymeric insulation cables for voltages up to 400 kV in alternate current and up to 300 kV in direct current.
Installation, planning and services are a particularly important aspect of this business area. In particular, for installation Prysmian can call on the Giulio Verne, one of the largest and most technologically advanced cable laying ships in the world.

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

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

TRADE & INSTALLERS

Prysmian manufactures a complete range of both rigid and flexible low voltage cables to distribute power to and within residential and non-residential premises in compliance with international standards.
Particular attention in terms of product development and innovation is paid to high performance cables, such as Fire Resistant cables and Low Smoke Zero Halogen cables. Both these cable families are used for all applications where safety must be guaranteed: in the case of fire, Fire-Resistant cables continue to operate and Low Smoke Zero Halogen cables have a reduced emission of toxic gas and smoke.

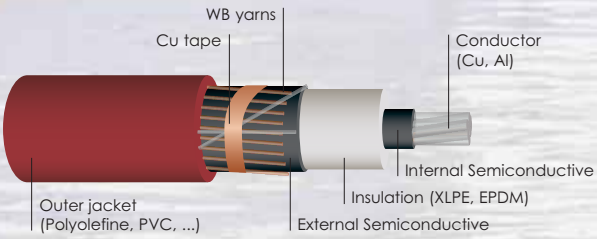
INDUSTRIAL

Prysmian's extensive product portfolio, developed specifically for the Industrial Market sector, includes customised products for a variety of specialist applications. Prysmian cables serve a broad list of industries, including Oil & Gas, Transportation, Infrastructure, Mining and Renewable Energy. Prysmian concentrates its efforts on providing integrated, value-added cabling solutions that are highly customised to the specific needs of customers. Its customers include industrial groups and OEMs (Original Equipment Manufacturers) which are world leaders, such as ABB, AKER, Alstom, SNCF, Petrobras, Peugeot-Citroen, Renault, Siemens and Valeo.

Prysmian's Oil & Gas business focuses on both the research and refining of hydrocarbons and exploration and production. It, therefore, provides a range of products from low and medium voltage power and instrumentation/control cables, to dynamic multipurpose umbilical cables to transport energy, telecommunications, fluids and chemical products in joining submarine sources and collectors to FPSO (Floating, Production, Storage and Offloading) platforms.

In the transport sector Prysmian cables are used for the construction of trains, ships and automobiles; infrastructure comprises products for railways, harbours, and airport facilities. The range also includes cables for the mining industry and for applications in the renewable energy sector. Prysmian is also active in cables for military applications and for nuclear power plants, which can withstand high radiation environments.

TYPICAL STRUCTURE OF A MEDIUM VOLTAGE CABLE



MAIN ENERGY CABLES BRANDS

Afumex
Afumex MV Power 105
Easyline
FLEXTREME
technergy

PARTNER OF THE WORLD LEADERS IN TELECOMMUNICATIONS

A partner of the world's leading telecoms operators, Prysmian manufactures and sells a wide range of fibre-optic and copper telecoms cables, suitable for all types of voice/video/data transmission applications, as well as connectivity components and accessories.

OPTICAL FIBRES

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

OPTICAL CABLES

The optical fibres are used in the production of a vast range of optical cable types starting from single fibre constructions through to cables containing 1728 fibres. Optical cables are today deployed in a variety of demanding environments. They can be pulled (or blown) into ducts, buried directly underground or suspended on overhead systems such as telegraph poles or electric transmission towers. Cables are installed in road and railways tunnels and various in-building locations where they must exhibit specific fire performance characteristics, and nowadays cables are even installed in gas and sewerage pipe networks. Prysmian has cable designs specifically tailored to address all of these requirements including technologies such as Optical Ground Wire (OPGW), Rapier (easy break-out), Zephyr (mini blown cable), Airbag (dielectric direct buried) and many more.

COPPER CABLES

Prysmian produces a wide range of copper cables for underground and overhead cabling solutions and for residential and commercial buildings. Cables are designed for high transmission, low interference and electromagnetic compatibility and in accordance with the main international standards and specifications. Prysmian can supply cables with specific performance criteria such as zero halogen emissions, low emission of toxic fumes and gases and non-propagation of fire. The Group's product portfolio includes a vast range of copper cables with different capacities (from 1 to 2400 pairs) including xDSL cables for broadband access.

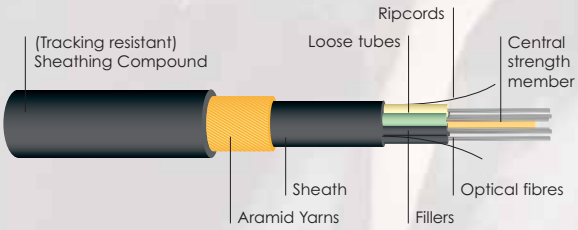
ACCESSORIES

Prysmian supplies a comprehensive range of passive connectivity products under the OAsys® brand. These products cover all cable management needs whatever the network type including aerial and underground installation as well as cabling in central offices, exchanges or customer premises.

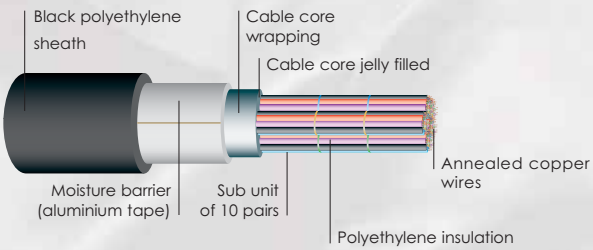
FTTH (Fibre To The Home)

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

TYPICAL DESIGN OF A TELECOM CABLE



TYPICAL DESIGN OF A COPPER CABLE



FTTH CABLE BRANDS

HEADROW® OAsys®
rapier™
QUICKDR@W®
ZEPHYR
sirocco®
verticasa™

A YEAR OF GLOBAL SUCCESS: MAJOR CONTRACTS AND PROJECTS IN 2007

CONTRACT WITH NORSK HYDRO AND ANADARKO PETROLEUM CORPORATION FOR THE SUPPLY OF UMBILICALS

Prysmian signed a contract with Norsk Hydro and Anadarko Petroleum Corporation for the supply of submarine energy and telecommunication umbilicals for the "Peregrino" development plan in Brazil. The US dollar 19 million deal will consist of 20 km of state-of-the-art technology umbilicals, which are manufactured in Prysmian's new plant located at Vila Velha, Brazil. This agreement represents a great stride forward in Prysmian strategy, which aims at strengthening its leading position in this high value-added sector. "We are satisfied with having acquired this very important order, in a sector like Oil, Gas & Petrochemicals, which we consider to be strategic since it has such a high growth potential", commented Llyr Robers, head of Prysmian's Global Industrial Market Division. "Prysmian's involvement in the Peregrino project confirms the validity of its strategic choice to create a new plant in Brazil that will be dedicated exclusively to cables for the OGP sector".

PRYSMIAN COMMISSIONED THE SUBMARINE LINK BETWEEN NEW JERSEY AND LONG ISLAND (NEW YORK): MORE ENERGY AT LOWER COSTS WITH RESPECT FOR THE ENVIRONMENT

In 2007 Prysmian completed the submarine link Neptune between New Jersey and Long Island before the due deadline. Realized jointly by Prysmian and Siemens for Neptune Regional Transmission System, the new link enables LIPA (Long Island Power Authority) to meet the energy needs of about 600,000 households, with respect for the criteria of economy and environmental sustainability. In the area of Long Island, the demand for energy is constantly increasing and the realization of generation facilities would have been expensive and had a severe environmental impact, considering the high population density of this area located near New York City. Thanks to the Neptune cable, now it is possible to make use of the energy produced in New Jersey at lower costs and with minimal environmental impact.

The Neptune cable was produced in the Italian plant in Arco Felice (Naples) and can carry up to 750 MW in exceptional overload over a distance of 65 miles. The cable-laying vessel Giulio Verne installed it with complete respect for the region's environment.

PRYSMIAN CONFIRMED ITS LEADING POSITION IN SUBMARINE ENERGY CONNECTIONS BY WINNING THE CONTRACT FOR TRANS BAY IN SAN FRANCISCO (USA)

During September 2007, Prysmian won an important contract for the realization of a submarine energy connection (HVDC) between the cities of Pittsburg and San Francisco, in California, from Trans Bay Cable LLC. The project, named TBC (Trans Bay Cable) is worth in excess of US dollar 125 million for Prysmian. Jointly with the Power

Transmission & Distribution division of Siemens, Prysmian will provide the "turnkey" system including the engineering, production and installation of two 200 kV DC cable interconnections, consisting of 80 km of Extruded Submarine Cables and 5 km of Extruded Land Cables, with a total transmission capacity of 400 MW. With this project, Prysmian confirmed its leading position worldwide in the high value-added sector of submarine power transmission cables and systems. The TBC project is of strategic relevance to the development of the San Francisco Bay region where the demand for power is constantly increasing. The project is designed to transmit electrical power between the East Bay, which has excess electrical capacity and transmission network congestion, and the power transmission and distribution facilities in San Francisco.

TBC is a cost effective, energy efficient solution, addressing San Francisco's needs for additional transmission capacity, while improving transmission reliability and load serving capability. In addition, it has the potential to allow for the removal of in-city generation facilities thus eliminatingrelated air emissions. The project is scheduled for completion by March 2010.

NEW CONTRACTS IN THE U.S.A. REAFFIRM PRYSMIAN LEADERSHIP IN HV CABLES SECTOR

Prysmian was awarded two new major energy cable contracts in the USA, strengthening its leading position in the North American energy cables' market, especially in the high voltage segment.

The Northeast Utilities Service Company awarded Prysmian the Glenbrook Cables/Middletown-Norwalk 115kV underground high voltage cable project that requires in excess of 27 km of XLPE insulated cable. United Illuminating Company and Northeast Utilities Services Company each awarded Prysmian contracts to design and install part of the 24-mile Middletown-Norwalk 345kV project, a joint effort of the two Connecticut utility companies to construct the largest XLPE installation of its class in North America. With these new assignments Prysmian will strengthen its relationship with two of the pre-eminent utilities in North America taking a major role in the construction of the new high voltage transmission network in Connecticut.

In the USA, in New Mexico, a US dollar 33.5 million contract was signed with Irby Electric for the supply of the medium voltage cables to New Mexico Power Company – electricity utility of New Mexico and Texas. This is a five year medium voltage cable contract with PNM including a state-of-the-art, internet based cable management program.

PRYSMIAN OBTAINED A CONTRACT WITH REE (RED ELECTRICA DE ESPAÑA) FOR AN ENERGY LINK BETWEEN SPAIN AND THE BALEARIC ARCHIPELAGO

Prysmian was awarded a contract for the design, supply and construction of a high voltage DC submarine link between the electricity grids of the Iberian peninsula and the island of Majorca (Balearic archipelago) on behalf of Red

Electrica de España (REE). The entire project, named COMETA (COnección MEditerránea Transporte Alta tensión), was assigned to a consortium between Prysmian and Nexans. Working with Nexans, Prysmian will provide a "turnkey" system including the engineering, production and laying of two 250 kV DC cable terminals, comprising 240km of submarine cable and 7 km of land cable, with a total transmission capacity of 400 MW. The COMETA project is of strategic importance for the development of Spain's national energy transmission network, and will link the biggest island in the Balearic archipelago (Majorca) with the mainland, providing access to generating capacities available on the peninsula. This will help to address growing energy requirements on the island. The project is scheduled for completion by spring 2011.

A NEW AGREEMENT WITH THE AUSTRALIAN PROVIDER TELSTRA FOR THE SUPPLY OF TLC FIBRE-OPTIC AND COPPER CABLES

Prysmian signed a new agreement with Telstra, the main player in Australian telecommunications, for the supply of both fibre-optic and copper telecommunications cables. This new contract will consolidate and further develop the relationship it has already established with Telstra, for which Prysmian has been the exclusive cable supplier since 1998. Prysmian won the contract following a worldwide tender, the most important to be carried out in Oceania, by focusing on the competitiveness of its bid, both in terms of product innovation and reliability in satisfying the customer's specific requirements. Following the new agreement with Telstra and to meet the growing demand of the Australian market, Prysmian launched an investment plan that is aimed at doubling the production capacity of its Dee Why facility, which is located in New South Wales in Australia.
The expansion of the plant, which is scheduled for completion in 2008, will specifically allow for more flexibility in supply activities and the development of an efficient supply chain to be created for Telstra. Giovanni B. Scotti, Head of Telecom Business in Prysmian, stated: "the increased production capacity of our manufacturing plants in Australia and the consolidation of our partnership with Telstra contribute to reinforcing Prysmian's competitiveness in the global telecom cable market".

PRYSMIAN SECURED STRATEGIC CONTRACTS WITH E.ON AND DONG ENERGY FOR TWO MAJOR OFFSHORE WIND FARM PROJECTS

In 2007 Prysmian was awarded two new strategic contracts worth a total of Euro 35 million, for the supply of state-of-the-art technology cables and systems to two major European wind power plants being developed in Germany and in the UK. The contracts were awarded to Prysmian by the German company E.ON Netz for the Alpha Ventus offshore wind park in Germany and by the Danish company DONG Energy for the Gunfleet Sands offshore wind park in the UK. Being involved in the development of these two major wind park projects by two pre-eminent European utilities like E.ON and DONG Energy is an achievement of strategic relevance for Prysmian.

Renewable energy is a high value-added and rapidly expanding sector in which Prysmian already has a good market position and thanks to its expertise and know-how is well on track to further exploit this market.
E.ON Netz awarded Prysmian a contract for the supply of cables that will connect the Alpha Ventus offshore wind park to the German mainland. Prysmian will take part in the project by designing and producing 66km of 110kV submarine cables.
DONG Energy (Dansk Olie og Naturgas A/S), Denmark's biggest power producer with acknowledged expertise in environmentally-sensitive power generation, selected Prysmian as their preferred partner for the development of the Gunfleet Sands offshore wind park in the UK. The two contracts were awarded to Prysmian for the design, engineering and production of the main high voltage export submarine cable system for the transmission of power from the offshore wind park back to the shore and of the high voltage land cable system to connect the submarine system to the UK grid.

PRYSMIAN LAUNCHED VERTICASA™: FIBRE-OPTIC CABLES DESIGNED FOR "SKYSCAPERS"

Developed in Prysmian's R&D laboratories, the state-of-the-art system VertiCasa™represents the latest addition to its growing FTTH (Fibre to the Home) product portfolio. VertiCasa allows for the direct installation of optical fibres in apartments and offices located in high-rise buildings. The system comprises a main riser cable of up to 96 fibres which can be branched directly to individual users on different floors of the MDU without the need for splicing of fibre within the riser of the building. Fibres are extracted from breakout windows in the main cable using Prysmian's patented method which allows the required length of protected "easy strip" fibre to be routed directly from the main body of the cable through to the end user. A pre-connectorised drop cable provides the final user connection.

NEW CONTRACTS FOR HIGH VOLTAGE CONNECTIONS WITH CHINA STATE GRID, FOR BEIJING'S 2008 OLYMPIC VILLAGE AND FOR SHANGHAI'S NEW POWER GRID

Prysmian won two tenders organized by China State Grid, comprising four important projects. Prysmian will supply high voltage energy cables for new key power transmission links in China, in areas such as Beijing (2008 Olympic Village), Shanghai city, Fujian province and Hubei. "The total value of these contracts is approximately Euro 25 million", declared Paolo Bazzoni, recently appointed as Prysmian China CEO. "We consider this achievement strategic for the further reinforcement of Prysmian's presence in China, particularly in high value-added segments which we are strongly targeting (High Voltage and Industrial cables, cables for the renewable energy sector and for the OG&P sector), also using our increased capacity currently under construction". The total orders awarded to Prysmian include 136 Km of 220 kV cables and related accessories. In the two tenders, the quantity secured by Prysmian ranked No.1 among all suppliers..

AN EVEN MORE EFFICIENT AND ORGANISED GROUP

RESEARCH AND DEVELOPMENT

Prysmian has always given great strategic importance to Research & Development, with a view to providing its customers with innovative solutions at competitive costs. Prysmian has: 7 Research & Development centres (Italy, France, UK, Germany, Spain, United States, and Brazil) with headquarters in Milan; strong cooperation relationships with major university and research centres (including the "Politecnico di Milano" and the National Research Council of Italy - CNR); more than 400 skilled professionals; and more than 3,000 patents granted or filed.
In 2007, Research & Development investments amounted to approximately Euro 45.5 million, up from Euro 41.8 million in 2006.

7
R&D Centers Worldwide

400
R&D Professionals

3,000
Patents Granted and Filed

The main achievements in 2007 include:

- Completion of experimentation at the Italian plant in Pignataro and the market introduction of the P-Laser cable, a system insulated with thermoplastic materials which allows for faster production times than traditional cables and can work at a higher temperature both under normal conditions and overload.
  The thermoplastic insulator with the new High Performance Thermoplastic Elastomer Compound (HPTE) technology has been developed in Prysmian research laboratories and it is protected by an industrial patent. Among

the main advantages of the new P-Laser cable system: the recyclable compact structure, compatible with traditional accessories, in addition to a more efficient and competitive customer service in terms of faster production and installation times.

- As part of the SA.PE.I. project (submarine power transmission link between Sardinia and continental Italy), Prysmian developed the world's first 500 kV submarine cable with impregnated paper installed at a depth of 1,650 metres. Production has started up at the plant in Arco Felice.
- Development of extra-high voltage cables with an integrated optical element to monitor various system parameters, including Ts service temperature which allows for greater control and increases the system's reliability.
- A new extra-high voltage 500 kV prototype cable and related accessories, production of which is scheduled in the first half of 2008 as part of the Baoying project.
- New generation of Self-Repair MKII cables developed expressly for the US market and manufactured at the plant in Abbeville, South Carolina.
- In the diagnostic systems area, Prysmian developed a new electric power system (PPS) that provides continuous and permanent power to monitoring and diagnostic systems for extra-high voltage links.

INTELLECTUAL PROPERTY RIGHTS

Protecting the patents and trademarks portfolio is a major part of the Group's business, particularly due to its strategy of growth in high technology market segments.

At 31 December 2007, Prysmian Group owned approximately 3,090 patents and patent applications throughout the world (including around 1,720 relating to the Energy business and around 1,370 to the Telecom business) covering approximately 480 inventions (of which around 260 in the Energy business and around 220 in the Telecom business). Of these, approximately 380 are patent applications or patents filed in one or more European countries (around 140 granted as European Patent), and approximately 380 are patent applications or patents in the USA (of which around 100 granted in the US). At the end of 2007, Prysmian Group also owned approximately 2,200 trademarks for products or product lines, whose main purpose is the identification of production by particular features or their production process.

QUALITY, ENVIRONMENT AND SAFETY

Prysmian also places key importance on the development and application of more effective environmental strategies, associated with the protection of the health and safety of its staff. As part of the effort to put these primary values into practise in all its operations, in 2007 Prysmian first drafted, wrote, and made all Group companies approve a "Health, Safety, and Environmental Policy". This document has a significant impact on the Group's way of operating and, integrating the main principles already adopted in practice, highlights and makes public Prysmian's commitment in this area.

All Group companies have adopted the new policy, ensuring the involvement of all levels of the organisation and its proper communication, with a view to:

- complying with applicable laws and fulfilling the commitments signed for the protection of health and safety in the workplace and the environment;
- optimising the consumption of energy resources and raw materials, and preventing pollution by identifying, monitoring and minimising the environmental impact of Group processes and products;
- identifying dangers connected with Group operations, assessing any risks for health and safety in the workplace through adequate prevention measures, or minimising them by adopting collective and individual protection systems.

With the same philosophy, Prysmian also implemented a program to facilitate the sharing of experiences and knowledge between the Health Safety Environment (HSE) department at the central level and the local bodies.
To this end, the Group also facilitated professional exchanges through a series of meetings which HSE representatives participated and will have to participate in.
In 2007, this information approach was implemented through the planning of visits to the Operating Units for the purpose of communicating, updating, and further informing all levels about the environmental protection and safety policy adopted, with a view to satisfying legal provisions, stimulating technological innovation, improving

competitiveness and the relationship with the social and environmental aspects. Specifically, Prysmian held a series of training courses for the top management of the Group plants. HSE and Human Resources staff inspected this initiative at the Italian plants, submitting a series of case studies based on the experience gained at the Group's various operating units.

In 2007 corporate HSE conducted an environment and safety audit at Prysmian plants throughout the world, broken down into three types by purpose:

- audit of the requisites for ISO 14001 or OHSAS 18001 certification;
- in-depth audits of all the major environmental and safety issues with a view to carefully examining and managing HSE issues to preventing problems, determining priorities and actions, and stimulating cooperation between the plants and the corporate level;
- audits on specific issues, depending on the needs that arise from time to time.

Overall, in 2007 HSE department auditors visited around 30 plants throughout the world, some of which received more than one visit over the year.

The Group maintained and renewed Environmental Management System certifications and, to date, 85% of Prysmian's Operating Units are certified.

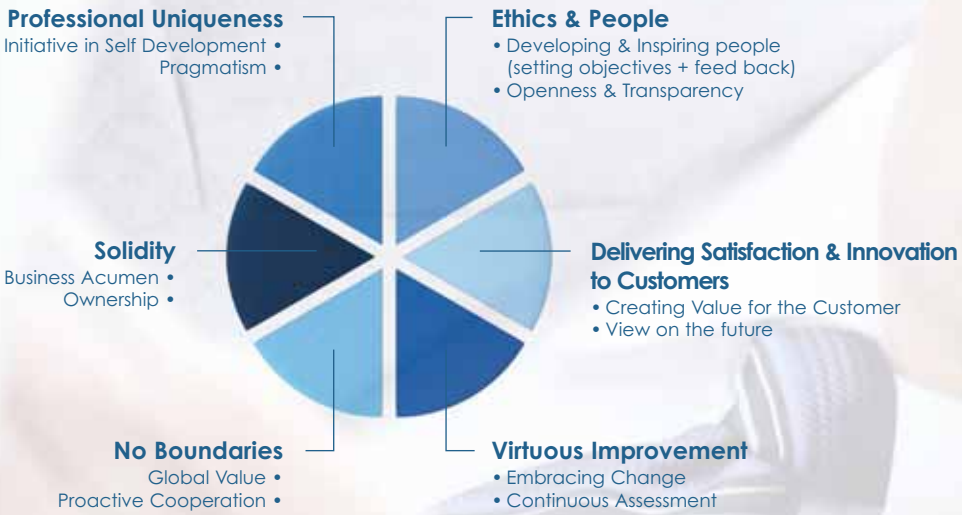
In 2007 the frequency index of workplace accidents (number of accidents per hours worked) decreased by 10% and the seriousness index (number of days lost per hours worked) decreased by around 4.2%. Prysmian achieved these objectives through a specific audit action, a focused investment policy aimed at minimising residual risk, and a special focus on specific job training.

HUMAN RESOURCES

The quality of human resources is a feature of excellence and a key success factor for Prysmian. At Prysmian, we believe that the present and future of our Group depend on the personal and professional development of our employees. For this reason, the Human Resources strategy is designed to promote flexibility, ongoing training, and the spread of best practices thoughout the Group.

Prysmian Values

Prysmian values unify diverse groups of people, representing the basis of actions, attitudes, behaviours and ultimately sustaining business success. Prysmian Value System defines the way in which people in the Company interact with customers, partners, suppliers, shareholders, communities, and with each other.



Prysmian Personnel

Total Prysmian Group personnel at 31 December 2007 consisted of 12,243 people, including 3,117 executives/white collar staff and 9,126 blue collar staff, of which 316 temporary workers and 564 agency workers. The headcounts can be broken down as follows.

	Executives/White collar staff	Blue collar staff	Total
Europe	1,740	6,017	7,757
North America	220	672	892
Latin America	291	990	1,281
Oceania	143	423	566
China	254	616	870
R.O.W.(*)	108	339	447
Milan Headquarters	361	69	430
Total	**3,117**	**9,126**	**12,243**

(*) R.O.W.: Middle East, Indonesia, Malaysia (40%), Singapore, Tunisia, Ivory Coast

Prysmian is known for its focus on integrating young talents. 16% of its executives and 18% of its white collar staff have less than 2 years seniority in the Group and they also come from industries different from energy and telecommunication businesses. In addition, 54% of its white collar staff has a university degree.

Executives / White collar staff and Blue collar staff

Investing in training to have excellent staff

Technical and managerial skills are a key success factor to support Prysmian's strategies. In order to prepare an adequate training and development plan, Prysmian's personnel strategy is designed to match Company's organisational needs with individual skills and capabilities and mostly with personal needs in terms of career, expectations, and responsibility.

In 2007 Prysmian continued the personnel development program with a major focus on three main areas:

Leadership development with courses dedicated to both talents and senior management;

Managerial development with the definition of a training catalogue available for executives, line managers and staff aimed at strengthening the managerial skills in the Group, such as people management, self management, finance basics, intercultural orientation and communication skills;

Operational excellence with initiatives aimed at developing the technical people in the industrial areas and the implementation of continuous improvement training programs focused on Problem Solving, Quality, Maintenance, Industrial Engineering and Operations.

In 2007, Prysmian held an average of 2.7 training days per person for white collars and 1.9 days per person for blue collars.

We value key people and talent

The Human Resources Department operates in close contact with the business with the aim of always having the right people in the right job. Prysmian has built internal systems for the mapping of skills, performance evaluation, and potential so as to identify key people, i.e. those capable of leading change, achieving strategic objectives, and covering key positions by virtue of their abilities, commitment, and aspirations.

Organisational initiatives implemented in 2007

In 2007 Prysmian has continued the projects and the initiatives aimed at improving its organizational effectiveness, revising structures and processes both at Country level and in the Headquarters.

The key focus has been on:

- Process re-engineering, with the continuation of some activities in order to streamline the Order-to-Cash process;
- Industrial delocalization, with the strengthening of the production capacities in low cost countries;
- Integration, in order to improve the overall performances and capabilities of recently acquired companies.

The attention on the efficiency improvement and the fixed costs reduction has still been a major priority and has been carried out by launching specific international projects (internal benchmarking, process automation and streamlining) and local initiatives (mix change).

Industrial relations

The Prysmian Group's European Works Council met for the first time in April 2007, with the participation of 17 members representing 14 European affiliates.
The Council's task is to facilitate dialogue between the Company and its staff through information and consultation with representatives on the results of the Group's European affiliates, as well as general performance.

INFORMATION SYSTEMS

Prysmian Group Information Systems have a high level of technological standardisation throughout the world. With the objective of maintaining and developing this model, once again in 2007 Prysmian invested significantly in human resources and technologies.

In 2007, Prysmian continued with a program which started in 2006, and lasts until 2009, to physically separate its information system environment from Pirelli's: since Prysmian exited from the Pirelli group, it has been using Pirelli Sistemi Informativi (PSI) as its main outsource for IT services both in terms of applications and infrastructure. This program will lead to a new sourcing model, a re-organisation of the IT department, and a streamlining of service provider partners.

SOFTWARE ARCHITECTURES

Development of the new Group website

In 2007, Prysmian introduced the new Group website, www.prysmian.com, based on state-of-the-art technologies and with highly innovative graphics and content: the new site has led to a significant increase in visits. In 2008, the new format will be extended to Prysmian affiliate company websites throughout the world.

Extension of SAP

The Company confirms the use of SAP as an important efficiency and integration factor. In 2007, SAP's main functions were implemented at Indonesia and New Zealand affiliates and at the Chinese plant in Wuxi. The New Zealand project was implemented in the fourth quarter 2007, an excellent example of complete integration between the Prysmian Group and an acquired company.

Reporting System

In 2007, Prysmian introduced a new reporting and financial statement consolidation system. This system, which uses the Hyperion platform, is the result of a review of the Company's financial statement data integration process, allowing for an improvement of the data flow, more automation, and shorter closing times.

After a complete review of Prysmian's systems and infrastructures during the IPO process, in 2007 the Group implemented measures to ensure the updating of its IT tools according to the standards of a public company. The

automatic integration of the turnover and contribution margin data at most of our affiliates into the new reporting system was one of the most important changes.

Corporate changes

Among the initiatives with a wide impact on the IT department in 2007 were the merger of companies in Spain, France, and Germany, the creation of Prysmian S.p.A. (early 2007) and of Prysmian PowerLink S.r.l., as well as wide-ranging initiatives such as the Securitisation of Receivables project and the implementation of the Contact Center in the UK and France.

Consolidation of the Enterprise Resource Planning (ERP) environment

SAP is the ERP platform that Prysmian has widely used over the past 10 years, supporting the main Group functions. In 2007, a feasibility study was conducted with the aim of developing a multi-year technological updating program for the several existing SAP platforms, with a view to consolidating the environments and achieving more standardisation at the process level, improving both business and information system efficiency.

INFRASTRUCTURE

Distribution structure & personal computing

The Company achieved significant improvements in mobility services through remote links, via the spread of palm-tops and smartphones, which total more than 150 to date. In relation to the separation from Pirelli services, the Group installed new distribution structure infrastructures. In 2008, these new infrastructures will provide services to almost 7,000 workstations, through a migration process of computers.

Consolidation of infrastructure services

As part of the process of physical separation from Pirelli, the Company installed a new exclusive Prysmian environment for the providing of email service for the entire Group. In 2007, the email services of Spain, France, Germany, and Turkey were consolidated in Milan. Further consolidations are planned for 2008.

Network improvement

The centralisation of infrastructure services depends on constant improvements to the data transmission network, for which the Group continues to increase throughput links to its foreign units, including Spain, France, Germany, Austria, Slovakia, Hungary, Romania, Turkey, and Australia, as well as significant improvements in Italy.

INDUSTRIAL OPERATIONS

The Prysmian manufacturing process features a highly decentralised model, in effect since 31 December 2007 at 54 plants in 21 countries. The wide geographical distribution of its plants is a strategic factor, allowing the Group to react to changing market demand in relatively short time. In recent years, Prysmian has organised its manufacturing operations to: (i) focus production on higher value-added products, while at the same time maintaining a meaningfully diversified geographical presence to minimise distribution costs for other Group products; (ii) concentrate the manufacture of certain products in few plants to take advantage of economies of scale, increasing manufacturing efficiency and reducing fixed costs and net invested capital. As part of this strategy, in 2007 Prysmian completed and extended to all Group companies a new industrial management system that through a set of standard indicators for all manufacturing plants allows for more efficient and faster planning and control of both raw material and human resources requirements.

In 2007, capital expenditure allocated to increasing production capacity accounted for 57% of the total. Part of the Group strategy was to increase production capacity mainly in the Utilities and Industrial (Energy) businesses, and upgrade fibre and optical cables production for the Telecom business. Specifically, in the Utilities business, Prysmian increased production capacity for submarine and high voltage cables for power transmission.

LOGISTICS

The logistics department manages medium-term productive allocations and planning through the Sales & Operations Planning (SOP) process which comprises the link between the demand cycle (sales) and the supply cycle (operations). The Group carries out differentiated planning, depending on whether the product is classified as "make to stock" (MTS) or "make to order" (MTO). With the MTO approach, production is active and the goods shipped only after receipt of a customer order, significantly reducing unused inventory levels and the time that the raw materials and the

finished goods remain in the warehouse. In contrast, with the MTS approach, generally used for more standardised products, the inventory management policy is designed to produce for the warehouse to enable the Group to provide an optimal response to demand and the customer's demand time. Prysmian continues on the path started in recent years with a maximum focus on customer service, with the final objective of improving flexibility, reliability, and the speed to market.

In 2007, Prysmian concentrated its efforts on further improving its services in terms of efficiency, flexibility, reliability, and speed. Consistent with this strategy, every year Prysmian awards those manufacturing facilities that have achieved the best performance in terms of customer service. To continuously improve customer satisfaction, in 2007 Prysmian initiated the "Supply Chain Partnership" project to consolidate partnership relationships with its customers through cooperation extended throughout the supply chain: from integrated demand management to cooperative planning to reverse logistics, with a special focus on the environmental impact of managing and retrieving packaging.

RAW MATERIAL SUPPLY

The main raw material that Prysmian uses in its manufacturing process is copper, accounting for more than 70% of total raw material costs. The other main raw materials are aluminium, lead, various plastic components, and resins. Once again in 2007, the sourcing policy was focused on optimising costs for the different types of raw materials used, consistent with wide diversification in the sources of supply.

Consistent with this strategy, Prysmian purchases its main raw materials from suppliers capable of ensuring high levels of quality and service, signing where possible medium/long-term contracts with the objective of stabilising coverage of requirements and achieving significant cost advantages. In 2007, the cost of raw materials that Prysmian uses increased significantly. However, through sales price adjustment mechanisms, combined with a careful coverage policy, the effect on the income statement was basically neutralised. The Company also meaningfully improved efficiency through the introduction of innovative materials and solutions, leading to further decreases in supply costs.

NOTICE OF MEETING

Shareholders are invited to attend the Ordinary Shareholders' Meeting to be held in Milan, via Filodrammatici 3 (at Mediobanca), at 2 p.m. on 14 April 2008 on the first call and on 15 April on the second call to resolve on the following

Agenda

1. Financial Statements of the Parent Company as of 31 December 2007 and report of the Board of Directors; partial use of reserves for dividend distribution to the Shareholders; proposal for the allocation of the net income of the year.

2. Grant to the Board of Directors of the authorization for the purchase and disposal of own shares according to articles 2357 and 2357-ter of the Italian Civil Code.

Documentation

The Board of Directors' proposals related to the items on the Agenda, including the Parent Company and Consolidated Financial Statements as of 31 December 2007 and relevant reports, will be made available to the public in due time at the registered offices of the Company, at Borsa Italiana S.p.A. and in the website of the Company www.prysmian.com.

Warnings

As provided under Article 11 of the By-laws, holders of voting rights may attend or be represented at meetings after obtaining from the authorized intermediary documentary evidence testifying that they are entitled to attend insofar as the shares were deposited at least two working days before the date of the meeting. Communication thereof must be made to the Company in accordance with the applicable laws and regulations. For the purpose of an easier assessment of their entitlement to vote, the holders of voting rights are therefore requested to show a copy of the communication that their respective intermediaries issued to the Company and which, in compliance with applicable laws and regulations, intermediaries are obliged to make available to them. Considering the Company shareholders' structure, it is expected that the Shareholders Meeting will be duly convened with a full quorum and resolve on April 15th.

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

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT

CORPORATE SOCIAL RESPONSIBILITY

Prysmian intends to be not only a successful Company focusing on its business results, but also an organisation which is concerned about the quality of relations with non-financial or commercial stakeholders. During 2007 the Company stood out for its commitment to social issues in every area where it operates, by supporting initiatives and projects for the benefit of the community. From assisting schools and training institutes especially in developing countries, to cultural initiatives, and involvement in infrastructure work in the public interest, Prysmian distinguished itself in every country and every local community close to it. In Brazil, a country where Prysmian is particularly active and engaged, it supported the initiatives of the Museum of Energy in São Paulo, while in Sant'Andre, where its headquarters and some production facilities are based, it cooperated on projects with the local council aimed at helping young people to find employment. In the cultural sphere Prysmian was involved in several projects, from sponsorship of the successful show "Cauby! Cauby", to supporting the publication of the book "Brazil: Humanity's Heritage", to support for the theatrical activities for children at Vila Velha. Finally, there were also important initiatives to restore architectural and infrastructure works, such as the Florentino Avidos Bridge at Vila Velha and the historical monument "Caminhos do Mar" in San Paolo. Changing continent, in Australia Prysmian cooperated with the University of Sydney to realise programmes for the involvement of young people in the job market, and initiatives aimed at immigrants by assisting them in gaining work experience. Prysmian also supported the "Break Through" programme of employment assistance and consultancy for young people, as well as other programmes aimed at the realisation of international internships. We should also mention the charity work undertaken on Red Nose Day. In Indonesia, besides the past donations to the local Red Cross in favour of the fund for the Yogyakarta Earthquake, in 2007 Prysmian undertook a programme of Corporate Social Responsibility aimed at restoring a school in the city of Cikampek during the 10th anniversary of the opening of its local production plant. In Turkey, we should mention the commitment to the restructuring of the Balabancik Primary School at Mudanya as well as the establishment of study grants for students at Istanbul Technical University. Finally, the design project "Cables in my life" was launched with Mimar Sinan Fine Arts University. There were also several initiatives in the United States, with donations to various schools and training institutes, in particular in Abbeville, in South Carolina, where the production facilities are located. The Company also supported cultural initiatives – such as the donation to the South Carolina Museum Foundation and support for the renewal of the Abbeville Opera House – and healthcare programmes, for example in favour of the American Red Cross. In Europe, while in Italy Prysmian supported the FARITMO foundation (a foundation for the research into bone marrow transplants), in UK the focus was on training projects for young people and support for healthcare initiatives. In Spain Prysmian sponsored the participation of the Universidad Politecnica de Madrid in the Solar Decathlon, a competition this year organised in the United States, which involves universities from various countries in the construction of eco-sustainable villages. In Finland, the Company worked with the local authorities on various programmes to raise awareness of the job world among young people. Finally in Germany, note should be made of the commitment for the inclusion of disabled people in the job market in Neustadt and Schwerin where the Prysmian plants are located.

SIGNIFICANT EVENTS DURING THE YEAR

BUSINESS

Sales' organic growth in 2007 was 8.2% compared to full year 2006. Such organic growth was determined net of the effect of the closure of copper wire rod activities in the United Kingdom, excluding changes in metal prices and foreign exchange rates. Organic growth by segment was as follows:

Energy	+ 8.4%
Telecom	+ 6.3%

In 2007, Group adjusted EBITDA (excluding non-recurring income of Euro 44 million) reached Euro 529 million, posting an increase of 30.2% compared to the previous year.

During the last quarter of the year, Prysmian secured two contracts for the supply of high technology cable systems for two major European wind power plants for a value of around Euro 35 million. The contracts were awarded to the Group by the German company E.ON. Netz for the Alpha Ventus offshore wind park in Germany, and by the Danish company Dong Energy for the Gunfleet Sands offshore wind park in the United Kingdom. This contracts further increase the number of submarine projects obtained in 2007, notably the connection of the Californian cities of Pittsburgh and San Francisco (worth USD 125 million) and that between the electricity grids of the Iberian peninsula and the Balearic Islands on behalf of the Spanish electricity company (worth Euro 119 million).

During the year, Prysmian also secured two important contracts for the supply of telecom copper cables (Syria project) and for the supply of both optical and copper cables in Australia (Telstra) for 3 years.

ACQUISITIONS

On 3 September 2007, Prysmian signed an agreement to acquire the business of International Wire & Cable (IWC), a New Zealand cable manufacturer. The acquisition price was around Euro 4 million.
On 10 December 2007, Prysmian entered into a definitive agreement with the Indian company Nicco Corporation to establish a partnership, Nicco Cables Ltd., which will acquire all of the cable activities of Nicco Corporation. Prysmian will be the majority shareholder of the new Company with a 60% stake, while Nicco Corporation will hold the remaining 40%. Prysmian's overall investment will be around Euro 24 million.
The agreement is a step forward in Prysmian's strategy of expansion in fast growing markets. The new company will benefit from the combination of Prysmian's knowledge and global expertise and Nicco's local business network and knowledge of the Indian market. The new company will also be well-positioned to take advantage of the expected strong growth in the cable market in India, driven by major infrastructure investment. The deal, which is subject to approval by Nicco's Corporate Debt Lenders and relevant local Authorities, is expected to be completed in the second half of 2008.
The cable division of Nicco Corporation, which produces a wide range of medium and low voltage energy cables and industrial cables for applications in various segments (OEM, wind energy, infrastructure, mining, railways, defence, etc.), has 2 production facilities, 6 branch offices located in the country's most important urban areas and approximately 900 employees.

PRICE ADJUSTMENT

In March 2007, Prysmian received Euro 39 million (net of ancillary charges) from the Pirelli Group, as final price adjustment relating to the 2005 Acquisition. In addition, in October and December 2007 Prysmian S.p.A. and Pirelli & C. S.p.A. entered into some agreements based on which Pirelli & C. owed to Prysmian S.p.A. Euro 21 million, mainly due to the redefinition of the guarantees agreed with Pirelli for possible future liabilities which cannot currently be objectively estimated.

IPO

On 3 May 2007, the Initial Public Offering of Prysmian S.p.A. ordinary shares (46% of the share capital) was successfully completed, and regular trading of the shares commenced on the Blue Chip segment of the Italian Stock Exchange.
During the Global Public Offering, which closed on 27 April 2007, requests were received for a total 278,756,062 shares, compared to an overall offer of 72,000,000 shares.

In November 2007, Prysmian (Lux) II S.à r.l. placed with institutional investors a further 12.3% of Prysmian S.p.A.'s share capital. In the same month, Prysmian S.p.A. was informed by Taihan Electric Wire Co. Ltd. that the South Korean group had sent Prysmian (Lux) II S.à.r.l. an irrevocable and final offer for the purchase of 17,820,000 shares, representing 9.9% of Prysmian S.p.A.'s share capital.
Prysmian (Lux) II S.à r.l accepted the offer on 6 November, and effective 12 November 2007, from this date the indirect investment of Goldman Sachs Group Inc. in Prysmian S.p.A. was 31.8%.

NEW CREDIT AGREEMENT

On 18 April 2007, the Group signed, with six banks (Intesa Sanpaolo, BNP Paribas, J.P. Morgan, Citigroup, Bayerische Hypo Und Vereinsbank and Mediobanca), a New Credit Agreement to refinance the former Senior Credit Agreement. Under the New Credit Agreement the lending banks granted financing to Prysmian S.p.A. and some of its subsidiaries for an overall amount of Euro 1,700 million. The New Credit Agreement became effective on 4 May 2007 and was used on that date to repay the amount lent under the previous Credit Agreement. As a consequence of this reimbursement, the Group asked for the cancellation of the collateral securities relating to the former credit facility.
The New Credit Agreement, whose syndication with some leading national and international lending institutions was successfully closed on 29 June 2007, expires on 3 May 2012 and provides more favourable economic terms and greater financial flexibility compared to the previous credit agreement.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)	2007	2006	% Change
Net sales	5,118	5,007	2.2%
Adjusted EBITDA	529	407	30.2%
% of net sales	10.3%	8.1%	
EBITDA	573	371	54.4%
% of net sales	11.2%	7.4%	
Amortization, depreciation and write-off	(65)	(113)	-42.4%
Operating income	508	258	96.8%
% of net sales	9.9%	5.2%	
Net finance income/(costs)	(123)	(112)	9.6%
Share of income from investments accounted using the equity method	2	2	
Income before taxes	387	147	162.5%
% of net sales	7.6%	2.9%	
Taxes	(85)	(56)	50.4%
Net income	302	91	231.8%
% of net sales	5.9%	1.8%	
Attributable to:			
Parent Company's Shareholder	300	89	
Minority interest	2	2	

Reconciliation of adjusted operating income and adjusted EBITDA

Operating income (A)	508	258	96,8%
EBITDA (B)	573	371	54,4%
Non-recurring expenses/(income):			
Launch of the Prysmian trademark	-	6	
IPO costs	8	10	
IT segregation	1	1	
Shutdown of operating facilities	6	17	
Corporate restructuring	-	1	
Settlements with Pirelli & C. S.p.A.	(21)		
Aquisition price adjustment of the Energy and Telecom Cables and Systems divisions from Pirelli & C. S.p.A.	(39)	-	
Disposal of Submarine Telecommunications Business	1	1	
Total non-recurring expenses/(income) (C)	(44)	36	
Amortization of the Pirelli trademark (D)	-	32	
Goodwill write-off (E)	-	5	
Adjusted operating income (A+C+D+E)	464	330	40.6%
Adjusted EBITDA (B+C)	529	407	30.2%

SA.PE.I, THE RECORD-BREAKING POWER TRANSMISSION LINK

Eight-hundred and sixty kilometres of submarine cable installed at a maximum depth of 1,630 metres, transmitting 1000 MW. It is a record-breaking project which, besides being the longest power transmission link ever realised worldwide by a single supplier, it is also the leader both in terms of power transmitted and the maximum depth reached.

This is the SA.PE.I. project, a submarine power link between the electricity grids of Sardinia and the Italian mainland, which Prysmian is undertaking on behalf of the national grid operator Terna Rete Elettrica Nazionale. This is a strategically important infrastructure project for Italy and is a milestone in global terms for submarine power transmission systems.

During 2007 Prysmian continued with the implementation of the connection, in line with the final plans and timetable. The order won by Prysmian specifically envisaged the design, manufacture and installation of a high voltage DC bipolar submarine link between the two transmission networks.

Between 2006 and 2007 Prysmian completed the stages for the design and preparation of the components, and is now at a very advanced stage in terms of the production of the cables and their installation. In fact the land based part of the link on the Lazio side (around 14 km of route) has been completed and the laying of the submarine cables in the deepest, and therefore most critical, part of the route, at a depth of 1,600 metres, has been completed. The completion of all the installation work for the first stage (Pole 1) is expected by mid-August 2008 and this will make it possible to put the link into operation, albeit at reduced capacity, in the first few months of 2009.

In the last five years Prysmian has completed more than 30 submarine links worldwide, including Basslink in Australia, currently the longest in the world, the Italy-Greece connection, which is currently the deepest, and the Neptune connection in the USA, between Long Island and New Jersey. At the present time Prysmian is undertaking other important projects such as the Trans Bay in San Francisco, the Cometa in Spain and the GCCIA between Saudi Arabia and Bahrain.

INCOME STATEMENT

Group sales amounted to Euro 5,118 million in 2007 compared to Euro 5,007 million in the previous year, posting an increase of Euro 111 million (+ 2.2%). Net of the closure of the Prescot plant (United Kingdom), this represented a positive change of Euro 432 million (+ 9.2%).

Sales growth was the result of the combination of the following factors:

- change in sale prices following the rise in metal prices for Euro 94 million (+2.0%);
- change in exchange rates for a charge of Euro 47 million (-1.0%);
- organic growth in sales due to the positive trend in volume, mix and price for Euro 385 million (+ 8.2%).

Adjusted EBITDA (before non-recurring income and expenses) in 2007 was Euro 529 million compared to Euro 407 million in 2006, posting an increase of Euro 122 million (+30.2%). The growth confirms the excellent level of operating leverage achieved, which has led to an increase in EBITDA due to favourable contribution margins. In the last quarter of 2007, adjusted EBITDA stood at Euro 124 million and was Euro 37 million (+ 42.5%) higher than the corresponding prior-year figure of Euro 87 million.

The positive trend in commercial results was confirmed during the last quarter of 2007, although in a lower seasonality, and, as already noted in previous years, all Group businesses contributed to improving profitability as follows:

- growing demand for products and services relating to high voltage and submarine cable projects. Significant increase of production capacity are underway to meet such demand;
- optimisation of the product portfolio in the Trade & Installers and Power Distribution business areas and constant focus on profitability in lower value added segments, stet enabled an increase in the average price level compared to previous year and to limit the effect of the slowdown in demand emerged in the last quarter; this effect was particularly marked in the North American market;
- strong growth in volumes in the Industrial business area, in particular in the segments of OGP, mining, railway and renewable energy industries, which were supported by investments made in the main production plants, in particular Brazil and China.

Group EBITDA in 2007 increased by 54.4% to Euro 573 million, compared to Euro 371 million in 2006. Continuing operations contributed Euro 122 million, while non-recurring income and expenses generated an increase of Euro 80 million (from a loss of Euro 36 million in 2006 to a profit of Euro 44 million in 2007), mainly due to approximately Euro 60 million received from Pirelli & C. S.p.A.

In 2007, depreciation and amortization amounted to Euro 65 million compared to Euro 113 million at the end of 2006, recording an increase of Euro 48 million.

The increase can be attributed to the following :

- lower amortisation for the Pirelli trademark licence of Euro 32 million (the amortisation was completed in 2006);
- lower amortisation of intangible assets for future margins on Long Term Contracts for Euro 11 million; these assets were recorded on the balance sheet following the acquisition of the Energy and Telecom Cables and Systems divisions in July 2005 and were almost wholly amortised during 2006;
- Euro 5 million of goodwill write-off at the end of 2006.

Due to the above-mentioned factors, the Group operating result at the end of December 2007 was Euro 508 million compared to Euro 258 million in 2006, representing an increase of Euro 250 million (+ 96.8%).

Net finance costs in 2007 were Euro 123 million compared to Euro 112 million in 2006. The increase was due to the following:

- Euro 59 million bank fees write-off relating to the refinancing of the previous Credit Agreement with the aforementioned New Credit Agreement, effective as of 4 May 2007;
- higher income relating to the fair value of derivatives (Euro 8 million in 2007 compared to a loss of Euro 14 million in 2006);
- lower cost of funding resulting from the New Credit Agreement and reduction in average financial debt, resulting from the significant cash flows generated in 2007;
- release to profit of an equity reserve relating to the valuation of interest rate derivatives defined as "cash flow hedges", which was necessary following the refinancing of the previous Credit Agreement (positive effect before taxes of Euro 4 million).

In 2007, taxes of Euro 85 million represented 21.9% of income before taxes; in 2006 they totalled Euro 56 million and represented a 38.2% of income before taxes. The reduction in the tax rate was due to lower tax rates in Italy and the United Kingdom (as from 2008), as well as to the geographical distribution of income before taxes since profitability improved strongly in countries which benefited from tax losses carried forward.

The net income for 2007 was Euro 302 million, more than triple compared to Euro 91 million in 2006.

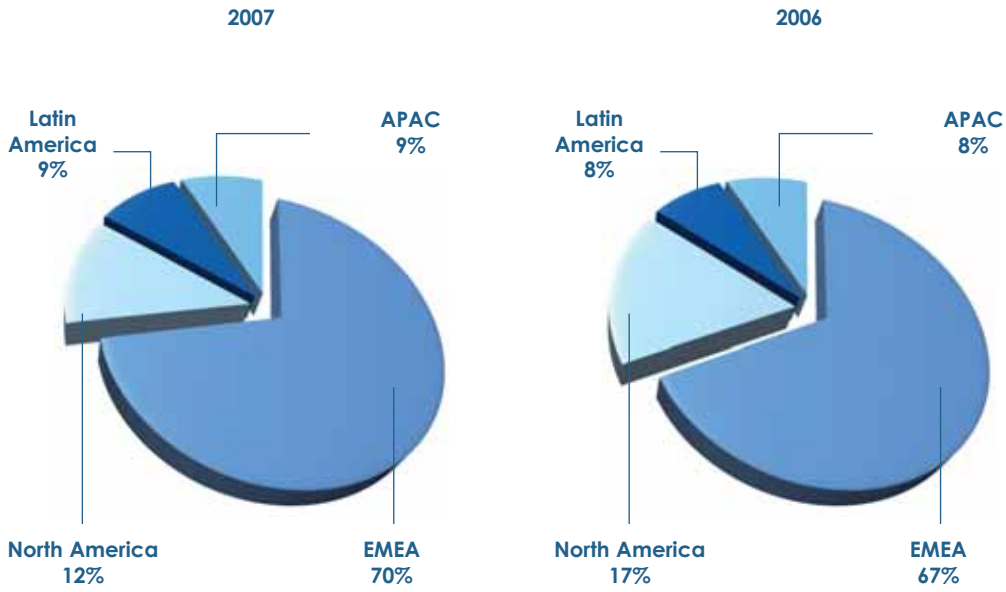
Additionally the results for 2007 included the following significant events:

- the impact of the settlement reached on a legal dispute which involved the Turkish associate company in the prior period relating to the purchase of the Energy Cables and Systems and Telecom Cables and Systems divisions by Goldman Sachs Capital Partners. The effect of this settlement on the adjusted EBITDA of the Energy business was a charge of Euro 7 million. This amount was paid during August 2007;
- an insurance claim of Euro 10 million relating to the Basslink submarine cables project which was completed in 2005. A provision of around Euro 4 million for future damages relating to this project

was made and the guarantee period by Prysmian Cavi e Sistemi Energia extended to 2011. The impact on the adjusted EBITDA of the Energy division was income of Euro 6 million.

SALES BY GEOGRAPHICAL AREA

The following charts provide a comparison of sales by geographical area in 2007 and 2006.



The breakdown of sales by geographical area highlights an increase in the percentage of the sales generated in Europe, South America, Oceania and Asia and a decrease in North America, which in the previous year benefited from the Neptune submarine cables project for an amount of around Euro 142 million.
Sales by geographical area were as follows:

(in millions of Euro)

	Net sales			
	2007	2006	% Change	% Organic Change(*)
Europe, Middle East and Africa	3,556	3,367	5.6%	14.1%
North America	632	827	-23.5%	0.0%
Central and South America	461	390	18.0%	18.5%
Asia and Oceania	469	423	10,8%	5.6%
Total	**5,118**	**5,007**	**2.2%**	**8.2%**

(*) Change calculated net of changes in scope of consolidation, changes in metal prices and effects of exchange rates.

Sales in Europe, at constant metal prices, increased by 3.7% compared to 2006. This growth however was impacted by the decrease in sales following the closure of the Prescot plant (United Kingdom), which manufactured copper wire rods. Sales' organic growth reached 14.1%, and was driven by

PRYSMIAN CABLES FOR CLEANER ENERGY

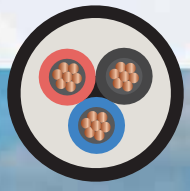
The commitment to develop energy from renewable sources is one of the issues which governments, international institutions, and the world of research and business are particularly focused on. In recent years Prysmian has significantly enhanced its commitment to the development of technologically advanced integrated solutions, to be used in the renewable energy field. Prysmian offers itself as an innovative and reliable partner both for companies which work on the construction of power generation plants, and for utilities and grid operators which handle the transmission and distribution of energy from production sites which are often situated in geographical areas with difficult climatic and environmental conditions, right up to the places where the energy is used.

The range of integrated solutions which can be used in energy generation plants is the result of the close cooperation between Prysmian and companies which specialise in the construction of such plants, in particular generation towers for onshore and offshore wind parks.
Prysmian cables in the Technergy Wind Farm line guarantee control and transmission of the power generated from the rotation of the blades. These are crucially important cables which must function correctly even in the most testing conditions in which they are used. High resistance to torsion and mechanical stress and the ability to withstand the most extreme weather conditions are the features which make these cables among the most technologically advanced products in the Prysmian range. Completing the system, Prysmian offers its customers cables and connection systems to connect the towers which make up the wind park and finally to connect the wind park to the primary transmission grid. The breadth of the technology portfolio held by Prysmian puts it among the very few companies capable of providing integrated solutions over a broad range of voltages, underground and underwater, and in both direct and alternating current.

Among the most important experiences the Company has gained is the realisation of power links between offshore wind parks to land based grids, thus allowing energy production where the environmental and economic conditions are met. In 2007 Prysmian was awarded some of the most important projects in the sector, such as the design, production and installation of hi-tech cables and systems for two of the most important European wind park projects, currently under construction in Germany and Great Britain by EON.NETZ and Dong Energy.

Besides the work undertaken in the wind sector, Prysmian is also active in the supply of integrated solutions, cables and connectors, for the realisation of solar energy parks covering a large area and with significant power production. In this sector too, Prysmian has proprietary technology which enables the realisation of cables and connectors with features that comply with the strictest regulations in terms of performance, duration, safety and the environment.

Prysmian solutions for solar applications, the Tecksun product line, ensure continuous operation over the useful life of the plant without requiring any maintenance work, thus providing the operator with a high level of efficiency in using the plant.



increasing demand in all business areas.
At constant metal price and net of the Neptune submarine project (realised in 2006), sales in North America, were broadly stable; in particular the optical cables and energy distribution businesses recorded a decrease in sales compared to 2006, mainly impacting the second half of the year due to a slowdown in investments from major customers. The organic change in sales was zero (excluding the effect of the Neptune project and the strong negative impact of the USD/Euro exchange rate).
In Central and South America organic growth in sales was 18.5% increasing significantly in the second half of the year, due to the significant demand for cables from the OGP industry, which the Group responded to by opening the Vila Velha plant in December 2006. The plant became fully operational from March 2007.

The positive trend in sales in Asia and Oceania was due to the increase in demand for industrial and telecom cables, which more than offset the reduction in demand from Australian utilities. The organic change in sales totalled 5.6% over the whole period.

INVESTMENTS IN FIXED ASSETS

The following table shows the investments made by the Group by type and category during 2007 and 2006:

(in millions of Euros)	2007	2006
Property, plant and equipment		
Land	1	-
Buildings	4	21
Plant and machinery	57	35
Equipment	2	1
Other assets	3	2
Assets under construction	20	20
Total investment in property, plant and equipment	**87**	**79**
Intangible assets		
Patents	-	1
Concession, licenses, trademarks and similar rights	-	-
Goodwill	-	3
Software	1	1
Other intangible assets	-	-
Intangible assets in progress	1	1
Total investment in intangible assets	**2**	**6**
Total investment in property, plant and equipment and intangible assets	**89**	**85**
Investments in financial assets held for trading	22	2
Investments in associates	-	1
Total investments	**111**	**88**

The value of gross investments in property, plant and equipment and intangible assets was Euro 89 million at the end of 2007, compared to Euro 85 million in 2006.
The majority of the investments, representing around 57% of the total value, were allocated to increasing production capacity to support the Group's strategy of focusing on high value added segments as well as markets with high growth rates.

This strategy has been implemented via the following projects:

- further expansion of the capacity of the Arco Felice plant (Italy) to meet the growing long-term order book for submarine cables;
- increase and rationalisation of production capacity for high and extra high voltage cables at specialised plants such as Pikkala (Finland), Delft (Holland) and Mudanya (Turkey);
- new plants dedicated to the production of mixes for special cables at Neustadt (Germany), technologically advanced products such as the Airbag/Airguard cables at Abbeville (USA), LSOH cables at Vilanova (Spain) and the production of special cables at Jakarta (Indonesia) for the development of sales in emerging areas.

Approximately 20% of the investments were for projects aimed at improving industrial efficiency, in particular the metallurgy process in Gron (France) and various initiatives to reduce waste.
Approximately 15% involved structural initiatives, involving buildings or whole production lines to bring them in line with current regulations or to relocate production.
In addition, during 2007, investments to rationalise the Danube region (transfer of production from Bratislava to Balassagyarmat-Hungary) and to launch the Vila Velha plant (Brazil) were completed.

Investments in intangible assets of Euro 2 million in 2007 related almost entirely to the renewal of Group IT systems.
The following table shows the investments in property, plant and equipment and intangible assets split by geographical area, as made by the Group during the year:

(in millions of Euros)

	2007	2006
EMEA	67	48
North America	2	2
Latin America	6	25
APAC	14	10
Total Investment in property, plant and equipment and intangible assets	**89**	**85**

For held for trading securities and available-for-sale financial assets, please refer to the Notes to the Consolidated Financial Statements (Note 4 and Note 5).

MORE THAN 30,000 KM OF FIBRE-OPTIC CABLES IN INDIA FOR VODAFONE AND AIRTEL'S TLC NETWORKS

In 2007 in the telecoms business Prysmian maintained its strong position in relation to the major operators in its traditional markets. Furthermore the Company enjoyed significant success in two other particular areas of special focus. The first of these relates to the rapidly growing telecoms business in less traditional, developing markets. In India, for example, Prysmian was the major supplier of fibre-optic cables to two of the biggest players in the booming mobile telecoms sector - Airtel and Vodafone (formerly Hutch). Fibre-optic cable is a fundamental requirement of mobile communications operators, with the many thousands of transmission towers all being connected by a vast network of fixed fibre-optic cables. Providing cables to these two companies has been a truly international operation with the superior quality optical fibres coming from Prysmian's worldwide centre of excellence at FOS (Battipaglia - Italy). From here the fibres were despatched to the company's production unit at Wuxi in China where they were cabled and sent to India. The Wuxi plant is one of the nine Prysmian optical cable facilities worldwide, all of which operate in full compliance with international standards such as ISO 9001 and 1400. During the course of 2007 more than 30,000 km of optical cable were supplied to India, containing enough optical fibre to go around the world 40 times.

PERFORMANCE BY SEGMENTS

ENERGY

(in millions of Euro)	2007	2006	% Change
Net sales	4,618	4,570	1.1%
of which sales vs third parties	4,583	4,501	1.8%
Adjusted EBITDA	481	368	30.5%
% of net sales	10.4%	8.1%	
EBITDA	475	346	37.4%
% of net sales	10.3%	7.6%	
Amortization, depreciation and write-off	(61)	(105)	-42.1%
Operating income	414	241	72.0%
% of net sales	9.0%	5.3%	
Adjusted operating income	420	295	42.6%
% of net sales	9.1%	6.5%	
Contribution margin	851	717	18.7%
% of net sales	18.4%	15.7%	

Reconciliation of adjusted operating income and adjusted EBITDA

Operating income (A)	414	241	72.0%
EBITDA (B)	475	346	37.4%
Non-recurring expenses:			
Shutdown of operating facilities	6	17	
Launch of the Prysmian trademark	-	5	
Total non-recurring expenses (revenues) (C)	6	22	
Amortization of the Pirelli trademark (D)	-	31	
Adjusted operating income (A+C+D)	420	295	42.6%
Adjusted EBITDA (B+C)	481	368	30.5%

From the second quarter of 2007, the criteria for allocating Corporate fixed costs to divisions were changed, with the total allocation of such costs to the Energy and Telecom divisions. Previously the allocation was carried out on the basis of specific criteria relating to the use of resources by each operating segment. Both the division results for the first quarter of 2007 and the corresponding quarters of 2006 were adjusted for comparability.

SALES

In 2007, sales to third parties in the Energy Cables and Systems division increased from Euro 4,501 million in 2006 to Euro 4,583 million in 2007, representing an increase of Euro 82 million (+1.8%), or Euro 403 million (+9.6%) net of the effect of the closure of the Prescot plant (United Kingdom).

The growth was mainly driven by the following:

- change in sale prices following the rise in metal prices for Euro 89 million (+2.1%);
- change in exchange rates for a negative effect of Euro 39 million (-0.9%);

- organic change in sales due to the growth in volume, mix and price for Euro 353 million (+8.4%).

Within the Utilities business area, sales of power distribution cables recorded a positive trend in the first six months of the year and was stable in the second half, due to steady price levels. In Europe, demand in this segment was geared toward a mix of medium voltage products, since the major utilities had to face growing energy demand for industrial and residential use. In North America, demand fell, mainly in the second half of the year, as the major utilities reduced orders due to the downturn in the construction market.
The segments which recorded the highest growth were those of high voltage cables (land and submarine cables) due to the strong demand worldwide. The growing demand for energy led to the need to expand and enhance the transmission capacity of grids and to renew the existing ones. In addition, the growing need to make transmission networks more efficient and eco-sustainable, enabled Prysmian to significantly increase the order book and sales as from the second quarter of 2007.
Compared to the previous year, organic growth in the Utilities business area was 3.3%, with a significant acceleration in the second half of 2007 in the submarine high voltage cables segments, which offset the volumes' decline in power distribution.

Organic growth in the Trade & Installers business area of 7.1% further consolidated due to the improvement in sale prices and the product/country/channel mix which Prysmian managed to achieve from mid-2006 and which showed benefits in 2007. In 2007, the Group completed the process of refocusing on high added value adding products (e.g. LSOH/Afumex fire resistant cables) especially in Europe. In particular, this strategy had a positive impact in the second half, since demand was constant and at high levels in Europe, and specifically on western markets (France, Spain, UK and Italy) for the specialised and high value added product segments. The competitive position held by the Group in South America was further strengthened during 2007.

In the Industrial business area, organic growth was 21.1% driven by the growing demand for cables from the OGP industry (in particular in Italy) and for renewable energy (Spain, Germany and China). Besides the increase in sales of umbilical cables in Brazil for the petrochemical industry, there was also a marked increase in sales of cables for the mining industry in Australia, as well as growth in sales in China, due to the investments made in local production facilities.

TREND IN PROFITABILITY

The contribution margin increased by Euro 134 million (+18.7%) from Euro 717 million in 2006 to Euro 851 million at the end of 2007.

Adjusted EBITDA (before non-recurring income and expenses) at the end of 2007 was Euro 481 million, resulting in a Euro 113 million increase (+30.5%) from the previous year (Euro 368 million). The increase was wholly due to the impact of the aforementioned commercial factors, which was marginally offset by the increase in fixed costs.

The adjusted Operating income (before non-recurring income and expenses) reached Euro 420 million, compared to Euro 295 million in 2006, an increase of Euro 125 million (+ 42.6%).
The increase in adjusted EBITDA was wholly transferred to adjusted Operating income and the improvement was further enhanced by the completion of amortisation attributed to future margins on long-term contracts.

The positive trend in Operating income for the division confirms the effectiveness of the Group strategy, which has focused on higher value added products and sales channels.
The tables below show net sales to third parties, adjusted EBITDA and adjusted Operating income for the businesses areas in the Energy division compared to the previous year.

(in millions of Euro)

	Net sales			
	2007	2006	% Change	% Organic change(*)
Utilities	1,895	1,863		
of which sales vs third parties	1,894	1,853	2.2%	3.3%
Trade & Installers	1,803	1,650		
of which sales vs third parties	1,802	1,645	9.5%	7.1%
Industrial	795	637		
of which sales vs third parties	795	629	26.3%	21.1%
Others	125	420		
of which sales vs third parties	92	374		
Total Energy	**4,618**	**4,570**	**1.1%**	
of which sales vs third parties	**4,583**	**4,501**	**1.8%**	**8.4%**

(in millions of Euro)

	Adjusted EBITDA		% on net sales	
	2007	2006	2007	2006
Utilities	237	197	12.5%	10.6%
Trade & Installers	155	119	8.6%	7.2%
Industrial	84	46	10.6%	7.2%
Others	5	5	5.5%	1.3%
Total Energy	**481**	**368**	**10.4%**	**8.1%**

(in millions of Euro)

	Adjusted EBIT		% on net sales	
	2007	2006	2007	2006
Utilities	208	157	11.0%	8.4%
Trade & Installers	137	101	7.6%	6.1%
Industrial	71	34	9.0%	5.3%
Others	4	3	4.0%	0.7%
Total Energy	**420**	**295**	**9.1%**	**6.5%**

(*) Change calculated net of the changes in the scope of consolidation, changes in metal prices and effects of exchange rates.

THE LARGEST LINER IN THE WORLD FLOATS ON PRYSMIAN CABLES

In 2007 Prysmian was awarded 100% supply of the marine cables needed for AKER YARDS' greatest project, the GENESIS Cruise vessel, the largest ocean liner in history. Ordered by AKER's customer Royal Caribbean; with a length of 360 meters, a b readth of 47m, a passenger capacity of 5,400 people and a gross tonnage of 220,000TN, this ship is 40% bigger than the largest cruise liner series actually in existence, the Freedom class cruiser, again with AKER YARDS and Royal Caribbean as the end customer.

The GENESIS Cruiser is to be delivered and will commence operations in 2009. Prysmian has been awarded with the supply of all cables required for this ship, a total of around 5.000km of cables including power and telecommunications cables, most to be manufactured at Prysmian's Finland Pikkala site, but also in Italy and in Germany..

Prysmian manufactures marine cables in 5 locations (Italy, Germany, Spain, Finland and China) and offers the complete range needed for advanced shipbuilding, including low voltage power and control cables as well as Telecommunication cables and various Bus cables.

Prysmian offers a whole range of fire resistant cables, including fire resistant instrumentation, communication and control cables plus the full range of medium voltage cables ranging from 6KV to 20KV.

TELECOM

(in millions of Euro)	2007	2006	% Change
Net sales	548	537	2.0%
of which sales vs third parties	535	506	5.7%
Adjusted EBITDA	48	39	22.0%
% of net sales	8.6%	7.2%	
EBITDA	47	37	26.1%
% of net sales	8.5%	6.9%	
Amortization, depreciation and write-off	(4)	(3)	15.6%
Operating income	43	33	27.2%
% of net sales	7.8%	6.1%	
Adjusted operating income	44	35	22.6%
% of net sales	7.9%	6.6%	
Contribution margin	109	110	-0.6%
% of net sales	20.0%	20.5%	

Reconciliation of adjusted operating income and adjusted EBITDA

Operating income (A)	43	33	27.2%
EBITDA (B)	47	37	26.1%
Non-recurring expenses:			
Shutdown of operating facilities	-	1	
Disposal of Submarine Telecommunications Business	1	1	
Total non-recurring expenses (C)	1	2	
Adjusted operating income (A+C)	44	35	22.6%
Adjusted EBITDA (B+C)	48	39	22.0%

From the second quarter of 2007, the criteria for allocating Corporate fixed costs to divisions were changed, with the total allocation of such costs to the Energy and Telecom divisions. Previously the allocation was carried out on the basis of specific criteria relating to the use of resources by each operating segment. Both the division results for the first quarter of 2007 and the corresponding quarters of 2006 were adjusted for comparability.

In 2007, sales to third parties in the Telecom division increased from Euro 506 million in 2006 to Euro 535 million in 2007, representing an increase of Euro 29 million (+5.7%).

The growth was mainly driven by the following:

- change in sale prices following the rise in metal prices of Euro 5 million (+1.0%);
- change in exchange rates for a negative effect of Euro 8 million (-1.6%);
- organic growth of Euro 32 million (+ 6.3%).

The contribution margin was slightly lower compared to 2006 at Euro 109 million, compared to

Euro 110 million in 2006, while adjusted EBITDA (before non-recurring income and expenses) of Euro 48 million (8.6% of sales) increased by Euro 9 million (+ 22.0%).
Within the Telecom division, optical cables continued to benefit from the slight recovery in demand in Northern Europe; whilst good results where also achieved in the Asian markets (in particular India). During the year, Prysmian was awarded one of the most important supply contracts for OPGW cables with the Chinese contractor ZTE for supply to the end user Cadafe (a Venezuelan public utility). This enabled the Group to partially offset the negative effects of a weaker North American market.

During the year, Prysmian launched various projects in the field of optical fibre, including:

- **CasaLight optical fibre**, which is specifically designed to meet the necessary requirements when fibre is bent. These are particularly stringent in the case of FTTH fibres and cables;
- **VertiCasa project**, which involves a new cabling system designed for the installation of optical fibre cables in very tall buildings.

In the copper cables segment, increase in sales was confirmed; organic growth (net of the impact of metal prices) was largely due to the high volumes achieved in the EMEA area (Europe, Middle East and Africa). In South America, Brazil recorded a positive performance with high volumes generated on both the domestic and export market (North and Central America).

The contribution margin, in addition to the aforementioned commercial factors, benefited from the actions to improve industrial efficiency, also supported by volume increases.

GROUP EQUITY AND FINANCIAL PERFORMANCE

BALANCE SHEET

(in millions of Euro)

	As of 31 December 2007	As of 31 December 2006	Change
Net fixed assets	881	875	6
Net working capital	536	442	94
Provisions	(135)	(140)	5
Net invested capital	**1,282**	**1,177**	**105**
Pension funds	112	128	(16)
Total shareholders' equity	454	170	284
of which attributable to minority interest	21	19	2
Net financial position	716	879	(163)
Total shareholders' equity and liabilities	**1,282**	**1,177**	**105**

Net fixed assets increased by Euro 6 million, due to higher investments compared to related amortisation charges.

Compared to 31 December 2006, net working capital increased by Euro 94 million due to the increase in inventories and the negative impact of other receivables and payables linked to orders for high voltage and submarine projects.

Pension funds recorded a decrease of Euro 16 million compared to the previous year. This change was mainly due to the actuarial gains charged to shareholders' equity and increases in fair value of pension plan recorded in the UK, which include the increase in rate of return, and the increase of the overall contribution paid during the year.

The net financial position decreased by Euro 163 million compared to 31 December 2006, mainly due to the following:

- positive cash flows from operating activities during 2007;
- price adjustments and other payments received from Pirelli & C S.p.A. for approximately Euro 45 million, net of Euro 15 million received in January 2008;
- negative impact of working capital increase, due to growing orders for long-term projects;
- reimbursement of Euro 28 million for the Shareholders' Loan (residual amount included in shareholders' equity);
- change in non-amortised bank fees of Euro 42 million.

SUPPORTING OIL COMPANIES TO EXTRACT OIL WITH THE MOST ADVANCED TECHNOLOGIES

The Oil & Gas industry is heavily reliant upon a large and complex network of cables to interlink its various systems, plant and equipment. Such is the variety of cables called upon by this global business that only a few companies worldwide can hope to call themselves a full service provider.

Prysmian can proudly claim to be in this category with its comprehensive range of products ranging from low voltage power and instrumentation & control cables for onshore refinery applications, to high voltage subsea power cables, to dynamic production umbilicals, to fibre-optic cables for voice, video and data transmission.

All cables are complemented by an extensive range of accessories and components for jointing and terminating. Practically every cable required by the Oil industry can be provided by one of the many Prysmian factories engaged in this sector.

In order to support the ongoing need for innovation and cost containment, Prysmian is continually engaged in the design and development of new cables and accessories incorporating the latest materials. These materials often enable critical systems to operate in harsh environments whereby high temperatures and/or corrosive fluids would dramatically reduce the survivability of conventional products.One such cable designed, developed and patented by Prysmian is Airguard™, which with its Airbag™mechanical protective layer to avoid the need for metallic armouring, combined with a chemical resistant layer, make it a preferred option for applications where the cable installation route is particularly tortuous and would almost certainly damage a conventional product.

NET WORKING CAPITAL

Breakdown of net working capital is provided in the table below:

(in millions of Euro)	As of 31 December 2007	As of 31 December 2006	Change
Inventories	582	535	47
Trade receivables	833	848	(15)
Trade payables	(738)	(736)	(2)
Other receivables/(payables)	(141)	(205)	64
Net working capital	**536**	**442**	**94**

Working capital at 31 December 2007 totalled Euro 536 million (10.5% of sales), compared to Euro 442 million (8.8% of sales) at 31 December 2006.

The increase can be attributable to the following events:

- closure, in December 2006, of the Prescot plant in the United Kingdom, which produced copper wire rods. This resulted in a decrease in working capital of approximately Euro 50 million compared to 31 December 2006;
- increased need for working capital arising from the increase in long-term projects for the high voltage and submarine businesses of Euro 82 million;
- reduction in payment terms to copper suppliers.

SHAREHOLDERS' EQUITY

Reconciliation of shareholders' equity at 31 December 2007 and 2007 income for the Group and the Parent Company Prysmian S.p.A. is provided in the table below.

(in millions of Euro)	Shareholders' equity as of 31 December 2007	Profit (loss) of the year 2007	Shareholders' equity as of 31 December 2006	Profit (loss) of the year 2006
Parent Company Financial Statements	**221**	**61**	**156**	**76**
Elimination of investments consolidated in the Prysmian S.p.A. Financial Statements, and related dividends	(252)	(117)	(251)	(90)
Recognition of shareholders' equity and net income of consolidated companies	485	353	270	104
Elimination of intercompany profits and losses included in inventories and other consolidation adjustments	-	5	(5)	1
Minority interest	(21)	(2)	(19)	(2)
Consolidated Financial Statements	**433**	**300**	**151**	**89**

NET FINANCIAL POSITION

The table below shows the detailed breakdown of the Net financial position:

(in millions of Euro)	As of 31 December 2007	As of 31 December 2006	Change
Long-term financial payables			
Credit Agreement	990	1,087	(97)
Bank fees	(8)	(42)	34
Shareholders' loan	-	42	(42)
Other financial payables	11	12	(1)
Total long-term financial payables	**993**	**1,099**	**(106)**
Short-term financial payables			
Credit Agreement	5	198	(193)
Bank fees	-	-	-
Securitization	-	-	-
Other financial payables	63	57	6
Total short-term financial payables	**68**	**255**	**(187)**
Total financial liabilities	**1,061**	**1,354**	**(293)**
Long-term financial receivables	22	21	1
Long-term Bank fees	10	17	(7)
Short-term financial receivables	18	16	2
Short-term Bank fees	3	4	(1)
Financial assets held for trading	40	24	16
Cash and cash equivalents	252	393	(141)
Total financial assets	**345**	**475**	**(130)**
Net financial position	**716**	**879**	**(163)**

CASH FLOW STATEMENT

(in millions of Euro)	2007	2006	Change
EBITDA	573	371	202
Acquisition price adjustment	(60)	-	(60)
Share-based compensation	6	4	2
Change in provisions (including employee benefits provisions)	(6)	(3)	(3)
(Gains)/losses from disposal of tangible and intagible assets.	(1)	(8)	7
Cash flow from operating activities (before NWC changes)	512	363	149
Changes in net working capital	(60)	39	(99)
Taxes paid	(86)	(56)	(30)
Net cash flow from operating activities	366	346	20
Acquisition price adjustment	45	-	45
Net cash flow provided by investing activity(1)	(83)	(69)	(14)
Free cash flow (unlevered)	328	278	50
Finance costs	(83)	(112)	29
Free cash flow (levered)	245	166	79
Capital Contribution	(2)	(90)	88
Repayment of shareholders' loan	(28)	(51)	23
Net cash flow for the year	215	25	190
Net financial position (beginning of year)	(879)	(892)	13
Net cash flow for the year	215	25	190
Other variations	(52)	(11)	(41)
Net financial position (end of year)	(716)	(879)	163

(1) The item does not include cash flow related to "Financial assets held for trading", which are included in the Net financial position.

The net cash flow generated by operating activities for the year (before changes in net working capital) was Euro 512 million. Part of this was absorbed by the increase in working capital previously described, for Euro 60 million. Therefore, net of Euro 86 million taxes paid, the net cash flow from operating activities totalled Euro 366 million. The cash flow remained fairly stable compared to 2006, despite the increase in working capital from to the long-term project business, due to the increase in operating profitability and the "release" of working capital following the closure of the copper wire rod production activities in Prescot (United Kingdom).

Net investments made during 2007 totalled Euro 83 million, representing an increase of Euro 14 million compared to 2006. The increase was due to the expansion of the production capacity at plants dedicated to high voltage and submarine products (in particular Italy and Finland), which were needed to meet growing demand.

Net finance costs for the period of Euro 123 million included significant non-cash items, mainly relating to the write-off of unamortized bank fees at 4 May 2007 (Euro 59 million) and to the revaluation of the fair value of derivatives. Consequently, net of these effects, net finance costs reflected in the Cash flow statement were Euro 83 million.

The net operating cash flow for the year also benefited from the Euro 45 million price adjustments received from Pirelli & C. S.p.A., net of Euro 15 million received in January 2008.

IN THE HEART OF THE WORLD'S FASTEST TRAIN

In the Rolling Stock and Railway sector, Prysmian achieved a significant milestone by supplying the cables for Alstom's High Speed special testing train, which set a new World Speed record in April 2007. This is the highest speed ever reached by any traditional rail-track train, and therefore strongly competes with the previously unbeaten Magnetic-Levitation (MAGLEV) technology. At 574,8km/h, the Alstom train exceeded its own previous world rail speed record (set in 1990) by 59,5 km/h. Prysmian is Alstom's principal Rolling Stock and Railway cables supplier, and Prysmian's Medium and Thin Wall Power and Control cables were installed in this special 25.000 horsepower trainset, which has served to shape the future of high speed rail transport worldwide.

Prysmian's Technergy Rolling Stock (TEROL) product range covers the complete spectrum needed for high technology train manufacturing, covering products to be used in Locos, Electrical Multiple Units, Light Trains, Metro and High Speed Trains. The range includes Power and Control cables, Silicon cables for High Temperature applications up to 150°C, and Thin/Medium Wall Cables. Cables are developed to withstand extreme hazards, mechanically demanding installation conditions, and aggressive environmental conditions for example, high temperatures etc.

Prysmian is renowned for its provision of a full product range together with its global presence, having Rolling Stock cable manufacturing locations in France, Germany, Italy, Spain and China.

Prysmian is supplying cables to all the main OEMs worldwide, and has participated in several world renewed Railway projects, namely the EUROSTAR, the Spanish AVE, the German ICE, the TRANSRAPID of Shanghai and the French TGV.

ALTERNATIVE PERFORMANCE INDICATORS

In addition to the financial models and indicators provided under IFRS, this document contains some reclassified tables and alternative performance indicators. This is to provide a more useful assessment of the economic and financial performance of the Group. However, these models and indicators are not subject to audit and therefore, must not be considered as replacements for their conventional counterparts provided under IFRS.

Amongst the alternative indicators used in the notes to the income statement, the following have been highlighted:

Adjusted operating income: operating income before income and expenses which are considered as non-recurring, as indicated in the Consolidated Income Statement. The purpose of this indicator is to present the operating profitability of the Group without the effects of events which are considered to be outside its continuing operations;

EBITDA: operating income, gross of amortisation, depreciation and write-offs. The purpose of this indicator is to present the operating profitability of the Group before the main non-monetary items;

Adjusted EBITDA: the aforementioned EBITDA calculated before income and expenses which are considered as non-recurring, as indicated in the Consolidated Income Statement. The purpose of this indicator is to present the operating profitability of the Group before the main non-monetary items, without the effects of events which are considered to be outside the Group's continuing operations;

Contribution margin: difference between income from sales and services and the total of all production, distribution and commercial costs which are considered variable in relation to sales. The purpose of this indicator is to enable a assessment of the sensitivity of the Group's income to a change in sales;

Organic growth: change in sales calculated net of the changes in the scope of consolidation, changes in the price of metals and the effect of exchange rates.

Amongst the alternative indicators used in the notes to the balance sheet, the following have been highlighted:

Net fixed assets: sum of the following items contained in the Consolidated Balance Sheet:

- Intangible assets
- Property, plant and equipment
- Investments in associates
- Available-for-sale financial assets, net of "Long-term securities classified as long-term financial receivables under net financial position".

Net working capital: sum of the following items contained in the Consolidated Balance Sheet:

- Inventories
- Trade receivables
- Trade payables
- Non-current other receivables and other payables, net of long-term financial receivables classified in the Net financial position
- Current other receivables and Other payables, net of short-term financial receivables classified in the Net financial position

- Derivatives net of financial instruments on interest rates and of financial instruments on exchange rates relating to financial transactions, classified in the Net financial position
- Current tax payables.

Provisions: sum of the following items contained in the Consolidated Balance Sheet:

- Provisions for risks and charges - current portion
- Provisions for risks and charges - non-current portion
- Provision for deferred tax liabilities
- Deferred tax assets.

Net invested capital: sum of Fixed assets, Net working capital and Provisions.

Employee benefits provisions and Total shareholders' equity: these indicators correspond to the items "Employee benefits provisions" and "Total shareholders' equity" respectively in the Consolidated Balance Sheet.

Net financial position: sum of the following items:

- Borrowings from banks and other lenders - non-current portion
- Borrowings from banks and other lenders - current portion
- Derivatives for financial transactions recorded under Non-current derivatives and classified under Long-term financial receivables
- Derivatives for financial transactions recorded under Current derivatives and classified under Short-term financial receivables
- Derivatives for financial transactions recorded under Non-current derivatives and classified under Long-term financial payables
- Derivatives for financial transactions recorded under Current derivatives and classified under Short-term financial payables
- Medium/long-term financial receivables recorded under Other receivables – non-current portion
- Bank fees on loans recorded under Other receivables – non-current portion
- Short-term financial receivables recorded under Other receivables – current portion
- Bank fees on loans recorded under Other receivables – current portion
- Long-term securities classified under Available-for-sale financial assets
- Assets held for trading
- Cash and cash equivalents.

CORPORATE GOVERNANCE

INTRODUCTION

The Corporate Governance structure of the Company is based on the recommendations and provisions indicated in the "Self-regulatory Code of the Italian Stock Exchange for Listed Companies", prepared by the Corporate Governance Committee of Borsa Italiana S.p.A. and to which the Company has adhered.

The Corporate Governance rule contains principles and procedures which the Company has adopted and agrees to respect in order to guarantee that every operation is undertaken effectively and transparently.

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

For the directly and indirectly controlled Italian companies of the Group, Prysmian S.p.A. provides management and coordination pursuant to article 2497 of the Italian Civil Code.

As already stated at the meeting of 15 December 2005, the Company's Board of Directors, at its meeting of 16 January 2007, declared that the Company is not subject to the management and coordination by any other company, including by the companies which directly or indirectly control it and the companies which are required to consolidate the Company's results in their financial statements. This is because the following indicators proving that the Company is subject to the management and coordination of another company are absent: business, strategic, financial and budget plans for the Group, as well as issuing guidelines on financial and credit policies, centralising functions such as treasury, administration, finance and audit, determining growth strategies, strategic and market positioning of the Group and of individual companies, especially when the policy guidelines may influence and determine concrete implementation by Company management.

The main aims of the Corporate Governance structure are:

- to guarantee Prysmian S.p.A. shareholders an appropriate level of supervision over the most important strategic decisions of the Group;
- to organise a multilevel decision-making structure to enable the appropriate involvement of shareholders and of the Board of Directors in the most important strategic decisions of the Group, by delegating the everyday management to managers;
- to require management to closely observe governance procedures and to determine the due consequences should such procedures not be respected.

For further information (i) on the Corporate Governance system of Prysmian S.p.A. and (ii) on the ownership, as provided for by art.123-bis of Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act), please refer to the "Corporate Governance Report", which may be viewed on the Company's website www.prysmian.com, in the Investor relations/Corporate governance section, and which is prepared in light of the indications and recommendations of Borsa Italiana S.p.A., as well as of the document "Handbook on Corporate Governance Reports" issued in February 2004 by Assonime and Emittenti Titoli S.p.A.

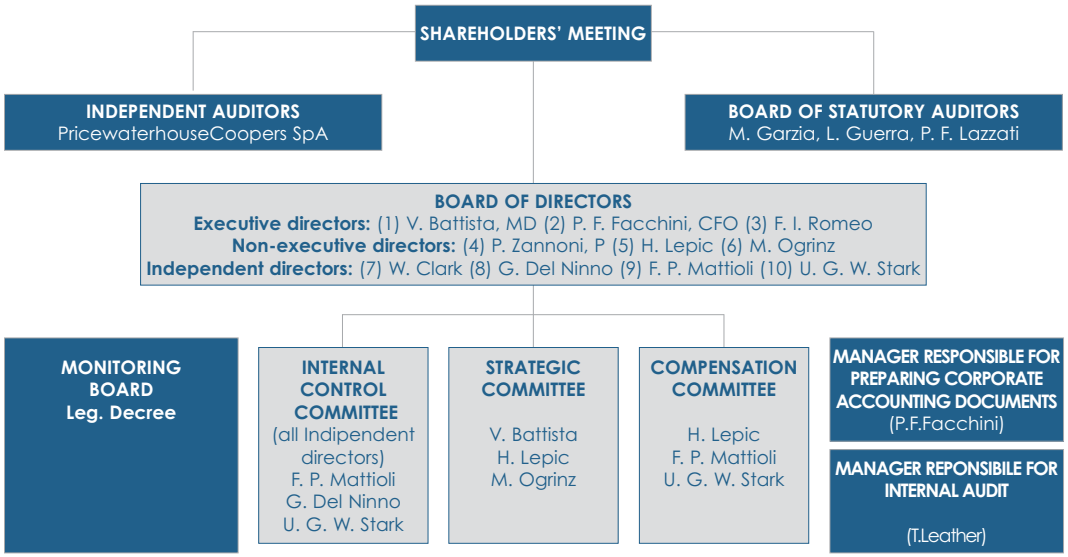
TECHNOLOGICAL INNOVATION FOR FTTH (FIBRE TO THE HOME) NETWORKS IN EUROPE

In 2007 Prysmian further enhanced its position in the growing broadband market as well and specifically that of Fibre to the Home (FTTH). New applications and services are forcing telecoms operators to install fibre closer and closer to the end user in order to increase bandwidth provision.

Prysmian has taken a leading role in this key sector of the FTTH business. The Company has introduced a wide range of new cables and connectivity systems required by these new applications. In particular, CasaLight™ optical fibre and the VertiCasa™ MDU cabling system have enabled operators to be reassured about the economic sustainability of a large brownfield "last metre" fibre deployment. As a consequence, several significant contracts in this highly strategic new market sector have already been secured. In the European market, for example, a number of systems have been developed in Scandinavia and France and most recently in Germany where Prysmian was contracted to provide a complete fibre network to Schwerte, a town of 50,000 people in the western region of the country. Here Prysmian is in the process of building a network which will provide direct fibre links providing ultra high speed broadband services to the inhabitants and which will act as a model for neighbouring communities in the region and beyond.

Hereafter is a summary of the Corporate Governance structure adopted by the Company, and a description is given of the main features.

GOVERNANCE STRUCTURE



ORGANISATIONAL STRUCTURE OF THE COMPANY

Traditional administration and audit model has been adopted, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors. The Corporate Governance system is based on the essential role of the Board of Directors (as the most senior body delegated to manage the Company in the interests of the shareholders), on the transparency of decision-making processes, on an effective internal audit system, on strict regulations on possible conflicts of interest and on valid principles of conduct during transactions with related parties.

This system was implemented by Prysmian through the preparation and adoption of codes, standards, rules and procedures which govern and regulate the carrying out of activities of 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 the law reserves exclusively for the Shareholders' Meeting. The Board of Statutory Auditors oversees compliance with the law and the memorandum of association, as well as respect of the principles of correct administration in carrying out of corporate activities and controls the adequacy of the organisational structure, the internal audit system and the administrative and accounting system of the Company.

Audit work is entrusted to a specialised company registered with CONSOB, and specifically appointed by the Shareholders' Meeting.

BOARD OF DIRECTORS

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

As for the appointment of Directors, the Company has adopted, in compliance with the provisions introduced by Leg. Decree 58/98, a voting list system to enable, where possible, the election of a Director by minority shareholders. The appointment of the Board of Directors will take place on the basis of the lists presented by shareholders who, alone or together with other shareholders, hold overall shares representing at least 2% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a lower percentage established by legal or regulatory provisions. In compliance with the provisions of CONSOB Resolution no. 16319 of 29 January 2008, for 2008, the minimum share capital holding required to present lists of candidates is 1.5%.

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

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

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

For the purposes of the information given by Directors in relation to their position as Directors or Auditors in listed or other relevant companies, please refer to the "Corporate Governance Report".

The management of the Company is the sole responsibility of the Directors, who undertake the operations necessary to implement the Group strategy. The Board of Directors has the broadest possible powers of ordinary and extraordinary administration of the Company, except for those powers which the law reserves exclusively for the Shareholders' Meeting. The Board of Directors also has responsibility for passing resolutions, to be disclosed to the public, regarding: (i) mergers or demergers in the cases provided

for by art. 2505, 2505-bis and 2506-ter of the Civil Code; (ii) the transfer of the registered office within Italy (iii) the establishment or closure of secondary offices; (iv) the indication of which Directors may represent the Company; (v) reductions in share capital following the withdrawal of a shareholder; and (vi) adjustment of the Company By-laws to regulatory provisions (art. 17 of the By-laws).

The Board of Directors on 28 February 2007 appointed a Managing Director who was assigned all the delegated powers of ordinary administration needed or useful to carry out the corporate purpose.

Pursuant to art. 19 of the By-laws, the Board of Directors, after consulting with the Board of Statutory Auditors, appointed the CFO as the manager responsible for preparing corporate accounting documents on 8 March 2007.

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

Internal Control Committee, with powers to advise and make proposals to the Board of Directors with reference, inter alia, to assistance in carrying out the duties relating to the management of the internal audit system;
Compensation Committee, with powers to advise and make proposals to the Board of Directors on determining the remuneration of the directors and senior management of Prysmian S.p.A.;
Strategic Committee, with powers to advise and make proposals to the Board of Directors regarding planning the Company and Group's strategic decisions, as well as preliminarily assessing the strategic options available to enhance the Group's position and its business plans.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors oversees compliance with the law and the memorandum of association, as well as respect of the principles of correct administration in carrying out of corporate activities and controls the adequacy of the organisational structure, the internal audit system and the administrative and accounting system of the Company.

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

	Role
Marcello Garzia	Chairman of the Board of Statutory Auditors
Luigi Guerra	Auditor
Paolo Francesco Lazzati	Auditor
Alessandro Ceriani	Alternate auditor
Giovanni Rizzi	Alternate auditor

The Auditors serve for three years and their term expires on the date of the Shareholders' Meeting

LET'S TAKE SAFETY TO NEW HEIGHTS: PRYSMIAN "FIRE RESISTANT" CABLES FOR BURJ DUBAI

Already reaching more than 600 metres into the sky, when completed, the Burj Dubai Tower will be the tallest man-made structure in the world, with 160 floors and a final height that has not yet been revealed. Safety in a building of such size and prestige is hugely important. Prysmian cables are playing their part in ensuring the highest possible level of safety. The Company has been entrusted with the supply and installation of Prysmian FP Plus Flex enhanced fire performance cables in accordance with UK standard requirements of BS5839-1:2002.

Prysmian FP Plus Flex cables have been used to power the fire alarm and emergency lighting systems, while Prysmian FP400 cables entrusted to power essential circuits and power supplies to the building. The length of cable being installed is over 1,300 times the height of the Tower as it currently stands and it is fitted with in excess of 700,000 fire resistant joint accessories. Prysmian has always been committed to developing products and solutions that meet and go beyond the highest safety standards. The FP product range of fire resistant cables, which has been the market leader in UK for 25 years, is, and will remain, at the forefront of the market worldwide, with its range of both standard and enhanced fire resistant cables and accessories to suit any specific user requirements. The Company is dedicated to developing the next generation of products and systems to follow on from the innovative FP FIREFIX cable installation system which has already helped to revolutionise the electrical contracting sector.

Prysmian has always been a leader in the development of materials and production technologies and is constantly seeking ways to improve product design and performance through a programme of continuous research and development. Prysmian will keep investing in testing - the Company has 7 R&D centres worldwide - to develop new and advanced products, above all in terms of safety.

called to approve the Financial Statements relating to the third year of office. They may be re-elected. The Chairman of the Board of Statutory Auditors and an Alternate auditor are appointed by the Shareholders' Meeting among the Auditors elected by minority shareholders.

The appointment of the Auditors takes place on the basis of the lists presented by shareholders who, alone or together with other shareholders, hold overall shares representing at least 2% of the share capital with voting rights, or a lower percentage established by legal or regulatory provisions. In compliance with the provisions of CONSOB Resolution no. 16319 of 29 January 2008, the minimum share capital holding required to present lists of candidates is 1.5% for the current year. These lists must be filed at the registered offices at least fifteen days before the date set for the first call of the Shareholders' Meeting. Together with each list, the statements with which the individual candidates accept their candidacy and a curriculum vitae will be filed.

For the purposes of the information given by Auditors in relation to their position as Directors or Auditors in other companies, please refer to the "Corporate Governance Report".

INTERNAL AUDIT

By the resolution of the Board of Directors of 24 January 2006, the Company adopted an organisational model aimed at ensuring the establishment of a system which addresses the specific requirements arising for the Leg. Decree no. 231/2001. This organisational model is fully operational and takes a pyramid form which complies with the principles and procedures of Leg. Decree no. 231/2001 and which, starting from the bottom, is broken down as follows:

(a) Code of ethics, setting out the general principles (transparency, integrity and loyalty) which underpin the carrying on of business; it indicates the goals and values which characterise the Company's operations, with reference to the main stakeholders with whom the Company deals.

(b) Internal audit system, which consists of the collection of tools aimed at providing a reasonable guarantee to achieve the objectives of operational efficiency and effectiveness, reliability of the financial and operational information, respect of the laws and regulations, and protection of shareholders' equity.

(c) Conduct guidelines, which indicate specific rules for dealings with representatives of the Public Administration and which take the form of conduct to be actively adopted and conduct to be avoided, thus translating the content of the Code of ethics into operational guidelines.

(d) Internal audit models, which list the main stages of every process, the crimes which may be committed in relation to individual processes, the specific control activities to reasonably prevent the related risks of committing a crime, as well as specific information flows towards the Compliance Committee in order to highlight possible failure to comply with the procedures established in the organisational model.

(e) Monitoring Board, which, among other things, has the task of (i) verifying the efficiency and effectiveness of the organisational model adopted, (ii) verifying compliance with the systems and procedures provided for by the organisational model, (iii) formulating proposals to the Board of Directors for any updates and adjustments to the organisational model adopted, (iv) proposing to the Board of Directors disciplinary measures which must be imposed following confirmation of a violation of the

organisational model, and (v) providing a report for the Board of Directors on the verification and control activities undertaken as well as their outcome.

In order to guarantee better oversight of the internal audit activities and in compliance with the recommendation of the Self-Regulatory Code of the Italian Stock Exchange, the Board of Directors has appointed the Managing Director, Valerio Battista, as executive director in charge of overseeing the functionality of the internal audit system, and charged him, among other things, with the task of constantly checking its overall adequacy, efficiency and effectiveness. The Board of Directors also appointed the manager of the Internal Audit Department as the person responsible for internal audit, with the responsibility for checking that the internal audit system remains appropriate, fully operational and functioning.

STOCK OPTION PLANS

Features of the instruments attributed

On 30 November 2006, the Extraordinary Shareholders' Meeting of the Company approved an incentive scheme based on stock options ("the Plan"), together with the Regulations which govern its operation, and made its coming into effect dependent on the start of trading in the Company's shares on the electronic share market (MTA), organised and managed by Borsa Italiana S.p.A. which occurred on 3 May 2007. At the same time, the shareholders' meeting approved a share capital increase against payment, to be carried out in several, distinct stages, for the purposes of the above Plan, up to a maximum amount of Euro 310,000.00. The Plan, which is reserved for employees of companies belonging to the Prysmian Group, takes into consideration the free allocation, at the date of this document, of option rights to subscribe 2,884,812 ordinary shares of the Company, with a par value of Euro 0.10 each, equivalent to 1.58% of the share capital if the options were fully exercised.
Each option gives the right to subscribe a share 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 the Plan was approved by the Company's Board of Directors. The value is determined on the basis of the economic and financial results of the issuer at 30 September 2006 and taking account (i) of the diluting effect produced by the allocation of the options themselves, as well as (ii) of the illiquidity of the presumed market value of the issuer's share capital at that date.
To value the Plan, the Black-Scholes method was adopted. On the basis of this model, the weighted average of the fair values of the options at the grant date was Euro 5.78, determined on the basis of the following assumptions:

Average life of the options (years)	3.63
Expected volatility	40%
Average risk-free interest rate	3.78%
% of expected dividends	0%

Reasons for adopting the plan

The adoption of the stock option plan aims to align the beneficiaries' interests with growth in shareholders' wealth.

Recipients

At 31 December 2007, the Plan beneficiaries were 95 employees of the Company and of the Prysmian Group. No further options are grantable pursuant to the Plan Regulations since the final deadline granted by the Extraordinary Shareholders' Meeting of 30 November 2006 to the Board of Directors to identify further Plan beneficiaries in addition to the original ones, expired on 31 January 2007.

Timeframe for allocating instruments

Each option will accrue over a period of four years starting from the grant date which is 4 December 2006, in the case of the original beneficiaries who accepted the option within the deadline set by the Regulations.

The options accrued over this four year period will vest, and the related new shares will be subscribed, in four annual instalments, each one on the anniversary of the date they were granted. The exercise of the vested options can only occur during the so-called "Exercise periods" following the respective vesting date. Pursuant to the Plan Regulations, the "Exercise period" is defined as each period of thirty days starting from the first day following the date of the publication of the release concerning the resolution to approve the draft financial statements of Prysmian S.p.A. or the resolution to approve the half-yearly report. No option can be exercised following the expiry of the "Exercise period" calculated in relation to the approval of the draft financial statements for the year ended 31 December 2010.

The exercise of the options can take place provided that the beneficiary's employment relationship is still ongoing at each vesting date and that any other conditions (which may be imposed by law, regulations, or provisions of the Company's By-laws) to which the Board of Directors may subordinate both the vesting and exercise of the options, have occurred. The communications with which the options granted are allocated do not subject the vesting of these options to any additional condition other than that of the existence of the above-mentioned employment relationship.

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

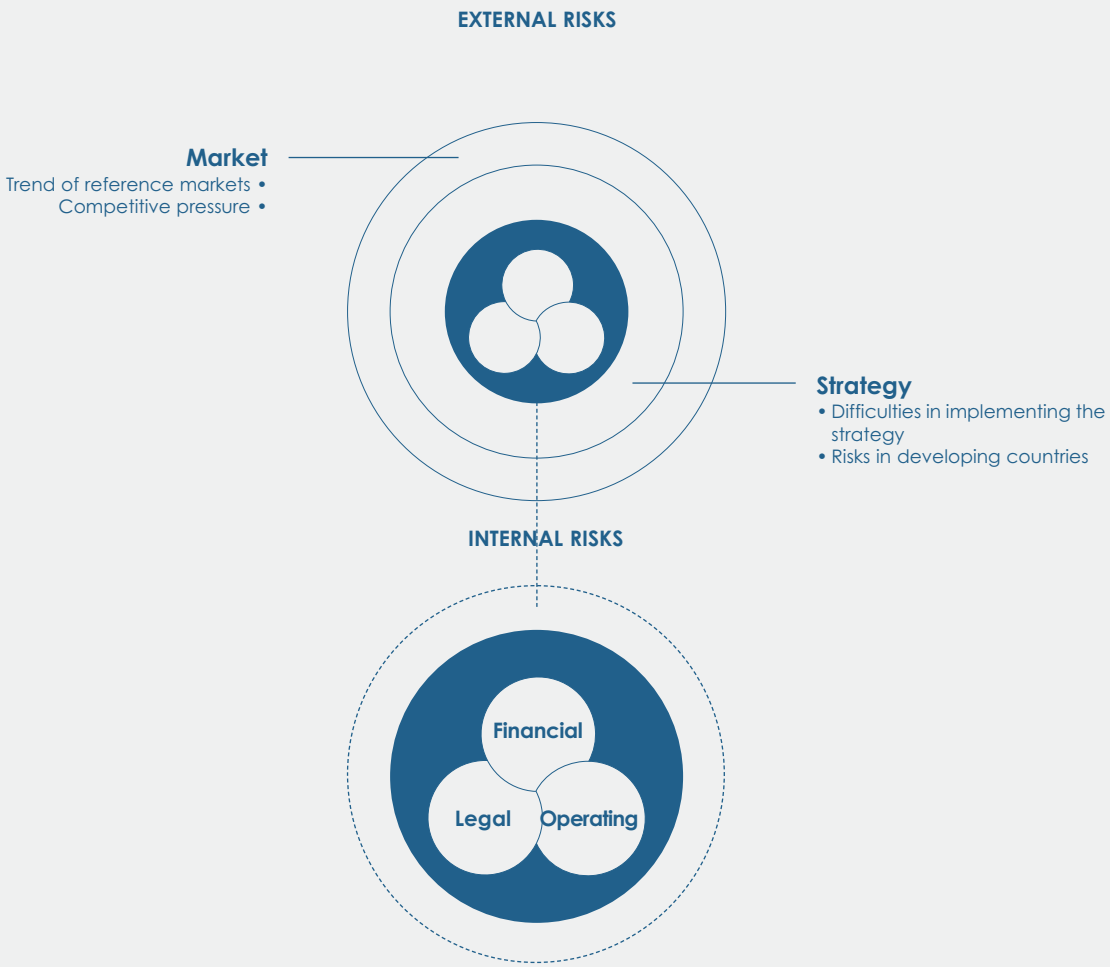
SHARES HELD BY DIRECTORS, AUDITORS AND THE MANAGING DIRECTOR

At 31 December 2007, there were no investments in the share capital of Prysmian S.p.A. held by Directors, Auditors, or Managers with strategic responsibilities.

However, it should be noted that some Directors of Prysmian S.p.A. and some Managers of Group companies hold shares in Prysmian (Lux) S.à r.l. Such company indirectly holds, through Prysmian (Lux) II S.à r.l., 31.8% of the shares of Prysmian S.p.A.

RISK FACTORS

The Group adopts specific procedures to manage the risk factors which may influence the results of the Company. These procedures are the result of corporate management which has always aimed at maximising value for shareholders by putting in place measures needed to prevent the risks inherent in the Group's business. The risk may be divided into external and internal risks as described below.



EXTERNAL RISKS

MARKET RISKS

Risks connected to the trend in markets where Group products are sold

The markets where some Group products are sold, mainly related to the Trade & Installers business area, are affected by cyclical changes in demand and are influenced by the overall GDP growth trend. Although the diversification of the markets in which the Group operates and of the products offered reduces the Group's exposure to the cyclical trends in some markets, it is not possible to rule out that such cyclical trends may have a significant impact on the Group's activities, results of operations and financial position.

In addition, demand for products of the energy cables sector is also influenced by projected spending by companies in the utilities sector and by the overall consumption of energy, as well as partly by the trend in the construction sector, whilst demand for products in the telecom cables sector is highly influenced by projected spending by telecom operators.

Risks connected to competitive pressure

Mainly in the Trade & Installers business area, competitive pressure may increase pressure on product prices.

Many of the products offered by the Group are based on industry standards and are essentially interchangeable with similar products offered by the Group's main competitors. Therefore, in such cases, price is a significant factor. In this business area, the competitive framework, although it may change depending on the country or the geographical area, sees the presence of a higher number of competitors, including operators which can compete on a global scale and smaller operators which, in the single country or geographical area or single business line, may have a similar presence to that of the main operators.

Although the Group is constantly seeking to reduce its costs, it might not be able to reduce them sufficiently compared to a decrease in prices, which would consequently have a negative impact on the Group's activities, results of operations and financial position.

STRATEGIC RISKS

Risks in implementing the Group strategy

The Group's ability to improve its profitability depends, amongst other things, on its success in executing its business strategy. The Group strategy is based, amongst other things, on increasing the portion of sales from high value-added products; on the development of the industrial structure to support the strategy and on the continuous improvement in the variable costs structure; on improving logistics and customer service; and developing new products and manufacturing processes.

Although the Group intends to execute its strategy, which is largely based on internal growth, while not excluding external lines, it is not possible to guarantee that this strategy will be implemented in the planned timeframe.

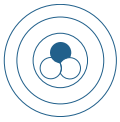
The Company is not expecting to make significant use of external financing since it intends to finance the implementation of its strategy through cash flows generated from operating activities.

Risks connected to activities in developing countries

The Group operates and is present with production facilities and/or corporate offices in Asia and Central-South America. The Group's activities in these countries is exposed to different risks linked to regulatory and local judicial systems, the imposition of tariffs or taxes, political and economic instability, and, to a lesser extent, exchange rate risks.

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

INTERNAL RISKS



FINANCIAL RISKS

The Group risk management strategy focuses on the unpredictability of markets and aims to minimise potential negative impacts on the Group's financial performance. Some types of risk are mitigated through the use of financial instruments (including derivatives).

Risk management is centralised by the Group Finance Department which identifies, assesses and undertakes financial risk hedging transactions in close cooperation with the Group's operating units. The Group Finance, Administration and Control Department provides written principles to monitor risk management, as well as for specific areas, regarding exchange rate risk, interest rate risk, credit risk, the use of derivatives and non-derivatives instruments, and the way to invest excess of liquidity. These financial instruments are used only to cover risks and not for speculative purposes.

Exchange rate risk

The Group is active worldwide and is therefore exposed to exchange rate risk on the various currencies in which the Group operates (mainly the US Dollar, Sterling, and the Brazilian Real). Exchange rate risk arises from trade transactions which have not yet occurred, and from assets and liabilities which have already been recorded in the financial statements in the foreign currency.

To manage exchange rate risk deriving from future trade transactions and the recording of assets and liabilities in foreign currency, most of the Group companies use forward contracts underwritten by the Group Treasury Company. Exchange rate risk occurs when future transactions or assets and liabilities that have already been recorded on the balance sheet are denominated in a currency other than the functional currency of the company which undertakes the transaction.

Company Treasury manages the net positions in each currency by underwriting forward contracts with third parties.

Credit risk

The Group does not have a significant level of credit risk. Nonetheless, there are procedures in place to ensure that the sales of products and services are made to customers whose creditworthiness is confirmed.

Liquidity risk

The Group's working capital needs increased significantly during the first half of the year when the Group commenced production in anticipation of the arrival of orders, with a consequent temporary increase in net financial debt.

Prudent management of the liquidity risk which arises from the Group's normal operations implies the maintenance of an adequate level of cash and cash equivalents and of short-term securities as well as the availability of funds which may be obtained through adequate committed credit lines. Due to the dynamic nature of the business in which the Group operates, the Group's Finance Department use flexible sourcing funds through committed credit lines.

Interest rate risk

The interest rate risk to which the Group is exposed mainly arises from long-term financial debt at both

fixed and variable rates.

Fixed rate loans expose the Group to fair value risk. In relation to the risk arising from such contracts, the Group does not adopt any particular hedging policies as it considers the risk as not significant.

Variable rate loans expose the Group to a risk arising from the volatility of interest rates (cash flow risk). To hedge this risk, the Group makes use of Interest Rate Swaps (IRS), which turns the variable rate into a fixed rate, and thus enables a reduction in the risk arising from the volatility of rates. By using IRS contracts, the Group, in agreement with the parties, on specific deadlines swaps the difference between the contracted fixed rates and the variable rate calculated with reference to the notional value of the loan.

LEGAL RISKS

Product liability

Any defects in the design and manufacture of the Group's products could create a civil or criminal liability in relation to customers or third parties. Thus the Group, as other operators in the sector, is exposed to the risk of legal action for product liability in the countries where it operates. The Group, in line with the practice followed by many companies operating in the same sector, has taken out insurance policies which the Company considers adequate to be protected against the risks arising from such liability. However, should the insurance coverage not be sufficient, the Group's activities, results of operations and financial position could be adversely affected.

In addition, the Group's involvement in such kind of disputes and any liability arising within this framework could expose the Group to reputational damage.

Risks connected to intellectual property rights

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

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

Risks relating to legal proceedings

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

Risks relating to the development of the regulatory framework

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

The issue of further regulatory provisions which are applicable to the Group or its products, or changes

in the law which is currently in force in the segments in which the Group operates, including internationally, could force the Group to adopt stricter standards or could limit its freedom of action in its own business areas. These factors could incur adjustment costs for manufacturing facilities or product features.

OPERATING RISKS

Risks connected to delivery deadlines and product quality

Some supply and/or installation contracts signed by the Group take account of penalties on the Group companies should the delivery date or the agreed quality standards not be met. The application of such penalties, the obligation to compensate for any damages as well as the impact any delays in delivery could have on the Group cost structure, could adversely affect the Group's activities, results of operations and financial position.

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

Risks relating to the operations of industrial plants

Being an industrial Group, the Prysmian Group is exposed to the risk of a stoppage to its production in one or more of its plants, due, by way of example, to machine breakdown, withdrawal of or challenge to permits and licences by the competent public authorities, strikes or shortage of labour force, natural disasters, major interruptions to the supply of raw materials or energy, sabotage or terrorist attacks.

Although during the past three years there have not been interruptions to work at the Group's industrial plants which have significantly affected its operations, it is not possible to rule out interruptions occurring in the future and, where such interruptions exceed the Group's current insurance coverage, its activities, results of operations and financial position could be affected.

Risks connected to the supply and availability of raw materials

The main raw material used by the Group in its production processes is copper. Other important raw materials used by the Group include other non-ferrous base metals, such as aluminium and lead, and various plastic components and resins.

The Group has always been able to obtain sufficient supplies of copper to meet its production needs and the Company believes that the Group does not depend on any one supplier. As far as possible, the Group tends to diversify its sources of supply. The Group partly procures its resins and plastic materials from the major world suppliers, by signing supply contracts normally for a year with monthly deliveries, and for the remainder of its needs it produces such materials directly within some of its plants.

With particular reference to optical fibre, it is considered that the Group has sufficient production capacity to meet its needs for the production of optical fibre cables and for the sales of such material to third parties. Nonetheless, the Company has decided to adopt, for commercial and strategic reasons, a policy of partial provision of optical fibre from third party manufacturers.

As for the copper market, according to the prices on the London Metal Exchange (LME), the cost of this metal has increased significantly over recent years. The Group hedges through futures traded on the LME

changes in copper prices. The cost of these hedges is not significant and is connected to the commissions recognised to the counterparty banks in such transactions. In addition, with reference to the means of determining the price of its own products, the Group seeks to neutralise the effect of possible increases in the price of copper by automatic adjustment mechanisms of the sale prices of its products. Nonetheless, for some products (mainly relating to the Trade & Installers business area), where, due to well-established commercial practice and/or to the structural features of the key markets, it is not possible to use automatic adjustment mechanisms for sale prices, the Company cannot guarantee, with other conditions unchanged, that it will be able to transfer the effect of price rises for copper onto the selling price, even if during the last three years the Group has managed to transfer the effect of the increase in the price of copper onto the selling price.

Risks connected to IT systems

To support the Group's strategic development, Prysmian has launched an important process to upgrade its IT systems. The changes involve, amongst other things, the replacement of some important company systems with more up-to-date and functional versions, the maintenance of which will be guaranteed only for the next two years.

The Group is aware of the risks associated with such initiatives, mainly linked to the possible inaccuracy of the data acquired. However, it is believed that it has taken all the necessary measures to limit such risks through testing, training, and development of the preparatory stages, as well as through appropriate commercial contracts with suppliers of substitute technologies.

OTHER INFORMATION

Transactions with subsidiaries, associates and parent companies

Information on transactions with subsidiaries, associates and parent companies is provided in the Notes to the Consolidated Financial Statements (Note 31).

Management of financial risks

Information on management of financial risks is provided in the Notes to the Consolidated Financial Statements, Section C. Management of financial risks.

Research & Development activities

Comments on Research & Development activities are provided in the Overview section 2007.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE YEAR AND OUTLOOK

There were no significant events after 31 December 2007.

Despite the expectation that throughout 2008 the economic situation will be characterised by a period of slowdown, caused in particular by a fall in the growth rate of the American economy, the Group expects to confirm the profit drivers, which should continue to benefit from the growing demand for high voltage cables for power transmission and cables for industrial applications such as OGP and renewable energy, together with a positive trend in demand for optical fibre cables from the main operators in the Telecom division.
Based on this economic background, the Group is aiming to continue with its investment programmes to support the development of higher value added businesses, thus further enhancing its presence in the most profitable and high-growth rate segments.

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

(in thousands of Euro)

	Note	As of 31 December 2007	Related parties (Note 31)	As of 31 December 2006	Related parties (Note 31)
Non-current assets					
Property, plant and equipment	1	838,369		827,244	
Intangible assets	2	21,326		26,667	
Investments in associates	3	9,354		10,575	
Available-for-sale financial assets	4	12,520		10,747	
Derivatives	8	31,551	9,821	21,693	9,199
Deferred tax assets	15	28,920		30,949	
Trade receivables	5	1,642		-	
Other non-current receivables	5	34,268		47,798	
Total non current assets		**977,950**		**975,673**	
Current assets					
Inventories	6	582,956		535,495	
Trade receivables	5	830,948	1,192	847,788	
Other current receivables	5	277,285	24	159,321	26
Financial assets held for trading	7	39,896		24,376	
Derivatives	8	24,763		32,773	
Cash and cash equivalents	9	251,877		392,907	
Total current assets		**2.007,725**		**1,992,660**	
Total assets		**2.985,675**		**2,968,333**	
Shareholders' equity attributable to the Group		**432,644**		**151,218**	
Share capital	10	18,000		18,000	
Reserves	10	114,451		44,125	
Net income (loss) for the year	10	300,193		89,093	
Shareholders' equity attributable to minority interests		**21,193**		**19,155**	
Share capital and reserves	10	18,909		17,086	
Net income (loss) for the year	10	2,284		2,069	
Total shareholders' equity		**453,837**		**170,373**	
Non-current liabilities					
Long-term borrowings from banks and other lenders	11	990,352		1,098,992	41,819
Other non-current payables	12	43,020		38,640	
Provisions for risks and charges	13	27,270		26,033	
Derivatives	8	2,237		-	
Deferred tax liabilities	15	61,797		65,694	
Employee benefits liabilities	14	112,229		127,571	
Total non-current liabilities		**1,236,905**		**1,356,930**	
Current liabilities					
Borrowings from banks and other lenders	11	61,231		255,077	
Trade payables	12	738,052	1,043	736,158	4,067
Other current payables	12	356,026	3,727	269,337	2,982
Derivatives	8	28,940		31,895	
Provisions for risks and charges	13	75,224		79,224	
Current tax payables		35,460		69,339	
Total current liabilities		**1,294,933**		**1,441,030**	
Total liabilities		**2,531,838**		**2,797,960**	
Total shareholders' equity and liabilities		**2,985,675**		**2,968,333**	

INCOME STATEMENT

(in thousands of Euro)

	Note	2007	Related parties (Note 31)	2006	Related parties (Note 31)
Sales of goods and services	16	5,117,739	12,730	5,007,099	26
Changes in inventories of work-in-progress and finished goods	18	27,083		35,892	
Other income	17	110,521		50,731	
of which other non-recurring income	*17*	*60,027*		*-*	
Raw materials and consumables used	19	(3,197,978)		(3,392,960)	
Personnel costs	20	(547,860)		(547,427)	
of which non-recurring personnel costs	*20*	*(4,028)*		*(14,090)*	
Amortization, depreciation and write off	21	(65,049)		(112,985)	
of which non-recurring depreciations	*21*	*-*		*(36,468)*	
Other expenses	22	(936,706)	(6,017)	(782,404)	(11,094)
of which other non-recurring costs	*22*	*(12,385)*		*(21,555)*	
Operating income		**507,750**		**257,946**	
Finance costs	24	(230,094)	(31)	(221,285)	(9,429)
of which non-recurring finance costs	*24*	*(58,947)*		*(14,337)*	
Finance income	23	106,922	5,929	108,860	7,257
of which non-recurring finance income	*23*	*3,846*		*1,680*	
Share of income from investments in associates and dividends from other companies	25	2,633		1,975	
Income before taxes		**387,211**		**147,496**	
Taxes	26	(84,734)		(56,334)	
Net income for the year		**302,477**		**91,162**	
Attributable to:					
Parent Company's Shareholders		300,193		89,093	
Minority interests		2,284		2,069	
Basic earnings/(loss) per share - (in Euro)	**27**	**1.67**		**0.49**	
Diluted earnings/(loss) per share - (in Euro)	**27**	**1.65**		**0.49**	

STATEMENT OF RECOGNISED INCOME AND EXPENSES

(in thousands of Euro)	2007	2006
Fair value gains/(losses) of available-for-sale financial assets net of tax	1,974	510
Fair value gains/(losses) of cash flow hedges - gross of tax	(11,038)	(1,680)
Tax effect on fair value gains/(losses) of cash flow hedges	3,741	641
Currency translation differences	(5,049)	(22,344)
Actuarial gains/(losses) - net of tax effect	7,829	1,074
Net income/(loss) recognised in shareholders' equity	**(2,543)**	**(21,799)**
Net income/(loss) for the year	302,477	91,162
Total income/(loss) for the year	**299,934**	**69,363**
Attributable to:		
Parent Company's Shareholders	296,327	70,057
Minority interests	3,607	(694)

CASH FLOW STATEMENT

(in thousands of Euro)	2007	Related parties (Note 31)	2006	Related parties (Note 31)
Income before taxes	387,211		147,496	
Depreciation of property, plant and equipment	59,635		61,239	
Amortization of intangible assets	5,414		51,746	
Price adjustment and indemnification relating to the acquisition of the Energy and Telecom Cables and Systems divisions from Pirelli & C. S.p.A.	(60,027)		-	
Net gains from disposal of property, plant and equipment and intangible assets, and other non current assets	(922)		(7,955)	
Share of income from investments in associates and joint ventures	(2,633)		(1,975)	
Share-based payments[1]	5,651		4,282	
Net finance costs	123,172		112,425	
Changes in inventories	(49,994)		(81,303)	
Changes in trade receivables and trade payables	24,024	(3,216)	128,290	2,683
Changes in other assets and other liabilities	(25,482)	(253)	(16,470)	26
Changes in derivatives	(7,745)	(622)	8,249	(6,424)
Taxes paid	(85,765)		(55,870)	
Utilization of provisions (including employee benefit liabilities)	(53,018)		(51,152)	
Accruals of provisions (including employee benefit liabilities)	46,822		47,588	
A. Net cash flow provided by/(used in) operating activities	366,343		346,590	
Price adjustment and indemnification relating to the acquisition of the Energy and Telecom Cables and Systems divisions from Pirelli & C. S.p.A.	44,527		-	
International Wire & Cable acquisition	(3,623)		-	
Investments in property, plant and equipment	(87,030)		(79,059)	
Disposal of property, plant and equipment	5,147		15,918	
Investments in intangible assets	(2,035)		(6,343)	
Disposal of intangible assets	1,552		839	
Investments in financial assets held for trading	(22,073)		(2,083)	
Disposal in financial assets held for trading	7,545		-	
Investments in associates	-		(543)	
Dividends received	3,196		103	
Effect of disposed operations	-		1,698	
B. Net cash flow provided by/(used in) investing activities	(52,794)		(69.470)	
Capital contribution and other changes in shareholders' equity	(30,311)	(28,050)	(90,000)	(90,000)
Net finance costs	(82,539)	(1,437)	(112,425)	(9,414)
Changes in financial payables	(337.314)	(41,819)	88,139	(73,207)
C. Net cash flow provided by/(used in) financing activities	(450,164)		(114,286)	
D. Exchange gains/(losses) on cash and cash equivalents	(4,415)		(5,020)	
E. Total cash flow provided/(used) in the year (A+B+C+D)	(141,030)		157,814	
F. Net cash and cash equivalents at the beginning of the year	392,907		235,093	
G. Net cash and cash equivalents at the end of the year (E+F)	251,877		392,907	

[1] *in 2006, the item "Share-based payments" was shown under "Changes in other assets and other liabilities".*

Refer to Note 35 for comments on the Cash Flow Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION

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

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

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

Prysmian (Lux) S.à r.l., with registered office in Luxembourg, has de facto control of the Company through its subsidiary Prysmian (Lux) II S.à r.l., also based in Luxembourg.

Since 3 May 2007, Prysmian S.p.A. shares have been listed on Italy's electronic share market (MTA) - Blue Chip segment - managed by Borsa Italiana S.p.A.
The Global Public Offer of 82,800,000 shares (of which 72,000,000 were offered by Prysmian (Lux) II S.à.r.l and 10,800,000 from the full exercise of the green shoe option by the Joint Global Coordinators, representing 46% of the share capital) was made at an offering price of Euro 15, for a total capitalisation of Euro 2,700 million.
In November 2007, the investment held by Prysmian (Lux) II S.à r.l. reduced further following the sale of 9.9% of the share capital of Prysmian S.p.A. to Taihan Electric Wire Co. Ltd and 12.3% to institutional investors. Therefore, as of 31 December 2007 the stake held by Prysmian (Lux) II S.à r.l. in Prysmian S.p.A. was 31.8%.

All the amounts shown in the tables in the following Notes are expressed in thousands of Euro, unless otherwise indicated.

The consolidated financial statements herein were approved by the Board of Directors on 7 March 2008.

B. SUMMARY OF ACCOUNTING STANDARDS

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

B.1 BASIS OF PREPARATION

The Company has applied Legislative Decree no. 38 of 28 February 2005 "Exercise of the options envisaged by article 5 of European Regulation no. 1606/2002 on international accounting standards" and has applied the international accounting standards (hereafter also "IFRS") adopted by the European Union, for the preparation of its own consolidated financial statements.

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"). In particular, IFRS have been applied consistently to all the periods presented in this document. The Consolidated Financial Statements have, therefore, been prepared in accordance with IFRS; any future guidelines and new interpretations will be reflected in subsequent years, in accordance with the recommendations given by the relevant accounting standards.

In preparing the financial statements, the Group chose to recognise income statement items on the basis of their nature, while assets and liabilities were recognised as current and non-current in the balance sheet. The indirect method was used for the preparation of the cash flow statement. In addition, the Group applied the provisions set forth in CONSOB Resolution no. 15519 of 27 July 2006 regarding financial statements, and CONSOB communication no. 6064293 of 28 July 2006 regarding corporate reporting.

As required under IAS 1 (paragraph 96) and IAS 19 (paragraph 93 B) the Consolidated Financial Statements include the statement of recognised income and expenses; the statement of the other changes in shareholders' equity is presented in Note 10.

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

It should be noted that, compared to 2006, the item "Tax payable" includes only payables for income taxes (direct taxes), whilst previously payables for indirect taxes for Euro 25,641 thousand were also included.

B.2 BASIS OF CONSOLIDATION

The financial statements consolidated for Group subsidiaries have been prepared for the year ended 31 December 2006 and the year ended 31 December 2007. They have been adjusted, where necessary, to bring them into line with the Group accounting standards. The year end date of all the financial statements of the companies included in the scope of consolidation is 31 December.

Subsidiaries

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

from the resulting benefits, regardless of shareholding. For the purposes of determining the control, the existence of potential exercisable voting rights at the balance sheet date is considered.

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

- assets and liabilities, expenses and income are considered line-by-line and minority interests are assigned, where applicable, the portion of shareholders' equity and net income for the period attributable to them. These amounts are disclosed separately in the consolidated balance sheet and income statement;
- business combinations through which control of an entity is acquired are accounted for using the purchase method of accounting. The acquisition cost is measured as the fair value at the date of the assets given, the liabilities incurred or assumed at the date of exchange, the equity instruments issued plus costs directly attributable to the acquisition. The assets, liabilities and contingent liabilities acquired are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognized directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired;
- acquisitions of minority interests in entities which are already under the control of the Group are accounted for as equity transactions. In the absence of a relevant accounting standard, the Group records directly in shareholders' equity any difference between the price paid and the relative share of shareholders' equity acquired;
- gains and losses, with the relevant tax effect, from transactions carried out between companies consolidated on a line-by-line basis and which have still not been realised with third parties, are eliminated, except for unrealised losses which are not eliminated if there is evidence that the asset being transferred is impaired. The following are also eliminated: intercompany payables and receivables, expenses and income, as well as finance income and costs;
- gains and losses from disposal of investments in subsidiaries are recognised in the income statement for an amount equal to the difference between the selling price and the net assets disposed of.

Associates

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

- the book value of these investments is in line with the shareholders' equity adjusted, where necessary, to reflect the application of IFRS; it includes the higher values attributed to the assets and liabilities and any goodwill, which were identified on acquisition;
- the Group's share of profits or losses is recognised from the date the significant influence is acquired until the date it ceases. If in the case of losses, the company valued under this method has negative shareholders' equity, the book value of the investment is cancelled and, where the Group is committed

to fulfilling legal or constructive obligations of the investor company, or in any case to covering its losses, any Group surplus is recorded in a specific provision; changes in the shareholders' equity of companies valued under the equity method which are not reflected in the income statement, are recognised directly in shareholders' equity;

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

Joint Ventures

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

The proportionate consolidation method adopted by the Company envisages that the Company's share of the assets and liabilities under the joint venture are combined with the respective financial statement items on a line-by-line basis. The Group's consolidated income statement includes its share of the joint venture's income and expenses, aggregated on a line-by-line basis. The procedures for proportionate consolidation are described above for the consolidation of subsidiaries.

Special purpose entity

During the period, the Group defined and implemented a securitisation program for trade receivables involving a series of Group companies. The accounting policies adopted by the Group to represent the impact of the operation in the Consolidated Financial Statements at 31 December 2007 are given below.
The securitisation program for the Prysmian Group involves the daily transfer of a significant share of trade receivables of some of the Group's operating companies which are active in France, Germany, Italy, Spain, the United Kingdom and the United States. This program started on 30 January 2007 and will end on 31 July 2012.
The structure of the program involves transferring receivables from the operating companies, directly or indirectly, to an Irish special purpose vehicle (Prysmian Financial Services Ireland Ltd), set up solely for the securitisation program.
To buy the receivables, the Irish company uses, besides available liquidity, the loan received from the vehicles issuing Commercial Paper, i.e. credit securities backed by the receivables, with a rating of A-1/P-1 and which are sponsored by the banks which organised and underwrote the program (the securities are placed with institutional investors).
Subordinated loans granted by the cash management company of the Prysmian Group are also used.
In keeping with the provisions of SIC 12 – Consolidation: Special Purpose Entity (SPE), the vehicle, since it was established solely to achieve a limited and well-defined target, has been included in the scope

of consolidation of the Prysmian Group. The receivables transferred to the SPE are, therefore, included in the Group's Consolidated Financial Statements, until payment of the receivable is executed together with that of the SPE payables to third party lenders.
The Group companies can be identified as sponsors (or the companies on whose behalf the SPE was created).

Translation of foreign companies' 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 functional and presentational currency for the company.

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

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

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

The exchange rates applied are as follows:

	Closing rate as of		Average for year	
	31 December 2007	31 December 2006	2007	2006
Europa				
British Pound	0.733	0.672	0.684	0.682
Swiss Franc	1.655	1.607	1.643	1.573
Hungarian Forint	253.730	251.770	251.370	264.165
Slovak Koruna	33.583	34.435	33.777	37.214
Norwegian Krone	7.958	8.238	8.017	8.047
Swedish Krona	9.442	9.040	9.250	9.253
Romanian New Lei	3.608	3.384	3.336	3.525
Turkish Lira	1.718	1.860	1.786	1.807
North America				
US Dollar	1.472	1.317	1.370	1.256
Canadian Dollar	1.445	1.528	1.468	1.424
South America				
Brazilian Real	2.608	2.816	2.670	2.735
Argentina Peso	4.636	4.033	4.270	3.861
Chilean Peso	732.664	701.171	715.418	666.460
Oceania				
Australian Dollar	1.676	1.669	1.635	1.667
New Zealand Dollar	1.902	1.873	1.863	1.937
Africa				
Tunisian Dinar	1.791	1.713	1.751	1.668
Asia				
Chinese (Yuan) Renminbi	10.752	10.279	10.418	10.013
Singapore Dollar	2.116	2.020	2.064	1.995
Indonesian Rupiah	13,826.700	11,844.440	12,529.025	11,517.341
Malaysian Ringgit	4.868	4.649	4.708	4.605

Changes in the scope of consolidation

During 2007, Prysmian Financial Services Ireland Ltd and Prysmian Servicios De Tesoreria Espana S.l. were included in the consolidation. These companies, which are not controlled by the Group, are financial vehicles set up under the receivables securitisation program and are consolidated on the basis of the requirements of SIC 12 – Consolidation: Special Purpose Entities.

In addition, it should be noted that:

- effective as of 31 January 2007, the merger of the two Romanian companies Prysmian Holdings S.r.l. and Prysmian Cabluri si Sisteme S.A. into Prysmian Cabluri si Sisteme S.A. was completed;
- effective as of 31 August 2007, Prysmian Telecom Cables & Systems New Zealand Ltd was merged into Prysmian Power Cables & Systems New Zealand Ltd;
- on 13 September 2007, Prysmian (Dutch) Holdings B.V. participated (with a 49% stake) in the establishment of Cuomo Cable Company LLC, based in the United Arab Emirates;
- on 1 October 2007, the Spanish company Prysmian Telecom Cables y Sistemas Espana S.L. merged into Prysmian Cables Y Sistemas S.L. The accounting effect of the merger was effective from 1 January 2007;
- on 13 November 2007, Prysmian Cavi e Sistemi Telecom S.r.l. sold its entire investment in Prysmian Telecom Cables et Systèmes France S.A. to Prysmian Energie Cables et Systèmes France S.A.S.;
- on 19 November 2007, Prysmian PowerLink S.r.l. was incorporated;
- on 28 November 2007, Prysmian Cavi e Sistemi Telecom S.r.l. sold its entire investment in Prysmian Telekom Kabel und Systeme Deutschland GmbH to Prysmian Kabel und Systeme GmbH;
- on 11 December 2007, the merger of the two German companies Prysmian Telekom Kabel und Systeme Deutschland GmbH and Prysmian Kabel und Systeme GmbH into Prysmian Kabel und Systeme GmbH was completed. The accounting effect of the merger was effective from 1 April 2007;
- on 21 December 2007, the merger of Prysmian Telecom Cables et Systèmes France S.A. into Prysmian Energie Cables et Systèmes France S.A.S., which is now called Prysmian Cables et Systèmes France S.A.S., was completed. The accounting effect of the merger was effective 1 January 2007;
- on 19 December 2007, Prysmian Hong Kong Holding Ltd was incorporated;
- effective as of 27 December 2007, Prysmian Cable Overseas B.V. bought the entire investment held by a third party (13.29% of the share capital) in the Chinese company Prysmian Wuxi Cable Company Ltd.

Attachment A to these Notes presents the list of companies consolidated at 31 December 2007.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2007

On 3 March 2006, the IFRIC issued interpretation IFRIC 9 - Reassessment of Embedded Derivatives to clarify that a company must assess if embedded derivatives must be separated from the host contracts and treated as derivatives on signing the contract. Subsequently, unless there is a change in the conditions of the contract producing a significant impact on the cash flows which would otherwise have been required under the contract, the assessment cannot be reperformed. The adoption of this interpretation has not had any significant impact on the Group's consolidated financial statements.

On 2 November 2006, the IFRIC issued interpretation IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions, to clarify the accounting treatment for share-based payments for which the company must buy its own shares, as well as share based payments of a Group company (for example the parent company) granted to employees of other Group companies. The Group has adopted this interpretation early in the financial statements at 31 December 2007 in relation to its accounting for the stock option plan granted in November 2006 which included employees of other companies in the Group. The adoption of this interpretation has not had any impact on the Group's consolidated financial statements.

In August 2005, the IASB issued the new accounting standard IFRS 7 - Financial Instruments: Disclosures and a complementary amendment to IAS 1 - Presentation of Financial Statements: Capital Disclosures with effect from 1 January 2007. IFRS 7 sets out additional disclosures regarding financial instruments and has been applied by the Group as from 1 January 2007, with comparatives for 2006. The amendment to IAS 1, on the other hand, introduces requirements on the information to be disclosed regarding a company's capital and does not produce any effect from the point of view of measuring or classifying such items. This amendment has been applied as from 1 January 2007.

The following interpretations, which are applicable as of 1 January 2007, address situations and cases which do not exist within the Group:

- IFRIC 7 - Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies;
- IFRIC 8 - Scope of IFRS 2.

B.4 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS WHICH ARE STILL NOT APPLICABLE AND WHICH HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

On 30 November 2006, the IASB issued IFRS 8 - Operating Segments, applicable from 1 January 2009 in substitution of IAS 14 - Segment Reporting. The new accounting standard requires the company to base segment reporting on the elements which management uses to make its own operating decisions. Thus, it is necessary to identify the operating segments on the basis of internal reporting which is regularly reviewed by management in order to allocate resources to the different segments and to analyse performance. The adoption of the standard will have no effect on the valuation and measurement of the contents of the financial statements.

On 29 March 2007, the IASB issued a revised IAS 23 - Borrowing Costs, which is applicable from 1 January 2009. This version eliminated the option by which companies can immediately recognise finance costs in the income statement in relation to assets for which some time must pass before they are ready for use or sale. The standard will be applicable in the future to finance costs relating to assets capitalised as from 1 January 2009. At the reporting date, the European Union had not yet completed the endorsement process needed to apply this standard.

On 5 July 2007, the IFRIC issued interpretation IFRIC 14 on IAS 19 - Defined Benefit Assets and Minimum Funding Requirements, applicable as from 1 January 2008. The general guidelines are given on how to determine the limit established by IAS 19 for recognition of plan assets and an explanation is provided regarding the accounting effect caused by the presence of a minimum funding requirement clause. At the reporting date, the European Union had still not completed the endorsement process needed to apply this interpretation.
On 6 September 2007, the IASB issued a revision of IAS 1 – Presentation of Financial Statements, applicable from 1 January 2009. This requires the company to present a statement of changes in shareholders' equity showing all the changes generated by transactions with shareholders. All transactions with third parties ("comprehensive income"), on the other hand, must be shown in a single statement of comprehensive income or in two separate statements (income statement and a statement of comprehensive income). In any case, the changes generated by transactions with third parties cannot be shown in the statement of changes in shareholders' equity. At the reporting date, the European Union had not yet completed the endorsement process needed to apply this standard.

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

- IFRIC 12 - Service Concession Arrangements, applicable as from 1 January 2008 and not yet endorsed by the European Union;
- IFRIC 13 - Customer Loyalty Programmes, applicable as from 1 January 2009 and not yet endorsed by the European Union.

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

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

B.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at the cost of acquisition or production net of accumulated depreciation and any impairment. The cost includes expenditure directly incurred to prepare the assets

for use, as well as any costs for their dismantling and removal which will be incurred as a consequence of contractual obligations requiring the asset to be restored to its original condition.
Interest expense on loans for the purchase or construction of property, plant and equipment is charged to the income statement.

Ordinary and/or cyclical maintenance and repair costs are directly charged to the income statement when they are incurred. The capitalisation of costs regarding the expansion, modernisation or improvement of facilities owned or used by third parties is undertaken to the extent to which they meet the requirements to be separately classified as an asset or part of an asset, by applying the component approach. As a result, each component which may be independently assessed in terms of its useful life and related value must be treated individually.

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

The useful life estimated by the Group for the various categories of property, plant and equipment is as follows:

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

The residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at least at each balance sheet date.

Property, plant and equipment acquired through finance leases, where the risks and rewards of the assets are substantially transferred to the Group, are accounted for as Group assets at their fair value or, if lower, at the present value of the minimum lease payments, including any sum to be paid for exercise of the purchase option. The corresponding lease liability is recorded under financial payables. The assets are depreciated by applying the method and rates previously indicated for "Property, plant and equipment", unless the duration of the lease contract is less than the useful life as represented by such rates and there is no reasonable certainty of the transfer of ownership of the leased asset at the natural expiry of the contract; in this case the depreciation period will be represented by the duration of the lease contract. Any capital gains realised on the disposal of assets which are leased back on the basis of finance lease contracts are recorded under deferred income and released to the income statement over the duration of the lease contract.

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

B.7 INTANGIBLE ASSETS

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

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortised, but is reviewed at least annually for impairment (impairment test). This test is carried out with reference to the cash-generating unit ("CGU") to which goodwill is allocated. Any reduction in the value of goodwill is recorded if the recoverable amount of goodwill is less than the book value on the balance sheet. Recoverable amount is defined as the higher of the fair value of the CGU, less costs to sell, and its value in use (see Note 2.7 for a description of the value in use calculation). The impairment of goodwill cannot be reversed.

In the event that the impairment from the test is greater than the value of goodwill allocated to the CGU, the residual difference is allocated to the assets in the CGU in proportion to their book value.

The minimum limit for this allocation is the greater of:

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

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

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

These items are amortised on a straight-line basis over their useful life.

(c) Computer software

Software licence costs are capitalised in light of the costs incurred for the purchase and to make the

software ready for use. These costs are amortised on a straight-line basis over the useful life of the software (normally 5 years). Costs relating to the development of software programs are capitalised, in accordance with the provisions of IAS 38, when it is likely that the use of the asset will generate future economic benefits, 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 where the following conditions are met:

- the project is clearly identified and the costs in relation to it can be reliably identified and measured;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and to sell the intangible assets produced by it can be demonstrated;
- there is a potential market or, in the case of internal use, the intangible asset has been considered useful for the production of the intangible assets generated by the project;
- there are sufficient technical and financial resources to complete the project.

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

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

At each balance sheet date, property, plant and equipment and intangible assets are analysed in order to see if there is any evidence of impairment. If such evidence is identified, the recoverable value of these assets is estimated and any impairment is charged to the income statement. The recoverable amount is the higher of the fair value of the asset, less costs to sell, and its value in use, where the latter is the present value of the estimated future cash flows of the asset. The realisable value of an asset which does not generate largely independent cash flows is determined in relation to the cash-generating unit to which the asset belongs. In calculating an asset's value in use, the expected future cash flows are discounted using a discount rate reflecting current market assessments of the time value of money, in relation to the period of the investment and the specific risks associated with the asset. Impairment is recognised in the income statement when the asset's carrying amount exceeds its recoverable amount. When the circumstances causing impairment cease to exist, the accounting value of the asset is restored with a release to the income statement, within the limit of the net carrying value which the asset in question would have had if impairment had not been recognised and it had been amortised.

In the case of the Prysmian Group, the minimum CGU of the Energy sector can be identified with the location of the registered office of the operating units (country), whilst for the Telecom sector, the minimum CGU is represented by the sector itself.

B.9 FINANCIAL ASSETS

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

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

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

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

Financial assets classified in this category are represented by securities held for trading since they have been bought with the aim 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 the item "Derivatives". Financial assets at fair value through profit and loss are initially recorded at fair value and the related transaction costs are recorded in the income statement.
Subsequently, financial assets at fair value through profit and loss are valued at fair value and measured at fair value. Gains and losses from changes in the fair value of financial assets at fair value through profit and loss are shown in the income statement as "Finance income" and "Finance costs", in the period in which they are incurred. Any dividends from financial assets at fair value through profit and loss are shown as revenue in the income statement under "Share of income from investments in associates and dividends from other companies", when the Group acquires the right to receive the related payment.

(b) Loans and receivables

Loans and rceivables are non-derivative financial instruments, mainly relating to trade receivables, with fixed or determinable payments that are not quoted on an active market. Loans and receivables are classified in the balance sheet as "Trade receivables and other receivables" and are included under current assets (Note 5), except for those with contractual expiry dates of more than 12 months, which are classified as non-current (Note 5). These assets are valued at amortised cost, using the effective interest rate. The assessment process aimed at identifying any impairment of trade and other receivables is described in Note 5.

(c) Available-for-sale financial assets

Available-for-sale assets are non-derivative financial instruments that are explicitly designated as

available for sale; in other words, they cannot be classified in any of the previous categories and are included under non-current assets, unless management intends to dispose of them in the twelve months following the balance sheet date.
All the financial assets in this category are initially recorded at fair value plus any related transaction costs. Subsequently, available-for-sale financial assets are valued at fair value and gains or losses on valuation are charged to a shareholders' equity reserve. "Finance income" and "Finance costs" are recognised in the income statement only when the financial asset is actually disposed of.
The fair value of listed financial instruments is based on the current bid price. If the market for a financial asset is not active (or it refers to unlisted securities), the Group establishes fair value by using valuation techniques which include: reference to advanced ongoing negotiations, references to securities with the same characteristics, analyses based on cash flows, price models based on the use of market indicators and aligned, as far as possible, to the assets to be valued.
While formulating valuations, the Group gives preference to market information specifically connected to the nature of the sector in which the Group operates rather than to internal information.

Any dividends arising from investments recorded as available-for-sale financial assets are presented as revenue in the income statement as "Share of income from investments in associates and dividends from other companies", when the Group acquires the right to receive the related payment.

The Group assesses at every balance sheet date if there is objective evidence of impairment of the financial assets. In the case of investments classified as available-for-sale financial assets, a prolonged or significant decline in the fair value of the investment below the initial cost is considered to be an indicator of impairment. Should this type of evidence exist, for available-for-sale financial assets, the accumulated loss - calculated as the difference between the acquisition cost and the fair value at the balance sheet date, net of any impairment previously accounted for in the income statement is transferred from shareholders' equity and recognised in the income statement as "Finance costs". Such losses are realised and therefore cannot be subsequently reversed.

For debt securities, the recording of the related yields on the basis of the amortised cost method is recorded in the income statement as "Finance income", together with the impact of exchange rate changes, while changes in exchange rates relating to investments classified as available-for-sale financial assets are recognised in the specific shareholders' 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 the initial recognition are recorded in the income statement. If the derivatives satisfy the requirements to be classified as hedging instruments, the subsequent changes in fair value are accounted for using the specific criteria which are set out below.

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

The fair values of the various derivatives used as hedges are shown in Note 8. The movements in the "cash flow hedge" reserve under shareholders' equity are set out in Note 10.

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

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

Cash flow hedges

As previously stated, in the case of hedges aimed at neutralising the risk of changes in cash flows arising from the future execution of contractual obligations entered into at the balance sheet date ("cash flow hedges"), any changes in the fair value of the derivative following the initial recognition are accounted for, to the extent of the effective share, as "Reserves" in shareholders' equity. When the economic effects arising from the hedged item occur, the reserve is transferred to the income statement as "Finance income" or "Finance costs". If the hedge is not fully effective, the change in fair value of the hedge, with reference to its ineffective part, is immediately recognised in the income statement as "Finance income" and "Finance costs". If, during the life of a derivative, the realisation of the expected cash flows subject to the hedge is no longer considered very likely, the share of the "Reserves" relating to the instrument is immediately taken to the income statement as "Finance income" or "Finance costs". If the derivative must be disposed of and can no longer be regarded as an effective hedge, the share of "Reserves" representing the changes in the fair value of the instrument recorded up to that moment is kept as a part of shareholders' equity and is taken to the income statement in accordance with the classification described above, at the same time as the occurrence of the transaction originally hedged.

At 31 December 2007, derivatives were entered into by the Group for the following risks:

- Exchange risks on contracts: these hedges aim to reduce the volatility of cash flows due to changes in exchange rates on future transactions. In particular, the item subject to the hedge is the value of the cash flow expressed in another currency which is expected to be received/paid in relation to a contract or an order for an amount above the minimum thresholds identified by the Group Finance Committee.

All cash flows identified are designated as hedged items in the hedging report.

- Interest rate risks: these hedges aim to reduce the volatility of cash flows linked to finance costs arising from floating rate debt transactions.

B.11 TRADE RECEIVABLES AND OTHER RECEIVABLES

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

The objective evidence that a financial asset or group of assets has been impaired includes data which the Group is aware of regarding the following events:

(a) significant financial problems on the part of the issuer or debtor;
(b) the existence of ongoing legal disputes with the debtor relating to receivables;
(c) the likelihood that the beneficiary declares bankruptcy or other financial restructuring;
(d) the existence of delays in payments exceeding 30 days from the due date.

The amount of the impairment is measured as the difference between the book value of the asset and the present value of future financial flows. The amount of the loss is recorded in the income statement under "Other costs".

Receivables which cannot be recovered are removed from the balance sheet with an entry through the allowance for doubtful debt accounts.

B.12 INVENTORIES

Raw materials, ancillaries and consumables as well as finished goods and products are recorded at the lower of purchase or production cost and the net sale value represented by the amount which the company expects to obtain from their sale in the normal conduct of its business, net of sale costs. The cost of such inventories is determined using the FIFO (first-in, first-out) method.
The cost of finished and semi-finished products includes the design costs, raw materials, direct labour costs and other production costs (on the basis of normal operating capacity). Borrowing costs are not included in the valuation of inventories

B.13 CONTRACT WORK-IN-PROGRESS

Contract work in progress (hereafter also "contracts") is recognised at the value agreed in the contract, in accordance with the percentage of completion method, taking into account the progress of the project and the expected contractual risks. The progress of the project is measured by reference to the

contract costs incurred at the balance sheet date in relation to the total estimated costs for each contract.

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

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

The Group records as a liability the gross amount due to customers for all the contract work in progress, for which the amounts invoiced for progress of the project exceeds the costs incurred including recognised profits (less recognised losses). These liabilities are included as "Trade payables and 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. At the balance sheet date, current account overdrafts are classified as financial payables under current liabilities in the balance sheet. The items included in cash and cash equivalents are stated at fair value and related changes are recognised in the income statement.

B.15 TRADE PAYABLES AND OTHER PAYABLES

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

B.16 BORROWINGS FROM BANKS AND OTHER LENDERS

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

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

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

B.17 EMPLOYEE BENEFITS

Pension funds

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

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

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

Other post-employment obligations

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

Termination benefits

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

Share-based compensation

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 vesting period of the rights with an entry to shareholders' equity. This recognition is made on the basis of an estimate of the stock options which will effectively be accrued in favour of eligible employees, taking into consideration any vesting conditions that are not based on the market value of the shares. Fair value is determined using the Black & Scholes method.

(b) Equity settled share-based compensation plans

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

B.18 PROVISIONS FOR RISKS AND CHARGES

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

The risks arising from contingent liabilities are indicated in the disclosures on commitments and risks and no provision is recognised.

Contingent liabilities, which are accounted for separately as liabilities in the process of allocating the cost of a business combination, are valued at the higher of the valuation derived using the method described above for provisions for risks and charges and the present value of the liability initially determined.

B.19 REVENUE RECOGNITION

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

Revenue is recognised as follows:

(a) Sales of products

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

(b) Sales of services

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

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

B.20 GOVERNMENT GRANTS

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

(a) Grants related to capital investment

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

(b) Grants related to income

Grants other than those relating to capital investments are accounted for in the income statement as "Other income".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B.21 COST RECOGNITION

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

B.22 TAXATION

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

Deferred taxes are calculated on all the differences which emerge between the taxable base of an asset or liability and the related book value, except for goodwill and those differences arising from investments in subsidiaries, where the timing of the reversal of these differences is controlled by the Group and it is likely that they will not be reversed in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable profit will be available against which they can be recovered. Deferred taxes are determined using the tax rates which are expected to be applicable in the years in which the differences will be realised or extinguished, on the basis of current tax rates or of tax rates which will be in force at the balance sheet date.

Current and deferred taxes are recognised in the income statement with the exception of the items which are recognised directly in shareholder's equity. In this case the tax effect is accounted for directly under shareholders' equity. Taxes are offset when income taxes are applied by the same fiscal authority, there is a legal entitlement to offset them and the net balance is expected to be settled.

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

B.23 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the net income attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of calculating diluted earnings per share, the weighted average of outstanding shares is modified so as to include the exercise, by all those entitled, of rights with a potentially diluting effect, while the

Group's net income is adjusted to account for any effects, net of taxes, from the exercise of these rights. The diluted earnings per share are not calculated in the event of losses, since any dilutive effect would result in an improvement in the result per share.

C. MANAGEMENT OF FINANCIAL RISKS

The Group's assets 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 potential negative impact on the Group's results. Some types of risk are mitigated through the use of derivatives.

The coordination and monitoring of the main financial risks is centralised by the Group Finance Department as well as by the Purchasing Department for price risk, in close cooperation with the Group's operating units. The risk management policies are approved by the Group Finance, Administration and Control Department, which provides the written principles for management of the above risks and the use of financial instruments (derivatives and non-derivatives).

The effect on net result and shareholders' equity shown in the sensitivity analysis below was determined net of tax calculated using the Group's weighed average tax rate.

(a) Exchange rate risk

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

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

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

Overall, in 2007, trade and financial flows exposed to these exchange rates represented around 85.7% of the exposure to exchange rate risk arising from trade and financial transactions (in 2006, 77.3%).

The Group is exposed to significant exchange rate risks also on the following exchange rates: Euro/Qatari Riyal, Euro/Kuwaiti Dinar, Arab Emirates Dirham/Euro, Euro/Slovak Koruna, Euro/Singapore Dollar, Turkish Lira/US Dollar, Malaysian Ringgit/US Dollar.

Each of the cases above, when considered individually, did not exceed an exposure of 2.0% in 2007 (3.5% in 2006) of the overall exposure to transactional exchange rate risk.

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

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

The above-mentioned hedges are arranged through derivative contracts.

Below is a sensitivity analysis showing the effects on net income and consolidated shareholders' equity of 5% increase/decrease in the exchange rates of foreign currencies compared to the exchange rates applicable at 31 December 2007 and 31 December 2006.

(in thousands of Euro)				
		2007		2006
	-5%	+5%	-5%	+5%
Euro	(797)	721	(1,123)	1,016
US Dollar	(1,000)	904	(1,269)	1,148
Others	(710)	642	(867)	785
Total	**(2,506)**	**2,267**	**(3,259)**	**2,949**

The potential impact of the above is solely attributable to the 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 relating to the purchase of strategic materials.

(b) Interest rate risk

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

Fixed rate loans expose the Group to a fair value risk. In relation to the risk arising from such contracts,

the Group does not operate any particular hedging policies, as it believes that the risk is limited to the total of fixed rate loans.

Variable rate loans expose the Group to a risk arising from the volatility of rates (cash flow risk). In relation to this risk and for the purposes of hedging, the Group can make use of derivative contracts which limit the impact on the income statement of changes in interest rates.
The Group Finance Department monitors the exposure to interest rate risk and implements hedging strategies to limit the exposure within the limits defined by the Group Finance, Administration and Control Department, signing the above-mentioned derivative contracts, if necessary.

Below is a sensitivity analysis showing the effects on the consolidated net income of an increase/decrease in interest rates equal to 25 basis points compared to interest rates at 31 December 2007 and 31 December 2006, in a situation where other variables remain constant. The various scenarios are prepared only for those liabilities representing the most significant part of Group debt at the balance sheet date, and taking into consideration the amount of these liabilities. This analysis includes financial receivables and payables at variable rate, cash equivalents, and derivatives of which value is influenced by the volatility of rates.

(in thousands of Euro)				
		2007		2006
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	(147)	147	(3,037)	3,002
US Dollar	(87)	87	(396)	393
British Pound	50	(50)	(169)	168
Others	114	(114)	60	(60)
Total	**(70)**	**(70)**	**(3,542)**	**3,503**

At 31 December 2006, the above results were influenced by the change in the fair value of the derivatives owing to the increase/decrease of interest rates by 25 basis points. This effect, net of relevant tax effects, was Euro 3,253 thousand and was booked in the income statement during 2006, as the derivatives did not meet the requirements to be classified as hedging instruments.
At 31 December 2007, the increase/decrease in the fair value of derivatives designated as cash flow hedges would have had the following respective impacts on other reserves under shareholders' equity:

- an increase of Euro 2,140 thousand and a decrease of Euro 2,161 thousand for hedges in Euro;
- an increase of Euro 218 thousand and a decrease of Euro 220 thousand for hedges in US dollars.

As of 31 December 2007 the net effect generated by the changes described above on shareholders' equity would have been to increase it by Euro 2,358 thousand, or to decrease it by Euro 2,381 thousand.

(c) Price risk

The Group is exposed to price risk in relation to the purchases and sales of strategic metals, whose purchase price is subject to market volatility. The main raw materials used by the Group in its own production processes consist of strategic metals such as copper, aluminium and lead. The cost for the purchase of such strategic materials in 2007 accounted for approximately 70.0% of the overall production cost incurred by the Group (78.0% in 2006).

In order to manage the price risk arising from future trade transactions, the Group negotiates derivative contracts on strategic metals, setting the price for planned future purchases.
Since, on signing the derivatives, the ultimate aim of the Group is to hedge the risks to which it is exposed these contracts are not treated as hedging instruments.

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

Below is a sensitivity analysis showing the effect on net income and consolidated shareholders' equity arising from a 10% increase/decrease in the price of the strategic materials compared to the prices at 31 December 2007 and 31 December 2006, provided that all other variables remain constant.

(in thousands of Euro)				
		2007		2006
	-10%	+10%	-10%	+10%
LME	(16,625)	16,632	(12,640)	12,633
COMEX	(393)	393	105	(105)
SFE	(1,322)	1,315	(771)	778
Total	**(18,340)**	**18,340**	**(13,306)**	**13,306**

The potential impact of the 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 the impact on the income statement relating to the purchase cost of strategic materials.

(d) Credit risk

There is a credit risk in relation to trade receivables, cash and cash equivalents, financial instruments, and deposits with banks and other financial institutions.

Credit risks linked to commercial counterparts is managed by the individual subsidiaries and is

centrally managed by the Group Finance Department. The Group credit risk is not significant. However, there are procedures aimed at ensuring that sales of products and services are made to customers with a certain level of reliability, taking account of their financial position, track record and other factors. Credit limits for main customers are based on internal and external assessments on the basis of limits approved by Management in the individual countries. The use of credit limits is periodically monitored at local level.

The Group has taken out an insurance policy against part of its trade receivables to cover any losses, net of 10% retention, due to receivables which become non recoverable following the actual or legal insolvency of customers, or production costs for products which have not yet been delivered following the actual or legal insolvency of customers.

As for credit risk relating to the management of financial and cash resources, the risk is monitored by the Group Finance Department, which implements procedures aimed at ensuring that Group companies deal with independent, high standing, reliable counterparties. At 31 December 2007 and 31 December 2006 more than the 90% of financial and cash resources were with "investment grade" counterparties, while the remainder was mainly related to Group companies' geographical presence. The credit limits relating to the main financial counterparties are based on internal and external assessments with limits defined by the Group Finance Department.

(e) Liquidity risk

Prudent management of the liquidity risk which arises from the Group's normal operations involves the maintenance of adequate levels of cash and cash equivalents and short-term securities as well as the availability of funds which may be obtained through an adequate amount of committed credit lines. The Group Finance Department monitors the forecasts on the use of the Group's liquidity reserves on the basis of expected cash flows.

Total liquidity reserves at the balance sheet date are shown below:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Cash and cash equivalents	251,877	392,907
Financial assets held for trading	39,896	24,376
Committed lines not used	757,176	306,261
Total	**1,048,949**	**723,544**

The unused committed lines at 31 December 2007 refer to the securitisation program for Euro 400,000 thousand, and to the Revolving Credit Facility under the New Credit Agreement for Euro 357,176 thousand. In the previous year lines related mainly to the Revolving Credit Facility under the previous Senior Credit Agreement.

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

(in thousands of Euro)

	As of 31 December 2007			
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	116,102	87,055	1,070,405	28
Finance lease obligations	910	911	3,231	-
Debts guaranteed by securitized receivables	9	-	-	-
Derivatives	28,940	922	1,315	-
Trade and other payables	1,094,078	38,987	949	3.084
Total	**1,240,039**	**127,875**	**1,075,900**	**3,112**

(in thousands of Euro)

	As of 31 December 2006			
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	337,427	87,666	254,970	1,136,041
Finance lease obligations	979	912	2,975	1,166
Debts guaranteed by securitized receivables	-	-	-	-
Derivatives	31,895	-	-	-
Trade and other payables	1,005,495	38,640	-	-
Total	**1,375,796**	**127,218**	**257,945**	**1,137,207**

A reconciliation between classes of financial assets and liabilities, as identified in the Group's balance sheet, and the types of financial assets and liabilities, identified under IFRS7, is provided below:

(in thousands of Euro)

	As of 31 December 2007					
	Financial assets at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Other liabilities	Hedging derivatives
Available-for-sale financial assets	-	-	12,520	-	-	-
Derivatives (assets)	33,892	-	-	-	-	22,422
Financial assets held for trading	39,896	-	-	-	-	-
Cash and cash equivalents	-	251,877	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,051,583	-
Trade payables	-	-	-	-	738,052	-
Other payables	-	-	-	-	399,046	-
Derivatives (liabilities)	-	-	-	29,822	-	1,355
Total	**73,788**	**251,877**	**12,520**	**29,822**	**2,188,681**	**23,777**

(in thousands of Euro)

	As of 31 December 2006					
	Financial assets at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit and loss	Other liabilities	Hedging derivatives
Available-for-sale financial assets	-	-	10,747	-	-	-
Derivatives (assets)	54,466	-	-	-	-	-
Financial assets held for trading	24,376	-	-	-	-	-
Cash and cash equivalents	-	392,907	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,354,069	-
Trade payables	-	-	-	-	736,158	-
Other payables	-	-	-	-	307,977	-
Derivatives (liabilities)	-	-	-	31,895	-	-
Total	**78,842**	**392,907**	**10,747**	**31,895**	**2,398,204**	**-**

C.1 CAPITAL RISK MANAGEMENT

The Group's aim in capital risk management is mainly to safeguard business continuity to guarantee returns to shareholders and benefits to other stakeholders. The Group also sets itself the goal of maintaining an optimal capital structure to reduce the cost of debt and to comply with a series of covenants envisaged by the New Credit Agreement (Note 11).

The Group monitors capital on the basis of the ratio between the net financial position and capital ("gearing ratio"). Please refer to Note 11 for the purposes of determining the Net financial position. Capital is equal to the sum of shareholders' equity, as defined in the Group consolidated financial statements, and Net financial position.

Gearing ratios at 31 December 2007 and 31 December 2006 are shown below:

(in thousands of Euro)

	As of 31 December 2007	As of 31 December 2006
Net financial position	716,151	879,100
Shareholders' equity	453,837	170,373
Total	1,169,988	1,049,473
Gearing ratio	**61.21%**	**83.77%**

The change in the gearing ratio is largely due to the increase in net income recorded during 2007, which caused a significant change in shareholders' equity, and to the improvement in the net financial position, which is largely due to the cash flow generated from operating activities.

C.2 FAIR VALUE

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

Given the short-term nature of trade receivables and payables, the book values, net of any allowance for doubtful accounts, are considered to be good approximation of fair value.

D. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires directors to apply accounting standards and methods which, sometimes, rely on difficult and subjective valuations and estimates based on experience and assumptions which are considered reasonable and realistic on the basis of the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, such as the balance sheet, income statement and cash flow statement, as well as additional information provided. The final outcome of the items for which the above estimates and assumptions have been used, may differ from those in the financial statements which record the effects of the occurrence of the estimated event, owing to the uncertainty characterising the assumptions and conditions on which the estimates are based.

Briefly described below are the accounting policies which, in relation to the Prysmian Group, require a more subjective approach on the part of the directors in preparing the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the consolidated financial statements. Compared to 2006, these estimates are largely unchanged.

(a) Impairment of assets

In accordance with the accounting standards applied by the Group, tangible and intangible assets with a definite life are tested for impairment. This 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 the directors to make subjective judgements based on the information available within the Group and from the market, as well as from past experience. In addition, when a potential impairment loss is identified, the Group determines the amount of such impairment using suitable valuation techniques. Correct identification of impairment indicators as well as the estimates for determining the potential impairment depend on factors which can vary over time, thus influencing valuations and estimates made by directors.

(b) Depreciation

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

(c) Provisions for risks and charges

To deal with legal and tax risks, provisions are recorded which represent the risk of a negative outcome. The value of the provisions recorded in the balance sheet in relation to such risks represents the best estimate by directors 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 the directors to prepare the Group consolidated financial statements.

(d) Revenue recognition for long-term contracts

The Group uses the percentage of completion method to record long-term contracts. The margins recognised in the income statement depend on the progress of the contract and its estimated margins. Thus, the correct recording of work in progress and the margins relating to work which has still not been completed implies the correct estimate by the directors of the contract costs, of the possible contract amendments, as well as of the delays, the extra costs and the penalties which might reduce the expected profit. The use of the percentage of completion method requires the Group to estimate the completion costs, which involves making estimates depending on factors which can change over time and which could therefore have a significant impact on current values; should the actual cost be different from the estimated cost, this change will impact future results.

(e) Taxes

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

E. BUSINESS COMBINATIONS

On 3 September 2007, Prysmian signed an agreement to acquire the assets of International Wire & Cable (IWC), a New Zealand cable manufacturer. The acquisition cost was set at Euro 3,623 thousand representing the purchase price agreed.

In compliance with the provisions of IFRS 3, the acquisition cost and the fair value of the assets, liabilities and contingent liabilities have been determined on a provisional basis and could change within twelve months of the acquisition date.

The details of the provisional fair values of the assets/liabilities acquired are given below:

(in thousands of Euro)	
Property, plant and equipment	936
Intangible assets	263
Inventories	2,615
Employee benefits provisions	(191)
Net assets acquired	**3,623**

The main income statement figures since the acquisition date at 31 December 2007 for the International Wire & Cable (IWC) acquired assets are as follows:

(in thousands of Euro)	
	3 September2007 - 31 December 2007
Net Sales	4,115
Operating income	(160)
Net result for the year	**(335)**

F. SEGMENT REPORTING

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

- **Energy Cables and Systems:** this segment refers to the production, installation and sale of cables and systems used for the transmission and distribution of low, medium and high voltage power for terrestrial and submarine applications, as well as within residential and non-residential buildings;

- **Telecom Cables and Systems:** this segment refers to the production, installation and sale of copper or optical fibre cables, used for the transmission of videos, data and voice, control applications, as well as components and accessories for broadband connection.

Commencing 1 January 2008 the criteria for the allocation of Corporate fixed costs to Energy and Telecom segment has been changed.
The methodology adopted to identify the revenue and cost components attributable to each business segment is based on the identification of each cost and revenue component directly attributable to each segment and on the allocation of overheads linked to the use of resources (personnel, space used, etc.) charged to Corporate by the operating segments. To ensure the comparability of data, information related to previous year were reclassified accordingly.

At 31 December 2007, the Corporate operating result largely consisted of the effects of non-recurring items such as:

- price adjustment of Euro 39,315 thousand net of ancillary charges, relating to the purchase of the assets of the Cable and Energy Systems and Telecom divisions from Pirelli & C. S.p.A. in July 2005;
- indemnifications of Euro 20,712 thousand received from Pirelli & C. S.p.A. in relation to the guarantees issued by the Pirelli Group under the Acquisition Contract. In particular:
  - indemnifications of tax liabilities for Euro 5,210 thousand
  - indemnifications received in January 2008 for Euro 15,500 thousand, relating to the redefinition of
  - the guarantees issued by the Pirelli Group for possible future liabilities, which cannot be estimated objectively at the moment.
- costs relating to IPO projects (Euro 8,148 thousand) and for the IT segregation (Euro 944 thousand).

The assets of the segments include property, plant and equipment, intangible assets, available-for-sale assets, trade receivables, receivables other than loans made and tax receivables and inventories. The assets do not include loans made, tax or fiscal receivables, derivatives, deferred tax assets, financial instruments held for trading or cash and cash equivalents.
The liabilities of the segments include trade payables, provisions for risks and charges, employee benefit provisions and payables other than loans received and tax and fiscal payables. The liabilities do not include loans received, overdrawn current accounts, tax or fiscal payables, derivatives and deferred tax liabilities.

Secondary reporting is by geographical segment. Group operating activities are organised and managed separately based on the nature of the products and services provided. Each segment offers different products and services to different markets and is controlled by different legal entities. The geographical breakdown of sales of goods and services is determined based on the location of the legal 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 according to the destination of the products being sold. The transfer pricing among the segments is determined at the same conditions as applied among Group companies and is generally determined applying a mark-up to the production costs.

F.1 BUSINESS SEGMENTS

Reporting by business segment is provided in the table below.

(in thousands of Euro)

					2007
	Energy Cables and Systems	Telecom Cables and Systems	Corporate	Inter segment elimination	Group total
Sales of goods and services					
third parties	4,582,700	535,039			5,117,739
Group companies	35,733	12,453	37,800	(85,987)	-
Total sales of goods and services	**4,618,433**	**547,492**	**37,800**	**(85,987)**	**5,117,739**
Amortization and write-off	(60,745)	(3,880)	(424)	-	(65,049)
Operating income	**414,218**	**42,550**	**50,982**	**-**	**507,750**
Share of income from investments in associates and dividends from other companies	2,530	103	-	-	2,633
Finance costs					(230,094)
Finance income					106,922
Taxes					(84,734)
Net income/(loss) for the year					**302,477**
Attributable to:					
Parent Company's Shareholders					300,193
Minority interests					2,284

(in thousands of Euro)

				As of 31 December 2007
	Energy Cables and Systems	Telecom Cables and Systems	Unallocated	Group total
Assets	2,161,461	356,812	458,047	2,976,321
Investments in associates	9,354	-	-	9,354
Equity	-	-	-	453,837
Liabilities	1,150,611	134,475	1,246,752	2,531,838
Investments in property, plant and equipment	79,851	7,179	-	87,030
Investments in intangible assets	1,831	204	-	2,035
Total investments	81,682	7,383	-	89,065

(in thousands of Euro)

					2006
	Energy Cables and Systems	Telecom Cables and Systems	Corporate	Inter segment elimination	Group total
Sales of goods and services					
third parties	4,501,212	505,887	-	-	5,007,099
Group companies	68,844	30,653	-	(99,497)	-
Total sales of goods and services	**4,570,056**	**536,540**	**-**	**(99,497)**	**5,007,099**
Amortization and write-off	(104,828)	(3,356)	(4,801)	-	(112,985)
Operating income	**240,807**	**33,454**	**(16,315)**	**-**	**257,946**
Share of income from investments in associates and dividends from other companies	1,975		-	-	1,975
Finance costs					(221,285)
Finance income					108,860
Taxes					(56,334)
Net income/(loss) for the year					**91,162**
Attributable to:					
Parent Company's Shareholders					89,093
Minority interests					2,069

(in thousands of Euro)

				As of 31 December 2006
	Energy Cables and Systems	Telecom Cables and Systems	Unallocated	Group total
Assets	2,149,916	473,093	334,748	2,957,758
Investments in associates	10,575	-	-	10,575
Equity	-	-	-	170,373
Liabilities	1,122,970	153,991	1,520,999	2,797,960
Investments in property, plant and equipment	75,076	3,983	-	79,059
Investments in intangible assets	6,042	300	-	6,343
Total investments	81,118	4,283	-	85,401


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F.2 GEOGRAPHICAL SEGMENTS

Reporting by geographical area is shown in the table below.

(in thousands of Euro)					
					2007
	Europe and Africa	North America	Central-South America	Asia and Oceania	Total
Sales of goods and services	3,556,084	632,321	460,651	468,683	5,117,739
Assets					
Assets	2,299,150	107,227	59,504	52,394	2,518,274
Investments in associates	9,354	-	-	-	9,354
Unallocated assets	-	-	-	-	458,047
Totale Assets					2,985,675
Investments in property, plant and equipment and intangible assets	66,637	2,226	6,420	13,782	89,065

(in thousands of Euro)					
					2006
	Europe and Africa	North America	Central-South America	Asia and Oceania	Total
Sales of goods and services	3,366,770	827,044	390,365	422,920	5,007,099
Assets					
Assets	1,611,395	196,633	331,510	292,511	2,432,049
Investments in associates	10,575	-	-	-	10,575
Unallocated assets	-	-	-	-	525,709
Totale Assets					2,968,333
Investments in property, plant and equipment and intangible assets	48,051	2,089	24,995	10,266	85,401

BALANCE SHEET

1. PROPERTY, PLANT AND EQUIPMENT

(in thousands of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction	Total
As of 31 December 2005	225,762	346,525	226,128	8,458	10,083	15,643	832,599
Movements 2006:							
Investments	135	21,324	35,068	1,124	2,003	19,405	79,059
Disposals	(8,535)	(6,943)	(3,385)	(157)	(133)	(19)	(19,172)
Depreciation and write-off	-	(11,136)	(43,209)	(2,603)	(4,291)	-	(61,239)
Currency translation differences and others	42	(1,847)	4,330	1,368	1,484	(9,380)	(4,003)
Total movements	(8,358)	1,398	(7,196)	(268)	(937)	10,006	(5,355)
As of 31 December 2006	217,404	347,923	218,932	8,190	9,146	25,649	827,244
of which:							
Historical cost	217,404	363,879	281,860	11,906	15,227	25,649	915,925
Accumulated depreciation and write-off	-	(15,956)	(62,928)	(3,716)	(6,081)	-	(88,681)
Net book value as of 31 December 2006	217,404	347,923	218,932	8,190	9,146	25,649	827,244
As of 31 December 2006	217,404	347,923	218,932	8,190	9,146	25,649	827,244
Movements 2007:							
Investments	1,306	4,489	56,558	2,442	2,645	19,590	87,030
Disposals	(2,032)	(671)	(789)	(13)	(769)	-	(4,274)
Business combinations	-	-	884	-	52	-	936
Depreciation and write-off	-	(11,092)	(41,581)	(2,673)	(4,289)	-	(59,635)
Currency translation differences and others	(10,429)	(7,097)	8,515	1,126	10,709	(15,756)	(12,932)
Total movements	(11,155)	(14,371)	23,587	882	8,348	3,834	11,125
As of 31 December 2007	206,249	333,552	242,519	9,072	17,494	29,483	838,369
of which:							
Historical cost	206,249	360,600	347,028	15,461	27,864	29,483	986,685
Accumulated depreciation and write-off	-	(27,048)	(104,509)	(6,389)	(10,370)	-	(148,316)
Net book value as of 31 December 2007	206,249	333,552	242,519	9,072	17,494	29,483	838,369

Gross investments in property, plant and equipment amounted to Euro 87,030 thousand at the end of 2007. The majority of the investments, representing around 57% of the total value, is related to projects to increase production capacity. Around 20% of investments were for projects improving industrial efficiency. An equally significant share (around 15%) consists of structural work on buildings or entire production lines to bring them into line with the regulations in force or for the relocation of production.

The most important projects are the following:

- further expansion of the plant at Arco Felice (Italy) to handle the growing long-term orders for submarine cables;
- increase and rationalisation of production capacity for high and extra-high voltage cables in specialised plants such as Pikkala (Finland), Delft (Holland) and Mudanya (Turkey);
- construction of plants dedicated to the production of compounds for special cables in Neustadt (Germany),

technologically advanced products such as Airbag/Airguard cables in Abbeville (USA), LSOH cables in Vilanova (Spain), as well as the production of special cables in Jakarta (Indonesia) for the development of sales in emerging areas.

Buildings include assets on finance lease for a net value of Euro 9,620 thousand at 31 December 2007 and Euro 12,782 thousand at 31 December 2006.
The expiry date for the finance leases is between 2008 and 2012. These contracts include purchase options.

At 31 December 2007, plant and equipment, worth Euro 4,749 thousand, of Prysmian Tianjin Cables co. Ltd were used as a guarantee for loans received.

2. INTANGIBLE ASSETS

(in thousands of Euro)

	Patents	Concessions, licenses, trademarks and other similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress	Total
As of 31December 2005	14,012	38,035	1.117	3,415	15,247	815	72,641
Movements 2006:							
Investments	571	432	3,693	898	5	744	6,343
Disposals	-	-	-	(684)	-	-	(684)
Amortization and write-off	(1,234)	(32,294)	(4,801)	(2,263)	(11,154)	-	(51,746)
Currency translation differences and others	-	-	(9)	889	112	(879)	113
Total movements	(663)	(31,862)	(1,117)	(1,160)	(11,037)	(135)	(45,974)
As of 31 December 2006	13,349	6,173	-	2,255	4,210	680	26,667
of which:							
Historical cost	15,088	47,049	4,801	6,174	23,776	680	97,568
Accumulated amortization and write-off	(1,739)	(40,876)	(4,801)	(3,919)	(19,566)	-	(70,901)
Net book value as of 31 December 2006	13,349	6,173	-	2,255	4,210	680	26,667
As of 31 December 2006	13,349	6,173	-	2,255	4,210	680	26,667
Movements 2007:							
Investments	-	32	-	549	215	1,239	2,035
Disposals	(249)	(249)	-	(86)	(964)	-	(1,548)
Business combination	-	-	-	-	-	263	263
Amortization and write-off	(1,268)	(661)	-	(1,910)	(1,575)	-	(5,414)
Currency translation differences and others	(23)	259	-	1,187	(518)	(1,582)	(677)
Total movements	(1,540)	(619)	-	(260)	(2,842)	(80)	(5,341)
As of 31 December 2007	11,809	5,554	-	1,995	1,368	600	21,326
of which:							
Historical cost	14,816	47,091	4,801	7,824	22,509	600	97,641
Accumulated amortization and write-off	(3,007)	(41,537)	(4,801)	(5,829)	(21,141)	-	(76,315)
Net book value as of 31 December 2007	11,809	5,554	-	1,995	1,368	600	21,326

3. INVESTMENTS IN ASSOCIATES

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
As of beginning of the year	10,575	8,087
Movements:		
Currency translation differences	(247)	73
Acquisition Eksa Sp.Zo.o.	-	543
Share of net income/(loss)	1,997	1,872
Dividends and other movements	(2,971)	-
Total movements	(1,221)	2,488
As of end of the year	9,354	10,575

The item "Dividends and other movements", which recorded a cost of Euro 2,971 thousand as of 31 December 2007, includes Euro 1,894 thousand for dividends distributed by companies accounted for using the equity method and Euro 1,077 thousand relating to the distribution of reserves by the associate Kabeltrommel Gmbh & Co.K.G.

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Rodco Ltd	2,733	2,984
Kabeltrommel Gmbh & Co.K.G.	5,485	6,432
Eksa Sp.Zo.o	1,136	1,159
Total investments in associates	9,354	10,575

The book value of the investment in the associate Eksa Sp.Zo.o includes goodwill paid on acquisition for an amount of Euro 64 thousand.

(in thousands of Euro)	Rodco Ltd	Kabeltrommel Gmbh & Co.K.G.		Eksa Sp.Zo.o[1]
Country	UK	Germany		Poland
% of ownership	40.00%	27.48%	1.00%	20.05%
Direct owner	Prysmian Cables & Systems Limited	Prysmian Kabel und Systeme GmbH	Bergmann Kabel und Leitungen Gmbh	Prysmian Energia Holding S.r.l.
Financial information as of 31 December 2007[2]				
Assets	6,818	34,012		n.d.
Liabilities	-	15,087		n.d.
Shareholders' equity	6,818	18,925		5,666
Sales	-	n.d.		n.d.
Net Result	-	-		943
Financial information as of 31 December 2006				
Assets	7,269	32,880		9,278
Liabilities	-	15,087		3,677
Shareholders' equity	7,269	17,793		5,601
Sales	-	22,986		26,396
Net Result	-	-		3,051

(1) Acquired on 28 March 2006.

(2) Financial information at 31 December 2007 are based on provisional information as associates publish their annual financial statements after the Group consolidated financial statements published.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
As of beginning of the year	10,747	10,365
Currency translation differences	(101)	(128)
Fair value gains	1,974	562
Fair value losses	-	(52)
Disposals	(100)	-
Total movements	1,773	382
As of end of the year	12,520	10,747

(in thousands of Euro)	Type of financial assets	% of owership of the Group	As of 31 December 2007	As of 31 December 2007
Invex Securities	convertible bond	n.a.	6,044	5,909
Entek Elektrik Uretimi Otoprduktor Grubu A.S.	listed shares	3.81%	1,745	1,611
Tunisie Cables S.A.	unlisted shares	7.55%	913	913
American Superconductor	listed shares	0.44%	2,670	1,071
Cesi Motta S.p.A.	unlisted shares	4.46%	388	388
Voltimum S.A.	unlisted shares	13.71%	267	267
Others			493	588
Total			12,520	10,747

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

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Euro	6,736	6,703
Turkish Lira	1,745	1,611
US Dollar	2,670	1,071
Tunisian Dinar	913	913
Swiss Franc	267	267
Brazilian Real	101	94
Others	88	88
Total	12,520	10,747

Invex Securities are convertible bonds issued by Invex S.p.A. on 18 March 2003. These bonds, which have a 2% annual coupon and expire on 1 January 2010, are valued at fair value, by appropriate valuation techniques.

Entek Elektrik Uretimi Otoprduktor Grubu A.S. and American Superconductor securities are valued at fair value, on the basis of the relevant stock market prices, respectively those for Turkey and the United States. Cesi Motta S.p.A, Voltimum SA, Tunisie Cables S.A. and Other securities are recorded at cost since the related fair value cannot be reliably measured. These are unlisted financial instruments which do not

have features comparable to those of other securities traded on the stock market at the balance sheet dates.

The item "Others" includes financial securities, which are part of the net financial position, of Euro 244 thousand at 31 December 2007 and Euro 243 thousand at 31 December 2006.

At 31 December 2007, the value of available-for-sale assets recorded an increase of Euro 1,974 thousand. This increase is mainly due to the adjustment to fair value of the American Superconductor security (Euro 1,839 thousand) and the Invex convertible bond (Euro 135 thousand).

5. TRADE RECEIVABLES AND OTHER RECEIVABLES

(in thousands of Euro)

			As of 31 December 2007
	Non-current	Current	Total
Trade receivables	1,657	872,320	873,977
Allowance for doubtful accounts	(15)	(41,372)	(41,387)
Total trade receivables	**1,642**	**830,948**	**832,590**
Other current and non-current receivables:			
Tax receivables	11,012	43,037	54,049
Financial receivables	1,177	14,767	15,944
Prepaid finance costs	9,510	2,741	12,251
Receivables from employees	3,337	1,337	4,674
Receivables for pension funds	-	1,559	1,559
Receivables from long-term contracts	-	147,432	147,432
Others	9,232	66,412	75,644
Total other current and other non-current receivables	**34,268**	**277,285**	**311,553**
Total	**35,910**	**1,108,233**	**1,144,143**

(in thousands of Euro)

			As of 31 December 2006
	Non-current	Current	Total
Trade receivables	-	893,866	893,866
Allowance for doubtful accounts	-	(46,078)	(46,078)
Total trade receivables	**-**	**847,788**	**847,788**
Other current and non-current receivables:			
Tax receivables	5,159	46,870	52,029
Financial receivables	1,336	16,359	17,695
Prepaid finance costs	16,820	3,669	20,489
Receivables from employees	1,809	1,299	3,108
Receivables from long-term contracts	-	53,863	53,863
Others	22,674	37,261	59,935
Total other current and other non-current receivables	**47,798**	**159,321**	**207,119**
Total	**47,798**	**1,007,109**	**1,054,907**

The Prysmian Group transfers a significant part of its trade receivables through the securitisation programme which was launched in 2007, as described in Note B.2. Gross receivables subject to securitisation at 31 December 2007 amounted to Euro 302,456 thousand and resulted in the use of intercompany credit lines issued by Prysmian Treasury (Lux) S.à r.l. to Prysmian Financial Services Ireland Limited.

As of 31 December 2007, the gross amount of receivables subject to write-down was Euro 392,847 thousand (31 December 2006: Euro 346,659 thousand). The total allowance for doubtful accounts was Euro 41,386 thousand as of 31 December 2007 (31 December 2006: Euro 46,078 thousand).

Overdue period of receivables subject to write-down is as follows:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Due between 1 and 30 days	316,343	261,023
Due between 31 and 90 days	26,809	28,163
Due between 91 and 180 days	12,211	12,685
Due between 181 and 364 days	6,401	7,158
Due after 1 year	31,083	37,630
Total	**392,847**	**346,659**

The value of trade receivables, overdue but not written down, as of 31 December 2007 was 17,736 thousand (31 December 2006: Euro 4,919 thousand). These receivables mainly relate to customers in the Energy division, for whom an insurance policy has been taken out which covers any losses for receivables which are no longer collectable owing to the actual or legal insolvency of the aforementioned customers.

Below is a breakdown of trade and other receivables on the basis of the currency in which they are expressed:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Euro	659,154	486,182
US Dollar	141,174	132,355
British Pound	78,361	137,728
Brazilian Real	84,025	96,530
Chinese (Yuan) Renminbi	38,726	41,878
Turkish Lira	37,761	36,076
Australian Dollar	12,130	22,879
Argentinian Peso	12,390	16,981
Romanian Leu	10,384	18,042
Hungarian Forint	8,741	14,476
Others	61,297	51,780
Total	**1,144,143**	**1,054,907**

The changes in the allowance for doubtful accounts are shown in the following table:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
As of beginning of the year	**46,078**	**53,425**
Accruals	7,274	3,986
Losses on receivables	(8,753)	(10,002)
Utilizations/Release	(3,360)	(1,350)
Interest components	148	19
Total movements	**(4,691)**	**(7,347)**
As of end of the year	**41,387**	**46,078**

Movements in allowance for doubtful accounts have been included in the income statement under the item "Other costs". Receivables are written-off via the allowance for doubtful accounts when they are deemed uncollectable.

The item "Financial receivables" mainly refers to deferred charges relating to finance costs on the Revolving Credit Facility and Bonding Facility, for the non-current share of Euro 4,383 thousand as of 31 December 2007 (Euro 16,820 thousand as of 31 December 2006) and for the current share of Euro 1,311 thousand as of 31 December 2007 (Euro 3,669 thousand as of 31 December 2006). This item, as of 31 December 2007, also includes deferred charges relating to the costs of the securitisation programme of Euro 5,127 thousand for the non-current portion and Euro 1,430 thousand for the current portion. The item "Others" includes the deferred portion of government grants of Euro 8,267 thousand as of 31 December 2007 and Euro 7,383 thousand as of 31 December 2006.

The item "Long-term contracts" represents the value of ongoing contracts, determined as the difference between the costs incurred plus the related profit margin, net of recognised losses, and the amount invoiced by the Group. Below is a breakdown between the amounts recorded under assets and those recorded under liabilities:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Accumulated sales of construction contracts	561,757	359,040
Advance payments received	(440,521)	(308,077)
Net amount to be received from customers for construction contracts	**121,236**	**50,963**
of which:		
Receivables for construction contracts	147,432	53,863
Advances from customers for construction contracts	(26,196)	(2,900)

In addition, below is a breakdown of information relating to the costs incurred plus the related profit margins for 2007 and 2006:

(in thousands of Euro)	2007	2006
Sales	254,957	229,477
Costs	(192,757)	(165,262)
Gross Margin	**62,200**	**64,215**

6. INVENTORIES

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Raw materials	159,323	139,438
Work-in-progress and semi-finished goods	148,514	141,916
Finished goods	275,119	254,141
Total	**582,956**	**535,495**

7. SECURITIES HELD FOR TRADING

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Listed securities:		
▪ Brazilian Real area	29,189	19,857
Not listed securities	10,707	4,519
Total	**39,896**	**24,376**

Securities held for trading mainly include tradable securities and stakes in investment funds. The fair value of listed securities is based on market prices at the balance sheet date.

8. DERIVATIVES

(in thousands of Euro)		
		As of 31 December 2007
	Assets	Liabilities
Non-current		
Interest rate swaps (cash flow hedge)	19,806	1,315
Forward currency contracts on commercial transactions (cash flow hedge)	1,587	14
Total hedge derivatives	**21,393**	**1,329**
Conversion options	65	-
Forward currency contracts on commercial transactions	8,622	-
Forward currency contracts on financial transactions	1,468	908
Interest rate swaps	3	-
Total other derivatives	**10,158**	**908**
Total non-current	**31,551**	**2,237**
Current		
Forward currency contracts on commercial transactions (cash flow hedge)	1,029	26
Total hedge derivatives	**1,029**	**26**
Forward currency contracts on commercial transactions	19,237	10,270
Forward currency contracts on financial transactions	3,044	6.878
Commodity futures	1,453	11,766
Total other derivatives	**23,734**	**28,914**
Total current	**24,763**	**28,940**
Total	**56,314**	**31,177**

(in thousands of Euro)		
		As of 31 December 2006
	Assets	Liabilities
Non-current		
Conversion options	22	-
Forward currency contracts on commercial transactions	1,635	-
Forward currency contracts on financial transactions	-	-
Interest rate swaps	20,036	-
Total non-current	**21,693**	**-**
Current		
Forward currency contracts on commercial transactions	31,645	27,287
Forward currency contracts on financial transactions	-	777
Commodity futures	1,128	3,831
Total current	**32,773**	**31,895**
Total	**54,466**	**31,895**

The notional value of interest rate swaps as of 31 December 2007 was Euro 703,602 thousand and refers to derivatives designated as hedges as part of cash flow hedge transactions, while as of 31 December 2006 the notional value was Euro 765,972 thousand and referred to the same category of derivatives which, at that date, did not meet the cash flow hedge criteria. These financial instruments convert the variable component of interest rates on loans received into a fixed rate between 2.9% and

3.8% for the portion in Euro and between 4.6% and 5.1% for the portion in US Dollars.

The notional value of the forward currency contracts were Euro 1,145,730 thousand as of 31 December 2007 and Euro 879,856 thousand as of 31 December 2006. As of 31 December 2007, the overall notional value included Euro 100,027 thousand relating to derivatives designated as hedges as part of the cash flow hedge transactions.

The notional value of the commodity futures were Euro 274,201 thousand as of 31 December 2007 and Euro 215,980 thousand as of 31 December 2006.

A breakdown of the changes in the cash flow hedge reserve for the effect of the derivatives recorded as hedges during the year are as follows:

(in thousands of Euro)

	2007		2006	
	Gross reserve	Tax effect	Gross reserve	Tax effect
As of beginning of the year	**3,992**	**(1,513)**	**5,672**	**(2,154)**
Changes in fair value	(6,796)	2,228	-	-
Interest recognized in P&L	(4,071)	-	-	-
Amortization reserve	-	-	(570)	216
Cash-in from liquidation derivative	3,821	-	-	-
Release	(3,992)	1,513	(1,110)	425
As of end of the year	**(7,046)**	**2,228**	**3,992**	**(1,513)**

9. CASH AND CASH EQUIVALENTS

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Cash	16,514	3,225
Bank deposit	235,363	389,682
Total	**251,877**	**392,907**

Below is a breakdown of the bank deposits:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Prysmian Treasury S.r.l.	39,488	164,047
Prysmian Treasury (Lux) S.à r.l.	5,262	89,397
Prysmian Financial Services Ireland Limited	40,735	-
Prysmian Power Financial Services USA Llc	10,524	-
Total treasury companies	**96,009**	**253,444**
Prysmian Power Cables & Systems Australia PTY Limited	21,102	15,274
Prysmian Cables & Systems Limited	15,801	17,422
Prysmian Cavi e Sistemi Energia S.r.l.	14,450	853
Prysmian Cables y Sistemas S.L.	13,591	6,327
Prysmian MKM Magyar Kabel Muvek Kft	10,116	11,006
Prysmian Cabluri Si Sisteme S.A.	9,272	5,453
Turk Prysmian Kablo Ve Sistemleri A.S.	9,078	7,612
Prysmian Energia Cabos e Sistemas do Brasil S.A.	7,368	1,482
Prysmian Cavi e Sistemi Energia Italia S.r.l.	4,724	2,059
Prysmian Tianjin Cables co. Ltd	4,710	2,849
Prysmian Cables et Systèmes France S.A.S.	4,637	9,443
Prysmian Energia Cables y Sistemas de Argentina S.A.	3,831	5,127
Other Group companies	20,674	51,331
Total	**235,363**	**389,682**

Cash and cash equivalents are managed centrally through the Group treasury companies or by the subsidiaries under the coordination of the Group Finance Department. Cash investments are held by leading financial institutions and are mainly invested in short-term and overnight deposits.
The decrease in cash and cash equivalents, which decreased by Euro 154,319 thousand compared to the previous year, was due to the optimization of cash management credit lines relating to a new financial structure which the Group adopted during 2007.

10. SHARE CAPITAL AND RESERVES

At 31 December 2007, the share capital amounted to Euro 18,000 thousand, equivalent to 180,000,000 ordinary shares.

Below is the breakdown of the changes in share capital and reserves during the year:

(in thousands of Euro)

	Capital	Fair value and losses for available-for-sale financial assets	Actuarial gains/(losses) employee benefits	Cash flow hedges (1)	Currency translation reserve	Other reserves	Net income of the year	Minority interest	Total
As of 31 December 2005	**10**	**(148)**	**2,270**	**3,518**	**(359)**	**207,485**	**(29,157)**	**21,643**	**205,262**
Allocation of net income	-	-	-	-	-	(29.157)	29.157	-	-
Capital contribution	17,990	-	-	-	-	2,010	-	261	20,261
Dividend payment	-	-	-	-	-	(90,000)	-	-	(90,000)
Repayment of Shareholders' loan	-	-	-	-	-	(36,740)	-	-	(36,740)
Share-based compensation	-	-	-	-	-	4,282	-	-	4,282
Fair value gains and losses of available-for-sale financial assets	-	510	-	-	-	-	-	-	510
Fair value gains and losses of cash flow hedges (net of tax effect)	-	-	-	(1,039)	-	-	-	-	(1,039)
Currency translation differences	-	-	-	-	(19,581)	-	-	(2,763)	(22,344)
Change in scope of consolidation	-	-	-	-	-	-	-	(2,055)	(2,055)
Actuarial gains (losses) on employee benefits	-	-	1,074	-	-	-	-	-	1,074
Net income (loss) of the year	-	-		-	-	-	89,093	2,069	91,162
As of 31 December 2006	**18,000**	**362**	**3,344**	**2,479**	**(19,940)**	**57,880**	**89,093**	**19,155**	**170,373**
Allocation of net income	-	-	-	-	-	89,093	(89,093)	-	-
Capital contribution	-	-	-	-	-	-	-	-	-
Dividend payment	-	-	-	-	-	-	-	(361)	(361)
Repayment of Shareholders' loan	-	-	-	-	-	(19,860)	-	-	(19,860)
Share-based compensation	-	-	-	-	-	5,651	-	-	5,651
Fair value gains and losses of available-for-sale financial assets	-	1,974	-	-	-	-	-	-	1,974
Fair value gains and losses of cash flow hedges (net of tax effect)	-	-	-	(7,297)	-	-	-	-	(7,297)
Currency translation differences	-	-	-	-	(6,372)	-	-	1,323	(5,049)
Change in scope of consolidation	-	-	-	-	-	(692)	-	(1,208)	(1,900)
Actuarial gains (losses) on employee benefits	-	-	7,829	-	-	-	-	-	7,829
Net income (loss) of the year	-	-	-	-	-	-	300,193	2,284	302,477
As of 31 December 2007	**18,000**	**2,336**	**11,173**	**(4,818)**	**(26,312)**	**132,072**	**300,193**	**21,193**	**453,837**

(1) The movements for cash flow hedge reserve are detailed in Note 8.

11. BORROWINGS FROM BANKS AND OTHER LENDERS

(in thousands of Euro)			
			As of 31 December 2007
	Non-current	Current	Total
Borrowings from banks and other lenders	986,350	60,351	1,046,701
Finance lease obligations	4,002	880	4,882
Shareholders' loan	-	-	-
Total	**990,352**	**61,231**	**1,051,583**

(in thousands of Euro)			
			As of 31 December 2006
Non-current	Current	Total	
Borrowings from banks and other lenders	1,052,293	254,128	1,306,421
Finance lease obligations	4,880	949	5,829
Shareholders' loan	41,819	-	41,819
Total	**1,098,992**	**255,077**	**1,354,069**

Here below is a breakdown of borrowings from banks and other lenders:

(in thousands of Euro)		
	As of 31 December 2007	As of 31 December 2006
Credit Agreement	987,166	1,243,121
Other borrowings	59,535	63,300
Total	**1,046,701**	**1,306,421**

Borrowings from banks and other lenders relating to the Credit Agreement, expose to the Group to interest rate changes.

The book value of borrowings from banks and other lenders approximates their fair value.

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency as of 31 December 2007 and 2006:

(in thousands of Euro)

					As of 31 December 2007	
			Variable interest rate		Fixed interest rate	
	Euro	USD	GBP	Others	Others	Total
Due within one year	20,139	7,723	-	29,285	4,083	61,231
Due between one and two years	24,231	3,464	-	377	2,377	30,449
Due between two and three years	85,517	11,548	-	158	1,604	98,828
Due between three and four years	173,227	23,096	-	90	1,658	198,072
Due between four and five years	583,945	77,372	-	-	1,658	662,975
Due after five years	-	-	-	-	28	28
Total	**887,059**	**123,205**	**-**	**29,911**	**11,409**	**1,051,583**
Average interest rate for the year - contract	5.6%	5.3%	0.0%	6.8%	4.0%	5.6%
Average interest rate for the year including IRS effec *(a)*	4.8%	5.7%	0.0%	6.8%	4.0%	5.0%

(a) In relation to variable rate loans expressed in Euro and USD, there are existing interest rate swaps to cover the interest rate risk. At 31 December 2007, the total hedged was respectively 73.3% and 40.8% of the payable in Euro and USD at that date. In particular, interest rate hedges relating to interest rate swaps which exchange a variable rate (6-month Euribor for loans in Euro and 6-month USD Libor for those in USD) with an average fixed rate (fixed rate + spread) are 4.6% and 6.2% for Euro and USD. The percentages representing the average fixed rate are applicable at 31 December 2007.

(in thousands of Euro)

					As of 31 December 2006	
			Variable interest rate		Fixed interest rate	
	Euro	USD	GBP	Others	Others	Total
Due within one year	170,790	25,849	23,737	30,459	4,241	255,077
Due between one and two years	-	-	-	365	4,089	4,454
Due between two and three years	-	-	-	373	2,384	2,757
Due between three and four years	-	-	-	146	1,608	1,754
Due between four and five years	-	-	-	77	1,663	1,740
Due after five years	903,901	92,861	48,018	-	43,507	1,088,287
Total	**1,074,691**	**118,710**	**71,756**	**31,420**	**57,492**	**1,354,069**
Average interest rate for the year - contract	5.5%	7.2%	7.0%	6.4%	6.0%	5.8%
Average interest rate for the year including IRS effect *(a)*	5.6%	7.2%	6.9%	6.4%	6.0%	5.9%

(a) In relation to variable rate loans expressed in Euro, USD and GBP, there are existing interest rate swaps to cover the interest rate risk. At 31 December 2006, the total hedged was 63.2%, 47.3% and 41.5% of the payable in Euro, USD and GBP at that date. In particular, interest rate hedges relating to interest rate swaps which exchange a variable rate (6-month Euribor for loans in Euro, 6-month USD Libor for those in USD, and 6-month GBP Libor for those in GBP) with an average fixed rate (fixed rate + spread) are 6.0%, 6.8% and 6.7% for Euro, USD and GBP. The percentages representing the average fixed rate are applicable at 31 December 2006.

During the first half of 2007, a receivables securitisation program for trade receivables commenced and the related proceeds, were used for the partial repayment of the Credit Agreement, amounting to Euro 198,537 thousand. In March 2007, following the fulfilment of the covenant conditions set at

31 December 2006, an additional amount of Euro 31,887 thousand of the Credit Agreement was repaid. On 18 April 2007, the Group signed a Credit Agreement contract ("New Credit Agreement") to refinance the Former Credit Agreement. Through the New Credit Agreement the banks granted financing to Prysmian S.p.A. and some of its subsidiaries for a total amount of Euro 1,700,000 thousand, broken down as follows:

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

The Bonding Facility is used to finance the endorsement credits relating to bid bonds, performance bonds and warranty bonds.
The Revolving Credit Facility is used to finance the ordinary working capital needs, as well as part of the endorsement credits relating to other types of bonds than those covered by the Bonding Facility.

Here below are the unused credit lines under the New Credit Agreement which are available to the Group:

(in thousands of Euro)		
	As of 31 December 2007	As of 31 December 2006
Revolving Credit Facility	357,176	306,261
Bonding Facility	156,611	186,029
Total	**513,787**	**492,290**

The New Credit Agreement was granted on 4 May 2007 and was used to repay the previous Credit Agreement, for an amount of Euro 1,051,329 thousand. As a consequence of this reimbursement, the Group arranged to request the cancellation of the collateral securities related to the former credit facility.
The New Credit Agreement has a 5-year term and expires on 3 May 2012 providing improved economic terms for the Group.

The amortization period of the financing is structured as follows:

- 33% of the Term Loan starting from the 30th month, as of the first utilisation date;
- 67% on expiry.

In addition, the New Credit Agreement implies less restrictive non-financial covenants compared to the provisions of the previous Credit Agreement and two financial parameters only. Finally, no collateral security was required (except the pledge on shares held in main subsidiaries if the financial parameters are not complying with.
The New Credit Agreement envisaged a phase of syndication with some leading national and international banks which ended on 29 June 2007. The demand for participation in this syndication phase was well above the amount of the financing.

Here below is a breakdown of the changes in borrowings from banks and other lenders:

(in thousands of Euro)	Credit Agreement	Other borrowings	Total
As of 31 December 2006	**1,243,121**	**63,300**	**1,306,421**
Currency translation differences	(12,896)	7,264	(5,632)
Drawings	990,560	200,176	1,190,736
Repayments (a)	(1,281,753)	(200,167)	(1,481,920)
Amortization of bank and financial fees and other expenses	43,369	-	43,369
Others	4,765	(11,038)	(6,273)
Total changes	(255,955)	(3,765)	(259,720)
As of 31 December 2007	**987,166**	**59,535**	**1,046,701**

(a) the repayments relating to the Credit Agreement include the repayment following the securitisation program (Euro 198,537 thousand), during March 2007 to achieve the covenant targets (Euro 31,887 thousand) and on 4 May 2007 due to the termination of the Senior Credit Agreement (Euro 1,051,329 thousand).

On 4 May 2007, the Group also repaid the remaining part of the Shareholders' Loan which amounted to Euro 43,349 thousand. On that date, the amount recorded under shareholders' equity, which was originally determined as the difference between the value of the liabilities discounted at an effective interest rate of 10.75% and its nominal value, was Euro 19,850 thousand, net of the related deferred tax liabilities.

Below is the Committed Lines available for the Group as of 31 December 2007:

(in thousands of Euro)	Total lines	Used	Lines not used
Term Loan Facility	1,000,000	(1,000,000)	-
Revolving Credit Facility	400,000	(42,824)	357,176
Bonding Facility	300,000	(143,389)	156,611
Securitisation	400,000	-	400,000
Total	**2,100,000**	**(1,186,213)**	**913,787**

The Committed Lines as of 31 December 2007 was Euro 913,787 thousand, including credit lines relating to guarantees (Bonding Facility) for Euro 156,611 thousand and liquidity for Euro 757,176 thousand.

Payables relating to finance leases are those arising from the signing of finance leases. Below is a reconciliation of the finance lease payable and the outstanding instalments:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Due within 1 year	912	979
Due between 1 and 5 years	4,144	3,887
Over 5 years	-	1,166
Minimum finance lease payments	**5,056**	**6,032**
Future interest costs	(174)	(203)
Leasing liabilities	**4,882**	**5,829**

Total finance lease payables are shown below by expiry dates:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Due within 1 year	880	949
Due between 1 and 5 years	4,002	3,754
Over 5 years	-	1,126
Total	**4,882**	**5,829**

Net financial position

As required by CONSOB communication no. DEM/6064293 of 28 July 2006 and in compliance with the CESR Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulations on Prospectuses", the Net financial position of the Group as of 31 December 2007 is as follows:

(in thousands of Euro)	Note	As of 31 December 2007	Related parties (Note 31)	As of 31 December 2006	Related parties (Note 31)
Long term financial payables					
Senior Credit Agreement		-		1,086,598	
New Credit Agreement		990,481			
Credit Agreement		**990,481**		**1,086,598**	
Bank fees		(8,080)		(41,819)	
Financing agreement	11	**982,401**		**1,044,779**	
Financial lease	11	4,002		4,880	
Shareholders' loan	11	-		41,819	41,819
Forward currency contracts	8	908		-	
Interest rate swaps (cash flow hedge)	8	1,315		-	
Other payables	11	3,949		7.514	
Total long term financial payables		**992,575**		**1,098,992**	
Short term financial payables					
Senior Credit Agreement	11	-		198,677	
Bank fees	11	-		(335)	
New Credit Agreement	11	4,765		-	
Financial lease	11	880		949	
Securitization	11	9		-	
Forward currency contracts	8	6,878		777	
Other payables	11	55,577		55,787	
Total short term financial payables		**68,109**		**255,854**	
Total financial liabilities		**1,060,684**		**1,354,846**	
Long term financial receivables	5	1,177		1,336	
Bank fees - long term	5	9,510		16,820	
Securities	4	244		243	
Interest rate swap	8	19,809	9,821	20,036	9,199
Forward currency contracts (non current)	8	1,468		-	
Forward currency contracts (current)	8	3,044		-	
Short term financial receivables	5	14,767		16,359	
Bank fees - short term	5	2,741		3,669	
Financial assets held for trading	7	39,896		24,376	
Cash and cash equivalents	9	251,877		392,907	
Net financial position		**716,151**		**879,100**	

12. TRADE PAYABLES AND OTHER PAYABLES

(in thousands of Euro)			
			As of 31 December 2007
	Non-current	Current	Total
Trade payables	-	738,052	738,052
Total trade payables	**-**	**738,052**	**738,052**
Other current and non-current payables:			
Tax and social security payables	32,656	60,945	93,601
Advances	304	81,307	81,611
Payables to employees	-	42,359	42,359
Accrued expenses	1,525	103,030	104,555
Others	8,535	68,385	76,920
Total other current and non-current payables	**43,020**	**356,026**	**399,046**
Total	**43,020**	**1,094,078**	**1,137,098**

(in thousands of Euro)			
			As of 31 December 2006
	Non-current	Current	Total
Trade payables	-	736,158	736,158
Total trade payables	**-**	**736,158**	**736,158**
Other current and non-current payables:			
Tax and social security payables	31,034	22,813	53,847
Advances	1,658	27,307	28,965
Payables to employees	-	40,217	40,217
Accrued expenses	1,692	106,575	108,267
Others	4,256	72,425	76,681
Total other current and non-current payables	**38,640**	**269,337**	**307,977**
Total	**38,640**	**1,005,495**	**1,044,135**

Advances include the amount due to customers for contract work in progress of Euro 26,196 thousand as of 31 December 2007 and Euro 2,900 thousand as of 31 December 2006. This liability represents the total gross amount due to customers for all outstanding contract work in progress for which the work invoiced exceeds the costs incurred and the profits (or losses) recorded.

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

Below is a breakdown of trade and other payables on the basis of the currency in which they are expressed:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Euro	622,855	525,782
US Dollar	142,438	115,894
Brazilian Real	98,823	106,743
British Pound	80,907	77,523
Chinese (Yuan) Renminbi	40,046	38,155
Romanian Lei	37,554	36,718
Australian Dollar	34,302	32,968
Canadian Dollar	24,903	34,146
Turkish Lira	17,710	30,264
Others	37,560	45,942
Total	**1,137,098**	**1,044,135**

13. PROVISIONS FOR RISKS AND CHARGES

(in thousands of Euro)			As of 31 December 2007
	Non-current	Current	Total
Restructuring costs	-	9,279	9,279
Contractual and legal risks	27,270	48,526	75,796
Environmental risks	-	1,850	1,850
Tax inspections	-	7,644	7,644
Other risks and charges	-	7,925	7,925
Total	**27,270**	**75,224**	**102,494**

(in thousands of Euro)			As of 31 December 2006
	Non-current	Current	Total
Restructuring costs	-	16,307	16,307
Contractual and legal risks	26,033	43,907	69,940
Environmental risks	-	1,850	1,850
Tax inspections	-	11,480	11,480
Other risks and charges	-	5,680	5,680
Total	**26,033**	**79,224**	**105,257**

Here below is a breakdown of the changes in the provisions for the year:

(in thousands of Euro)

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Other risks and charges	Total
As of 31 December 2006	16,307	69,940	1,850	11,480	5,680	105,257
Currency translation differences	(131)	(364)	-	185	578	268
Accruals	614	41,631	-	42	1,437	43,724
Utilization/Release	(7,511)	(32,210)	-	(4,063)	(2,971)	(46,755)
Others	-	(3,201)	-	-	3,201	-
Total movements	(7,028)	5,856	-	(3,836)	2,245	(2,763)
As of 31 December 2007	9,279	75,796	1,850	7,644	7,925	102,494

The decreases in the restructuring provision (Euro 7,511 thousand), which occurred during 2007, largely refer to projects to rationalize production in France and the United Kingdom.

At 31 December 2007, the increases in the Provision for legal and contractual risks of Euro 41,641 thousand referred mainly to:

- contractual risks (Euro 8,667 thousand) mainly relating to the submarine and high voltage cables businesses;
- civil proceedings (Euro 6,805 thousand) in relation to the legal dispute involving Turk Prysmian Kablo Ve Sistemleri A.S. which ended in 2007 and was settled with the counterparty for the aforementioned amount;
- provisions for legal risks (Euro 4,746 thousand) in Prysmian Cavi e Sistemi Energia Italia S.r.l.;
- administrative proceedings (Euro 4,770 thousand), in particular, proceedings launched by the French antitrust authority for alleged violation of antitrust regulations. This proceeding did not affect the income statement and the shareholders' equity, given the indemnification undertaking of Pirelli & C. S.p.A. under the Acquisition agreement.
- provisions for legal risks (Euro 8,929 thousand) in the United Kingdom relating to installation contracts.

At 31 December 2007, the reductions in the Provision for legal and contractual risks of Euro 32,210 thousand referred mainly to:

- use of the provision (Euro 6,805 thousand) relating to the legal dispute involving Turk Prysmian Kablo Ve Sistemleri A.S. which ended in 2007 and was settled with the counterparty for the aforementioned amount;
- use of the provision for legal risks relating to the submarine and high voltage cables businesses (Euro 4,938 thousand);
- use of provision (Euro 4,770 thousand) relating to proceedings launched by the French antitrust authorities as mentioned above;
- use of the provisions for legal risks (Euro 3,479 thousand) in Prysmian Cavi e Sistemi Energia Italia S.r.l.;
- use of the provisions for legal risks (Euro 4,574 thousand) in the United Kingdom relating to installation contracts.

14. EMPLOYEE BENEFITS LIABILITIES

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Pension funds	59,105	73,364
Employee indemnity liabilities (Italian TFR)	25,454	25,376
Medical assistance plans	13,780	13,136
Termination benefits and others	13,890	15,696
Total	**112,229**	**127,571**

Income statement items relating to employee benefits liabilities are as follows:

(in thousands of Euro)			2007
	Pension Funds	Medical Assistance Plans	Employee idemnity liability (TFR)
Current service costs	7,838	126	577
Interest costs	6,350	852	1,303
Expected return on plan assets	(3,157)	-	-
Losses/(gains) of any curtailment and settlement	(2,546)	-	(608)
Total	**8,485**	**978**	**1,272**

(in thousands of Euro)			2007
	Pension Funds	Medical Assistance Plans	Employee idemnity liability (TFR)
Current service costs	7,152	875	2,698
Interest costs	5,426	717	1,055
Expected return on plan assets	(2,724)	-	-
Losses/(gains) of any curtailment and settlement	(176)	-	-
Total	**9,678**	**1,592**	**3,753**

Income statement items relating to pension funds and employee indemnity liability (Italian TFR) include the effect arising from curtailment of Euro 3,154 thousand for the year ended at 31 December 2007 and of Euro 176 thousand for the year ended at 31 December 2006.

Pension funds

(in thousands of Euro)									
									As of 31 December 2007
	Germany	France	Turkey	Indonesia	UK	Netherlands	USA	Canada	Total
Funded pension plans:									
Plan obligations	-	-	-	-	14,571	8,791	16,258	20,268	59,888
Fair value of plan assets	-	-	-	-	(16,107)	(8,360)	(12,862)	(20,291)	(57,620)
Unfunded pension plans:									
Plan obligations	45,759	7,004	3,594	480	-	-	-	-	56,837
Total	**45,759**	**7,004**	**3,594**	**480**	**(1,536)**	**431**	**3,396**	**(23)**	**59,105**

(in thousands of Euro)									
									As of 31 December 2006
	Germany	France	Turkey		UK	Netherlands	USA	Canada	Total
Funded pension plans:									
Plan obligations	-	-	-		11,675	9,370	20,842	19,564	61,451
Fair value of plan assets	-	-	-		(8,637)	(7,456)	(12,728)	(19,575)	(48,396)
Unfunded pension plans:									
Plan obligations	52,198	5,356	2,755		-	-	-	-	60,309
Total	**52,198**	**5,356**	**2,755**		**3,038**	**1,914**	**8,114**	**(11)**	**73,364**

During 2007, the pension fund of the Indonesian company P.T. Prysmian Cables Indonesia was included in the scope of assessment.

The decrease in pension funds for Euro 14,259 thousand, mainly refers to actuarial gains recognised in shareholders' equity and increases in fair value of pension plan recorded in the UK, which include the increase in rate of return, and the increase of the overall contribution paid during the year.

The changes due to the obligations concerning the pension funds were as follows:

(in thousands of Euro)		
	2007	2006
Obligations as of the beginning of the year	**121,759**	**116,342**
Current service costs	7,838	7,152
Interest costs	6,350	5,426
Actuarial gains (losses) recognized in shareholders' equity	(12,353)	(105)
Currency translation differences	(2,132)	(4,329)
Contributions by plan participants	1,794	2,159
Restructuring (curtailments)	(2,546)	(176)
Reclassifications from other benefits	1,086	-
Utilizations	(5,071)	(4,711)
Total movements	**(5,034)**	**5,417**
Obligations as of the end of the year	**116,725**	**121,759**

The item "Reclassifications from other benefits" refers to the pension funds of the Indonesian company P.T. Prysmian Cables Indonesia at 1 January 2007.

The changes in the assets relating to the pension funds were as follows:

(in thousands of Euro)	2007	2006
Assets as of the beginning of the year	48,395	43,595
Return on plan assets	3,157	2,724
Actuarial gains (losses) recognized in shareholders' equity	(440)	(339)
Currency translation differences	(1,606)	(3,281)
Employer contributions/(withdrawals)	(5,368)	(4,711)
Contributions by plan participants	13,482	10,407
Total movements	9,225	4,800
Assets as of the end of the year	57,620	48,395

The assets relating to the pension funds at 31 December 2007 were made up of shares (42.43%), bonds (41.62%) and other assets (15.95%), whose expected yields were 8.39%, 5.11% and - 1.30% respectively.
The assets relating to the pension funds at 31 December 2006 were made up of shares (49.54%), bonds (49.00%) and other assets (1.46%), whose expected yields were 8.30%, 5.26% and 0.32% respectively.

Employee indemnity liability

La voce risulta dettagliabile come segue:

(in thousands of Euro)	2007	2006
As of beginning of the year	25,376	27,447
Current service costs	577	2,698
Interest costs	1,303	1,055
Actuarial gains (losses) recognized in shareholders' equity	1,575	(881)
Curtailments	(608)	-
Utilizations	(2,769)	(4,943)
Total movements	78	(2,071)
As of end of the year	25,454	25,376

In Italy, following the changes made to the regulations governing employee indemnity liability (Italian TFR) by Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations passed during the first half of 2007, the Prysmian Group arranged to recalculate the provision accrued at 31 December 2006 and to carry out an initial estimate of the related positive curtailment of Euro 608 thousand, in compliance with the provisions of paragraph 109 of IAS 19.

Medical assistance plans

(in thousands of Euro)	2007	2006
As of beginning of the year	13,136	13,832
Current service costs	126	875
Interest costs	852	717
Currency translation differences	(1,107)	(1,430)
Actuarial gains (losses) recognized in shareholders' equity	(493)	(426)
Reclassifications from other benefits	1,892	-
Utilizations	(626)	(432)
Total movements	644	(696)
As of end of the year	13,780	13,136

During 2007, the medical assistance plans of the Brazilian companies Prysmian Cabos e Sistemas do Brasil S.A. and Prysmian Telecomunicações Cabos e Sistemas do Brasil S.A. were included in the scope of assessment. The item "Reclassifications from other benefits" refers to the medical assistance plan of the Brazilian company at 1 January 2007.

Other information

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

			As of 31 December 2007
	Pension Funds	Medical Assistance Plans	Employee indemnity liability (TFR)
Discount rate	5.64%	7.67%	5.45%
Future salary increase	3.05%	4.10%	2.14%
Inflation rate/Trend of medical assistance costs	2.53%	5.00%-9.00%	2.00%

			As of 31 December 2006
	Pension Funds	Medical Assistance Plans	Employee indemnity liability (TFR)
Discount rate	4.90%	5.75%	4.50%
Future salary increase	2.68%	3.00%	2.14%
Inflation rate/Trend of medical assistance costs	2.42%	5.00%-9.00%	2.00%

Employer's contribution to all of the plan for 2008 are estimated at Euro 11,622 thousand.

Below is the average number of employees by category compared with the actual number of employees at the dates indicated:

	Average as of 31 December 2007	%	Final as of 31 December 2007	%
Blue collars	9,293	75%	9,126	75%
White collars	3,154	25%	3,117	25%
Total	**12,447**	**100%**	**12,243**	**100%**

	Average as of 31 December 2006	%	Final as of 31 December 2006	%
Blue collars	9,163	74%	8,991	74%
White collars	3,176	26%	3,152	26%
Total	**12,339**	**100%**	**12,143**	**100%**

15. DEFERRED TAXES

(in thousands of Euro)

	As of 31 December 2007	As of 31 December 2006
Deferred tax assets:		
Deferred tax assets more than 12 months	16,761	24,215
Deferred tax assets within 12 months	12,159	6,734
Total deferred tax assets	**28,920**	**30,949**
Deferred tax liabilities:		
Deferred tax liabilities more than 12 months	(26,054)	(57,607)
Deferred tax liabilities within 12 months	(35,743)	(8,087)
Total deferred tax liabilities	**(61,797)**	**(65,694)**
Total deferred tax assets/(liabilities)	**(32,877)**	**(34,745)**

The changes in deferred taxes can be broken down as follows:

(in thousands of Euro)

	Differences in depreciation deductibility	Provisions	Tax losses	Others	Total
As of 31 December 2005	**(45,518)**	**8,159**	**1,842**	**(37,458)**	**(72,975)**
Currency translation differences	(452)	(80)	-	441	(91)
Charged/(credited) to income statement	(4,206)	32,265	(500)	(5,589)	21,970
Charged/(credited) to shareholders' equity	-	-	-	16,351	16,351
As of 31 December 2006	**(50,176)**	**40,344**	**1,342**	**(26,255)**	**(34,745)**
Currency translation differences	-	-	-	3,066	3,066
Charged/(credited) to income statement	6,837	(6,333)	(1,110)	(9,530)	(10,136)
Charged/(credited) to shareholders' equity	-	-	-	8,939	8,939
As of 31 December 2007	**(43,339)**	**34,011**	**232**	**(23,780)**	**(32,876)**

The Group has not recorded any deferred tax assets for tax losses which may be carried forward equivalent to Euro 490,083 thousand and Euro 592,651 thousand at 31 December 2007 and 31 December 2006, respectively, as well as temporary deductible differences in future years of Euro 76,725 thousand and Euro 94,478 thousand at 31 December 2007 and 31 December 2006, respectively. The deferred taxes which have not been recorded in relation to losses which may be carried forward and the deductible temporary differences totalled Euro 161,847 thousand and Euro 224,694 thousand at 31 December 2007 and 31 December 2006, respectively.
Deferred taxes on subsidiaries' reserves of undistributed profits have not been recorded, since the Group has available losses carried forward which can be directly offset and for which no prepaid taxes were booked.

Breakdown of losses which may be carried forward at 31 December 2007 are as follows:

(in thousands of Euro)	
	As of 31 December 2007
Tax losses carried forward	498,170
of which recognized in balance sheet	8,087
Carried forward until 2009	77,816
Carried forward until 2010 to 2015	232,370
Carried forward with no expiration date	187,984

NOTES TO THE INCOME STATEMENT

16. NET SALES

(in thousands of Euro)	2007	2006
Finished goods	4,664,531	4,486,122
Services	228,660	359,836
Others	224,548	161,141
Total	**5,117,739**	**5,007,099**

17. OTHER INCOME

(in thousands of Euro)	2007	2006
Rental income	6,116	3,417
Insurance repayments and indemnities	11,937	1,860
Governements grants	1,559	961
Gains on disposal of real estate	2,652	6,373
Other income and costs	28,230	38,120
Other non recurring income:		
Acquisition price adjustment	39,315	-
Settlements from Pirelli & C. S.p.A.	20,712	-
Total other non recurring income	**60,027**	**-**
Total	**110,521**	**50,731**

The item "Insurance repayments and indemnities" includes an indemnity of Euro 10,000 thousand relating to the Basslink submarine project which was completed in 2005. The related costs were charged to the income statement in 2006.

The price adjustment, received in March 2007, amounted to Euro 39,315 thousand, net of ancillary charges, and refers to the acquisition of Energy and Telecom Cables and Systems divisions from Pirelli & C. S.p.A. in July 2005.

The settlement of Euro 20,712 thousand was received from Pirelli & C. S.p.A. in relation to the guarantees issued by the Pirelli & C. S.p.A. as part of the aforementioned Acquisition agreement. In particular:

- Settlement of tax liabilities for Euro 5,210 thousand;
- Settlement, received in January 2008, for Euro 15,500 thousand relating to the redefinition of the guarantees issued by Pirelli group for possible future liabilities, which cannot be estimated objectively at the moment.

18. CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

(in thousands of Euro)	2007	2006
Finished goods	20,995	10,052
Work-in-progress	6,088	25,840
Total	**27,083**	**35,892**

19. RAW MATERIALS AND CONSUMABLES

(in thousands of Euro)	2007	2006
Raw materials	3,032,740	3,236,131
Other materials	185,552	212,904
Change in inventories	(20,314)	(56,075)
Total	**3,197,978**	**3,392,960**

20. PERSONNEL COSTS

(in thousands of Euro)	2007	2006
Salaries and wages	415,331	408,675
Social security	95,332	87,578
Retirement pension costs	7,838	7,152
Employee indemnity costs	577	2,698
Medical assistance cost	126	875
Other personnel costs	24,628	26,359
Other non recurring personnel costs:		
Shutdown of operating facilities	4,028	14,090
Total other non recurring personnel costs	4,028	14,090
Total	**547,860**	**547,427**

Share-based compensation

At 31 December 2007 and 31 December 2006, the Prysmian Group set share-based compensation plans for managers of Group companies and members of the company's Board of Directors.

Co-investment plans

During July 2005, some managers of Group companies were given the right to buy shares representing the share capital of Prysmian (Lux) S.à r.l., the company which has indirect control of Prysmian S.p.A. through Prysmian (Lux) II S.à r.l. The purchase price was set at Euro 28.16 for each ordinary share and Euro 1.00 for each non-Interest Bearing Preferred Equity Certificate (nPEC) and Interest Bearing Preferred Equity Certificate (iPEC). Such purchase prices were equivalent to the prices paid by Goldman Sachs for the same shares during the Acquisition.

In June 2006, the final Co-investment plan was signed and, subsequently, in the months July-September 2006 the shares of the parent company Prysmian (Lux) S.à r.l. were subscribed at the prices established by the contract and reported above. The main features of the agreements were as follows:

(Euro)	
	Fair value
Ordinary shares	2,001.83
nPEC	Less than 1.00
iPEC	1.12

During 2007, Prysmian (Lux) II S.à r.l.'s investment in Prysmian S.p.A. decreased owing to the stock market listing on 3 May 2007 (IPO of 40% of the share capital) and to the immediate subsequent full exercise of the "green shoe" option by the IPO Coordinators (a further 6% of the share capital). Finally, during November 2007, Prysmian (Lux) II S.à r.l.'s investment decreased to 30.3% owing to the sale of 9.9% to Taihan Electric Wire Co. Ltd, the placement with institutional investors of a further 12.3%, and the transfer of the 1.47% of the share capital of Prysmian S.p.A. to the associate of Goldman Sachs International.
The fair value of the Co-investment plan at the date of grant was Euro 10,549 thousand.
The overall cost recognised in the income statement for the year ended 31 December 2007 was Euro 4,184 thousand, while as of 31 December 2006 the cost amounted to Euro 4,178 thousand. This cost was recorded under the item "Personnel costs" for the part attributable to employees of the Group, and under the item "Other costs" for the part of the Directors of the Group.
This cost represents the difference between the fair market value (FMV) of the Prysmian (Lux) S.à.r.l. shares on their grant and the subscription price for management.
As of 31 December 2007 the residual value of the Co-investment plan was Euro 786 thousand. Although all the rights related to the Co-investment plan are fully vested, they can be exercised only under specific conditions defined in the same plan, not under the direct control of the beneficiaries.

During 2006, following the acquisition of shares of the Prysmian (Lux) II S.à r.l., a loan of Euro 5,200 thousand was granted to Directors and managers of the Group companies, fully repaid during 2007. Furthermore, in January 2007 Prysmian Cavi e Sistemi Energia S.r.l. granted an additional loan of Euro 1,611 thousand, of which Euro 75 thousand was repaid during 2007, and the residual part on 8 January 2008. The above mentioned loans were granted at an annual rate equal to the rate of the Banca Centrale Europea and the related receivables were recorded under the item Other receivables.

Stock Option Plan

On 30 November 2006, the Company's shareholders' meeting approved a stock option plan which was subordinated to the start of company's shares trading on the Electronic Share Market (MTA) organised and managed by Borsa Italiana S.p.A. The plan is for employees of the companies belonging to the Prysmian Group.

As of 31 December 2007, the plan envisages the allocation of 2,885 thousand option rights to subscribe the Company's ordinary shares, with a par value of Euro 0.10 each and representing around 1.6% of the share capital.
Each option gives the right to subscribe a share at a price of Euro 4.65.

Further details of the stock option plan are as follows:

(Euro)				
		2007		2006
	Number of options	Price	Number of options	Price
Options at the beginning of the year	2,571,047	4.65	-	-
Vested	392,203	4.65	2,571,047	4.65
Cancelled	(78,438)	-	-	-
Exercised	-	-	-	-
Options at the end of the year	2,884,812	4.65	2,571,047	4.65
May be exercised at the end of the year	-	-	-	-

The options will vest in four annual instalments, each one on the anniversary of the date they were granted.

As for the timeframes for subscribing the options, the Plan envisages that each of the Plan beneficiaries may exercise, in whole or in part, the options which have accrued up to that moment, solely in two periods during the year, as indicated below:

- within thirty days starting from the day following the publication of the notice to approve the draft financial statements of the Company;
- within thirty days starting from the day following the publication of the notice to approve the half-yearly report of the Company.

The fair value of the stock option plan has been assessed using the Black-Scholes method. On the basis of this model, the weighted average of the fair values of the options at the date they were granted was Euro 5.78, determined on the basis of the following assumptions:

Average life of options	3.63
Expected volatility	40%
Average risk-free interest rate	3.78%
% of expected dividends	0%

As of 31 December 2007 the remaining average life of options was 2.5 years.
The overall cost recognised in the income statement under the item "Personnel costs" for the stock option plan in the year ended 31 December 2007 was Euro 1,368 thousand, while as of 31 December 2006 it amounted to Euro 104 thousand.

21. AMORTISATION, DEPRECIATION AND WRITE-OFFS

(in thousands of Euro)	2007	2006
Depreciation of buildings, plant, machinery and equipment	54,854	56,948
Depreciation of other tangible fixed assets	4,781	4,290
Amortization of intangible fixed assets	5,414	15,279
Other non-recurring amortization:		
Amortiziation of Pirelli trademark	-	31,667
Impairment of goodwill	-	4,801
Total other non-recurring amortization	**-**	**36,468**
Total	**65,049**	**112,985**

22. OTHER COSTS

(in thousands of Euro)	2007	2006
Professional services	20,708	29,895
Insurance costs	22,902	15,825
Maintenance costs	36,824	34,523
Selling costs	181,988	176,049
Administrative costs	250,065	157,774
Utilities	85,389	86,118
Installation service	74,737	54,585
Travel costs	20,101	15,965
Rental costs	17,357	16,798
Accruals for provisions for risks	22,152	15,912
Other costs	192,098	157,405
Other non-recurring costs:		
Launching of the Prysmian trademark	-	6,334
Shutdown of operating facilities	2,196	2,607
IPO project costs	8,148	10,200
Sale of Telecom Submarine business	729	1,100
IT segregation	944	354
Corporate reorganization	-	960
Environmental costs	368	-
Total other non-recurring costs	**12,385**	**21,555**
Total	**936,706**	**782,404**

The Group incurred research and development costs, which were entirely recognized in the income statement under operating costs, of Euro 45,537 thousand for the year ended 31 December 2007 and Euro 41,883 thousand for the year ended 31 December 2006.

23. FINANCE INCOME

(in thousands of Euro)	2007	2006
Accrued interests from banks and other financial institutions	18,879	16,539
Other finance income	13,054	7,884
Other non-recurring finance income:		
Release of cash flow hedge reserve	3,846	1,680
Total non recurring finance income	**3,846**	**1,680**
Finance income	**35,779**	**26,103**
Gains on interest rate swaps	8,384	14,343
Gains on conversion options	43	-
Gains on foreign exchange derivatives	6,694	-
Gains on derivatives	**15,121**	**14,343**
Foreign currency exchange gains	56,022	68,414
Total finance income	**106,922**	**108,860**

24. FINANCE COSTS

(in thousands of Euro)	2007	2006
Interests on borrowings	62,913	78,110
Amortization of bank and financial fees and other expenses	5,583	8,998
Interest costs on employee benefits	5,781	4,824
Other bank costs	19,153	10,275
Costs for unutilized credit lines	2,206	3,716
Sundry bank commissions	6,069	8,638
Others	8,559	7,413
Other non-recurring finance costs:		
Amortization of bank fees	58,947	14,337
Total other non-recurring finance costs	**58,947**	**14,337**
Finance costs	**169,211**	**136,311**
Loss on forward currency contracts	-	10,254
Valuation loss - commodity futures	7,252	18,289
Losses on derivatives	**7,252**	**28,543**
Foreign currency exchange losses	53,631	56,431
Total finance costs	**230,094**	**221,285**

25. SHARE OF INCOME FROM INVESTMENTS IN ASSOCIATES AND DIVIDENDS FROM OTHER COMPANIES

(in thousands of Euro)	2007	2006
Kabeltrommel Gmbh & Co.K.G.	1,811	1,270
Eksa Sp.Zo.o.	186	602
Other companies	636	103
Total	**2,633**	**1,975**

26. TAXES

(in thousands of Euro)	2007	2006
Current income taxes	74,598	78,304
Deferred income taxes	10,136	(21,970)
Total	**84,734**	**56,334**

Taxes relating to income before taxes differ from those calculated on the basis of the theoretical tax rate applicable to the Parent Company for the following reasons:

(in thousands of Euro)	2007	Tax rate	2006	Tax rate
Net income before taxes	387,211		147,496	
Theoretical tax expense - Parent Company's tax rate	127,780	33.0%	48,674	33.0%
Differences in the tax rates of subsidiaries	(3,025)	-0.8%	1,622	1.1%
Tax losses carry forward used	(40,871)	-10.6%	(9,935)	-6.7%
Unrecognized deferred tax assets	(6,401)	-1.7%	24,095	16.3%
Non-deductible costs/non taxable income	4,307	1.1%	7,133	4.8%
IRAP	9,757	2.5%	6,736	4.6%
Decrease in tax rates	(5,950)	-1.5%	-	-
Tax repayment	-	-	(2,100)	-1.4%
Deferred tax assets from prior years, recognized during the year	(863)	-0.2%	(19,891)	-13.5%
Effective taxes	**84,734**	**21.9%**	**56,334**	**38.2%**

27. EARNINGS/(LOSS) PER SHARE

Earnings per share were calculated by dividing the Company's net income attributable to shareholders during the period by the number of outstanding shares.With regards to the denominator to calculate earnings per share, the number of outstanding shares taken into consideration was 180,000,000, as of 16 January 2007 when the Company's status was changed from limited liability company to public company.

Diluted earnings per share are calculated taking into consideration the number of convertible securities, including the potential dilutive effect of all existing stock options.

(in thousands of Euro)	2007	2006
Net income attributable to Parent Company's Shareholders	300,193	89,093
Weighted average number of ordinary shares issued (thousands)	180,000	180,000
Basic earnings per share (Euro)	**1.67**	**0.49**
Net income attributable to Parent Company's Shareholders	300,193	89,093
Weighted average number of ordinary shares issued (thousands)	180,000	180,000
Adjustments for:		
Incremental shares for assumed conversion for stock options (thousands)	2,045	42
Weighted average number of ordinary shares issued to calculate diluted earnings per share (thousands)	182,045	180,042
Diluted earnings per share (Euro)	**1.65**	**0.49**

28. CONTINGENT LIABILITIES

The continuing operations of the Group led to legal and fiscal proceedings of different nature. The Company's management believes that none of these proceedings can give rise to relevant contingent liabilities, for which a provision has not been made at the closing of 2007 financial statements or the provision of an equal indemnification from Pirelli & C. S.p.A. as part of the guarantees issued during the Acquisition process.

29. COMMITMENTS

(a) Commitments for the acquisition of property, plant and equipment and intangible assets

The contractual commitments already assumed with third parties as of 31 December 2007 and related to investments in property, plant and equipment, not yet reflected in the financial statements, amounted to Euro 9,060 thousand.

(b) Commitments on operating leases

Below are the amounts relating to future commitments on operating leases as of 31 December 2007:

(in thousands of Euro)	As of 31 December 2007	As of 31 December 2006
Within 1 year	15,599	12,354
From 1 to 5 years	34,974	29,768
Over 5 years	27,775	4,693
Total	**78,348**	**46,815**

30. FINANCIAL COVENANTS

The New Credit Agreement, of which details are described in Note 11, requires that the Group adheres to a series of commitments on a consolidated level. Below we report the main covenants required, listed by type.

a) Financial requirements

- Ratio of EBITDA and Net financial expenses (as it was defined in the New Credit Agreement)
- Ratio of Net financial position and EBITDA (as it was defined in the New Credit Agreement)

b) Non-financial requirements

A series of non-financial covenants were set forth, in coherence with market practices, applicable to comparable operations in nature and size. These requirements involve a series of limitations on the collaterals security in favour of third parties in making acquisitions or equity transactions, and in making amendments to company constitutional documents.

Default events

The main default events are as follows:

- default on loan repayment requirements;
- non-compliance with financial requirements;
- non-compliance with some of the non-financial requirements;
- declaration of insolvency or submission to other examinations of Group companies ;
- issuing of judicial measures of particular relevance;
- occurrence of events that may negatively and significantly affect the activity, the assets or the financial conditions of the Group.

Should any default event occur, the final providers may demand the full or partial repayment of the outstanding loan, according with the New Credit Agreement, together with interest payable and any other amount due under the terms and conditions of the New Credit Agreement.

As of 31 December 2007, the ratio of EBITDA and Net financial expenses was 8.69. At the same date, the ratio of Net financial position and EBITDA was 1.33.

The financial indicators stated above are in compliance with the requirements of the New Credit Agreement.

31. RELATED PARTY TRANSACTIONS

As of 31 December 2007, the Parent Company Prysmian (Lux) II S.à r.l (incorporated in Luxembourg) directly held approximately 30.3% of the share capital. The Parent Company is controlled by The Goldman Sachs Group Inc.

The transactions between Prysmian S.p.A. and its subsidiaries, associates and parent companies mainly refer to:

- business relations relating to intercompany purchases and sales of raw materials and finished products;
- services (technical, organisational and general) provided by Corporate to the subsidiaries worldwide;
- financial relations maintained by the Group Treasury on behalf of and with associates.

All the above-mentioned transactions fall within the Group's continuing operations. The balance sheet accounts represent the fair value of such items.

The following tables provide a summary of the related party transactions for the period ended 31 December 2007 and 31 December 2006:

(in thousands of Euro)

				2007
	Trade and other receivables	Financial receivables	Trade and other payables	Financial payables
Parent Company	66	-	-	-
Associates	1,150	-	3,770	-
Other related parties:				
The Goldman Sachs Group Inc.	-	9,821	1,000	-
Total	**1,216**	**9,821**	**4,770**	**-**

(in thousands of Euro)

				2006
	Trade and other receivables	Financial receivables	Trade and other payables	Financial payables
Parent Company	26	-	-	41,819
Associates	-	-	4,194	-
Other related parties:				
The Goldman Sachs Group Inc.	-	9,199	2,855	-
Total	**26**	**9,199**	**7,049**	**41,819**

(in thousands of Euro)

			2007
	Sales of goods and services	Expenses	Finance income/(costs)
Parent Company	73	-	(1,437)
Associates	12,657	3,393	(31)
Other related parties:			
The Goldman Sachs Group Inc.	-	2,624	5,925
Total	**12,730**	**6,017**	**4,457**

(in thousands of Euro)

			2006
	Sales of goods and services	Expenses	Finance income/(costs)
Parent Company	26	-	(9,414)
Associates	-	3,175	(15)
Other related parties:			
The Goldman Sachs Group Inc.	-	7,919	7,257
Total	**26**	**11,094**	**(2,172)**

Transactions with the Parent Company

On 4 May 2007, the residual amount of the financing from Shareholders was repaid. At the same date, its fair value was equal to the effective repayment (Euro 71,399 thousand). This amount included the accrued interest, not yet paid to Shareholders until 4 May 2007 (Euro 1,437 thousand).

Transactions with associates

Trade and other payables refer to the services provided, which relate to the Group's continuing operations.

Transactions with The Goldman Sachs Group Inc.

Financial receivables include the net position towards The Goldman Sachs Group Inc., with which the Group entered into an interest rate swap contract in September 2005.
Expenses include the compensation to The Goldman Sachs Group Inc. for consulting services provided to Prysmian Group.

Key management compensation

During the period key management compensation was as follows:

(in thousands of Euro)	2007	2006
Salaries and other short-term benefits	6,520	4,899
Other benefits	752	1,088
Share-based payments	3,683	2,780
Total	**10,955**	**8,767**

32. COMPENSATIONS TO DIRECTORS AND STATUTORY AUDITORS

The compensations to Directors amount to Euro 8,406 thousand in 2007 and Euro 5,121 thousand in 2006. The compensations to Statutory Auditors amount to Euro 251 thousand in 2007 and Euro 243 thousand in 2006. The compensations include emoluments, and other amounts which were in the nature of remuneration, pensions and medical assistance, received for their service as Directors or Statutory Auditors in Prysmian S.p.A. and in other companies included in the scope of consolidation, having incurred a cost for Prysmian.

The breakdown of Directors, Statutory Auditors and managers with strategic responsibilities, involved in compensations and stock options are as follows:

(Euro)

Board of Directors

Name and Surname	Appointed as	Period of appointment	Term of appointment(*)	Emoluments	Non cash benefits	Bonus and other incentives	Other compensations	Total
In office								
1. Paolo Zannoni (P)	Chairman	01.01.2007-31.12.2007	31.12.2009	-	-	-	-	-
2. Battista Valerio (AD)	Managing Director	01.01.2007-31.12.2007	31.12.2009	-	5,839	880,000	758,075	1,643,914
3. Wesley Clark	Director	01.01.2007-31.12.2007	31.12.2009	75,000	-	-	-	75,000
4. Giulio Del Ninno	Director	01.01.2007-31.12.2007	31.12.2009	75,000	-	-	-	75,000
5. Pier Francesco Facchini	Director	28.02.2007-31.12.2007	31.12.2009	-	806	381,806	480,769	863,381
6. Hugues Lepic	Director	01.01.2007-31.12.2007	31.12.2009	-	-	-	-	-
7. Francesco Paolo Mattioli	Director	28.02.2007-31.12.2007	31.12.2009	75,000	-	-	-	75,000
8. Michael Ogrinz	Director	28.02.2007-31.12.2007	31.12.2009	-	-	-	-	-
9. Fabio Ignazio Romeo	Director	28.02.2007-31.12.2007	31.12.2009	-	3,608	718,846	631,208	1,353,662
10. Udo Günter Werner Stark	Director	28.02.2007-31.12.2007	31.12.2009	75,000	-	-	-	75,000
Resigned						-		
11. Christian Streiff	Director	01.01.2007-28.02.2007	-	-	-	-	-	-
12. Stefan Goetz	Director	01.01.2007-28.02.2007	-	-	-	-	-	-

Board of Statutory Auditors

Name and Surname	Appointed as	Period of appointment	Term of appointment (*)	Emoluments	Non cash benefits	Bonus and other incentives	Other compensations	Total
1. Marcello Garzia	Chairman	01.01.2007-31.12.2007	31.12.2009	20,660	-	-	105,790	126,450
2. Luigi Guerra	Statutory auditor	01.01.2007-31.12.2007	31.12.2009	12,920	-	-	54,950	67,870
3. Paolo Francesco Lazzati	Statutory auditor	01.01.2007-31.12.2007	31.12.2009	12,920	-	-	43,782	56,702
Managers with strategic responsibilities(**)		-	-	-	10,662	921,552	922,262	1,854,476

(*) The mandate expire with Meeting for the approval of the annual financial statement.
(**) Include three directors,

Stock option assigned to the members of Board of Directors, General Directors and managers with strategic responsibilities:

		Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expired during the year	Options held at the end of the year		
Name and Surname	Appointed as	N. of options	Yearly average price	Average term	N. of options	Yearly average price	Average term	N. of options	Yearly average price	Yearly average market price	N. of options	N. of options	Yearly average price	Average term
Pier Francesco Facchini	Directors	-	-	-	392,203	4.65	2.5	-	-	-	-	392,203	4.65	2.5

33. IRREGULAR AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB communication no. DEM/6064293 of 28 July 2006, it is specified that no irregular and/or unusual transactions were performed during 2007.

34. SIGNIFICANT NON RECURRING EVENTS AND OPERATIONS

As required by CONSOB communication n. DEM/6064293 of 28 July 2006 below is a summary of the economical effects of non recurring events and operations of the Group equal to costs for Euro 11,487 thousand in 2007 and Euro 84,770 thousand in 2006.

(in thousands of Euro)		
	2007	2006
Other non-recurring income:		
Acquisition price adjustment	39,315	-
Settlements with Pirelli & C. S.p.A.	20,712	-
Total other non-recurring income	**60,027**	**-**
Other non-recurring personnel costs:		
Shutdown of operating facilities	(4,028)	(14,090)
Total other non-recurring personnel costs	**(4,028)**	**(14,090)**
Other non-recurring amortization:		
Amortiziation of Pirelli trademark	-	(31,667)
Impairment of goodwill	-	(4,801)
Total other non-recurring amortization:	**-**	**(36,468)**
Other non-recurring costs:		
Launching of the Prysmian trademarks	-	(6,334)
Shutdown of operating facilities	(2,196)	(2,607)
IPO project costs	(8,148)	(10,200)
Sale of Telecom Submarine business	(729)	(1,100)
IT segregation	(944)	(354)
Corporate reorganization	-	(960)
Environmental costs	(368)	-
Total other non-recurring costs	**(12,385)**	**(21,555)**
Other non-recurring finance costs:		
Amortization of bank fees	(58,947)	(14,337)
Total other non-recurring finance costs	**(58,947)**	**(14,337)**
Other non-recurring finance income:		
Release of cash flow hedge reserve	3,846	1,680
Total non-recurring finance income	**3,846**	**1,680**
Total	**(11,487)**	**(84,770)**

35. CASH FLOW STATEMENT

The cash flow generated by operating activities during the year increased by Euro 19,753 thousand compared to 2006, despite the increase of net working capital generated by long term projects. This improvement was due to the significant increase in operating profitability and the "release" of working capital subsequent to the closure of the copper rod production facility in Prescot (United Kingdom). Investments in fixed assets made during the year totalled Euro 89,065 thousand, with an increase of Euro 3,663 thousand compared to 2006. This variation is fully attributable to the production capacity expansion in the plants dedicated to high voltage and submarine production (in particular in Italy and Finland), needed to satisfy the growing demand.
Net finance costs for the period, totalling Euro 123,172 thousand, include significant non cash items, mainly relating to the write-off of unamortized bank fees at 4 May 2007 (Euro 58,947 thousand) and the revaluation of the fair value of derivatives. Consequently, net of these effects, net cash finance costs included in the cash flow statement are Euro 82,539 thousand.

Net cash flow for the period, also benefited from the price adjustment and other payments received from Pirelli & C. S.p.A. for Euro 44,527 thousand, net of Euro 15,500 thousand, received in January 2008.

The composition of the cash and cash equivalent at the beginning and at the end of the period are described in the Note 9.

36. INFORMATION PURSUANT TO ART.149-DUODECIES OF THE CONSOB REGULATIONS FOR ISSUERS

Pursuant to Art. 149-duodecies of the CONSOB Regulations for Issuers, the following table shows the compensation in 2007 for audit work and other services provided by the Independent Auditors PricewaterhouseCoopers:

(in thousands of Euro)

	Supplier of services	Recepient	2007
Audit	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	1,687
	PricewaterhouseCoopers S.p.A.	Italian associates	594
	PricewaterhouseCoopers S.p.A.	Foreign associates	2,478
Certification	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	-
	PricewaterhouseCoopers S.p.A.	Italian associates	39
	PricewaterhouseCoopers S.p.A.	Foreign associates	47
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.(1)	1,491
	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	15
	PricewaterhouseCoopers S.p.A.	Italian associates	57
	PricewaterhouseCoopers S.p.A.	Foreign associates(2)	836
Total			**7,244**

(1) Due diligence services, support to the audit, support to IPO and others.
(2) Fiscal services and others.

37. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE YEAR

No significant events occurred after the end of the year 2007.

Milan, 7 March 2008

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Paolo Zannoni

ATTACHMENT A

The list of entities consolidated line by line as of 31 December 2007 is presented below:

Legal name	Office	Share capital		% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,071,176	100.00%	Prysmian Energia Holding S.r.l.
Finland					
Prysmian Cables and Systems OY	Kirkkonummi	Euro	2,000,000	100.00%	Prysmian Energia Holding S.r.l.
France					
Prysmian (French) Holdings S.A.S.	Paris	Euro	173,487,250	100.00%	Prysmian Energia Holding S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paris	Euro	18,500	100.00%	Prysmian (French) Holdings S.A.S.
Prysmian Cables et Systèmes France S.A.S.	Paron de Sens	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Eureletric S.A.	Paron de Sens	Euro	19,131,584	100.00%	Prysmian Cables et Systèmes France S.A.S.
Germany					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Prysmian Energia Holding S.r.l.
				6.25%	Prysmian S.p.A.
Bergmann Kabel und Leitungen GmbH	Schwerin	Euro	1,022,600	100.00%	Prysmian Kabel und Systeme GmbH
UK					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	95,329,120	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	8,000,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	118,653,473	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Industrial) Ltd.	Eastleigh	British Pound	9,010,935	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Supertension) Ltd.	Eastleigh	British Pound	5,000,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prysmian Energia Holding S.r.l.
Cable Makers Properties & Services Limited	Kingston upon Thames	British Pound	33	63.53%	Prysmian Cables & Systems Ltd.
				36.47%	Third parties
Prysmian Cables Limited	Eastleigh	British Pound	100,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Telecom Cables and Systems Uk Ltd.	Eastleigh	British Pound	100,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Metals Limited	Eastleigh	British Pound	100,000	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Focom Limited	Eastleigh	British Pound	6,447,000	100.00%	Prysmian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1,000,000	100.00%	Prysmian Energia Holding S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
GSCP Athena (UK) Holdings Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Ireland					
Prysmian Financial Services Ireland Limited	Dublin	Euro	1,000	100.00%	Third parties
Italy					
Prysmian Cavi e Sistemi Energia S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Energia Holding S.r.l.	Milan	Euro	10,000	99.99%	Prysmian Cavi e Sistemi Energia S.r.l.
				0.01%	Prysmian Cavi e Sistemi Energia Italia S.r.l.
Prysmian Cavi e Sistemi Energia Italia S.r.l.	Milan	Euro	59.749.502	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Telecom S.r.l.	Milan	Euro	10,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Telecom S.r.l.	Milan	Euro	31,930,000	100.00%	Prysmian Telecom S.r.l.
Prysmian Treasury S.r.l.	Milan	Euro	4,242,476	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian (US) Energia Italia S.r.l.	Milan	Euro	10,000	100.00%	Prysmian Energia Holding S.r.l.
Prysmian (US) Telecom Italia S.r.l.	Milan	Euro	10,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	Milan	Euro	20,000,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian PowerLink S.r.l.	Milano	Euro	10,000	60.00%	Prysmian Cavi e Sistemi Energia S.r.l.
				40.00%	Prysmian Cavi e Sistemi Energia Italia S.r.l.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Luxembourg					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	50,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Norway					
Prysmian Kabler og Systemer A.S.	Ski	Norwgian Krone	100,000	100.00%	Prysmian Cables and Systems OY

Legal name	Office	Share capital		% ownership	Direct parent company
Netherland					
Prysmian Cable Holding B.V.	Delft	Euro	54,503,013	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Cables and Systems B.V.	Delft	Euro	5,000,000	100.00%	Prysmian Energia Holding S.r.l.
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Energia Holding S.r.l.
Prysmian Cable Overseas B.V.	Delft	Euro	10,000,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
Prysmian Special Cables B.V.	Delft	Euro	2,400,000	100.00%	Prysmian (Dutch) Holdings B.V.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Ron	21,367,920	2.22%	Prysmian (Dutch) Holdings B.V.
				97.78%	Prysmian Cabluri Si Sisteme S.A.
Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Slovak Koruna	640,057,000	99.995%	Prysmian Energia Holding S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables y Sistemas S.L.	Vilanova I la Geltru	Euro	14,000,000	85.71%	Prysmian Energia Holding S.r.l.
				14.29%	Prysmian Cavi e Sistemi Telecom S.r.l.
Fercable S.L.	Sant Vicenç Dels Horts	Euro	3,606,073	100.00%	Prysmian Cables y Sistemas S.L.
Prysmian Servicios de Tesoreria Espana S.L.	Madrid	Euro	3,100	100.00%	Prysmian Financial Services Ireland Limited
Sweden					
Prysmian Kablar och System AB	Hoganas	Swedish Krona	100,000	100.00%	Prysmian Cables and Systems OY
Switzerland					
Prysmian Cables and Systems S.A.	Manno	Swiss Franc	500,000	100.00%	Prysmian (Dutch) Holdings B.V.
Turkey					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya Bursa	New Lira	39,312,000	83.75%	Prysmian (Dutch) Holdings B.V.
				16.25%	Third parties
Hungary					
Prysmian MKM Magyar Kabel Muvek KFT	Budapest	Hung. Forint	5,000,000,000	100.00%	Prysmian Energia Holding S.r.l.
Kabel Keszletertekesito BT	Budapest	Hung. Forint	1,239,841,361	100.00%	Prysmian MKM Magyar Kabel Muvek KFT
North America					
Canada					
Prysmian Power Cables and Systems Canada Ltd.	New Brunswick	Can. Dollar	1,000,000	100.00%	Prysmian (Dutch) Holdings B.V
U.S.A.					
Prysmian Power Cables and Systems USA LLC	Lexington	US$	10	100.00%	Prysmian (US) Energia Italia S.r.l.
Prysmian Construction Services Inc	Lexington	US$	1,000	100.00%	Prysmian Power Cables and Systems USA LLC
Prysmian Communications Cables and Systems USA LLC	Lexington	US$	10	100.00%	Prysmian (US) Telecom Italia S.r.l.
Prysmian Communications Cables Corporation	Lexington	US$	1	100.00%	Prysmian Communications Cables and Systems USA LLC
Prysmian Power Financial Services US LLC	Wilmington	US$	100	100.00%	Prysmian Power Cables and Systems Usa LLC
Prysmian Communications Financial Services US LLC	Wilmington	US$	100	100.00%	Prysmian Communications Cables and Systems USA LLC
Central/South America					
Argentina					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Arg. Peso	66,966,667	24.69%	Prysmian (Dutch) Holdings B.V
				74.92%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.39%	Third parties
Pirelli Telecomunicaciones Cables y Sistemas de Argentina S.A.	Buenos Aires	Arg. Peso	12,000	99.99%	Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.
				0.01%	Azionista Fiduciario
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Arg. Peso	48,571,242	95%	Prysmian (Dutch) Holdings B.V.
				5%	Prysmian Cavi e Sistemi Energia S.r.l.

Legal name	Office	Share capital	% ownership	Direct parent company
Brasil				
Prysmian (Brazil) Holdings Limitada	San Paolo	Brazilian Real 4,700	99.98%	Prysmian Cavi e Sistemi Energia S.r.l.
			0.02%	Prysmian S.p.A.
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real 106,824,993	99.44%	Prysmian Cavi e Sistemi Energia S.r.l.
			0.56%	Third parties
Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real 58,309,129	99.57%	Prysmian Cavi e Sistemi Telecom S.r.l.
			0.43%	Third parties
Sociedade Produtora de Fibras Opticas SA	Sorocaba	Brazilian Real 100	51.00%	Prysmian Telecomunicacoes Cabos e Sistemas do Brasil S.A.
			49.00%	Third parties
Chile				
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso 1,270,617,185	100.00%	Prysmian Consultora Conductores e Instalaciones SAIC
Prysmian EYT S.A.	Santiago	Chilean Peso 3,342,150,047	99.83%	Prysmian Instalaciones Chile S.A.
			0.17%	Third parties
Africa				
Ivory Coast				
SICABLE - Sociète Ivorienne de Cables S.A.	Abidijan	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	Tun. Dinar 3,024,700	51.00%	Prysmian Cables et Systèmes France S.A.S.
			49.00%	Third parties
Oceania				
Australia				
Prysmian Power Cables & Systems Australia Pty Ltd	Liverpool	$ Austr. 15,000,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd	Liverpool	$ Austr. 38,500,000	100.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
New Zeland				
Prysmian Power Cables & Systems New Zealand	Auckland	$ Nz. 10,000	100.00%	Prysmian Power Cables & Systems Australia Pty Ltd.
Asia				
China				
Prysmian Tianjin Cables Co. Ltd.	Tianjin	$US 13,100,000	67.00%	Prysmain Cable Holding B.V.
			33.00%	Third parties
Prysmian Cables (Shanghai) Co.Ltd.	Shanghai	$US 500,000	100.00%	Prysmian Cables Asia-Pacific Pte Ltd
Prysmian Baosheng Cable Co.Ltd.	Jiangsu	$US 19,500,000	67.00%	Prysmian Cables Asia-Pacific Pte Ltd
			33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd.	Wuxi	$US 29,941,250	100.00%	Prysmain Cable Overseas B.V.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	$US 14,000,000	100.00%	Prysmian Special Cables B.V.
Prysmian Hong Kong Holding Limited	Hong Kong	HKD 200,000	83.00%	Prysmian Energia Holding S.r.l.
			17.00%	Prysmian Cavi e Sistemi Telecom S.r.l.
India				
Pirelli Cables (India) Private Limited	Nuova Delhi	Ind. Rupiah 10,000,000	99.998%	Prysmian Cable Holding B.V.
			0.002%	Prysmian Cavi e Sistemi Energia S.r.l.
Indonesia				
P.T.Prysmian Cables Indonesia	Jakarta	$US 67,300,000	99.48%	Prysmian (Dutch) Holdings B.V.
			0.52%	Prysmian Cavi e Sistemi Energia S.r.l.
Malaysia				
Bicc (Malaysia) Sdn Bhd	Kuala Lumpur	Mal. Ringgit -	100.00%	Prysmian Cables Asia-Pacific Pte Ltd.
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Mal. Ringgit 10,000	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.
Singapore				
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	$Sing. 213,324,290	100.00%	Prysmian (Dutch) Holdings B.V.
Trans-Power Cables Pte Ltd. (in liquidazione)	Singapore	$Sing. 1,500,000	100.00%	Prysmian (Dutch) Holdings B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	$Sing. 25,000	50.00%	Prysmian (Dutch) Holdings B.V.
			50.00%	Prysmian Cables & Systems Ltd.

The list of the entities valued with the proportional method follows:

Legal name	Office	Share capital		% ownership	Direct parent company
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Mal. Ringgit	8,000,000	40.00%	Prysmian Cables Asia-Pacific Pte Ltd.
				60.00%	Third parties
Power Cable Engineering Services (M) Sdn Bhd	Selangor Darul Eshan	Mal. Ringgit	100,000	100.00%	Power Cables Malaysia Sdn Bhd

The list of the entities valued with the equity method follows:

Legal name	Office	Share capital		% ownership	Direct parent company
Germany					
Kabeltrommel GmbH & CO.KG	Colonia	Euro	10,225,838	1.00%	Bergmann Kabel und Leitungen GmbH
				27.48%	Prysmian Kabel und Systeme GmbH
				71.52%	Third parties
UK					
Rodco Ltd.	Weybridge	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Limited
				60.00%	Third parties
Poland					
Eksa Sp.Zo.o	Varsavia	Zloty	394,000	20.05%	Prysmian Energia Holding S.r.l.
				79.95%	Third parties
Arabian Emirates					
Cuomo Cable Company L.L.C.	Abu Dhabi	AED	150,000	49.00%	Prysmian (Dutch) Holdings B.V.
				51.00%	Third parties

LIST OF INVESTMENTS PURSUANT TO ART. 126 OF CONSOB REGULATION NO. 11971

The following table provides a list of the other significant investments pursuant to art. 126 of CONSOB Regulation no. 11971 of 14 May 1999:

Legal name	% ownership	Direct parent company
Europe		
Austria		
Prysmian Kabelwerke und Systeme GmbH	100.00%	Prysmian Energia Holding S.r.l.
Germany		
Kabeltrommel GmbH	5.88%	Bergmann Kabel und Leitungen GmbH
	5.88%	Prysmian Kabel und Systeme GmbH
	88.24%	Third parties
Switzerland		
Voltimum S.A.	13.71%	Prysmian Cavi e Sistemi Energia S.r.l.
	86.29%	Third parties
South America		
Argentina		
Fipla S.A. (company under liquidation)	66.97%	Prysmian Consultora Conductores e Instalaciones S.A.I.C.
	33.03%	Third parties
Asia		
Saudia Arabia		
Sicew-Saudi Italian Company for Electrical Works Ltd.	34.00%	Prysmain Cable Holding B.V.
	66.00%	Third parties
Africa		
South Africa		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi Energia S.r.l.

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT MODIFICATIONS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Pier Francesco Facchini, as Manager responsible for preparing the corporate accounting documents of Prysmian S.p.A., taking account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, declare:

- the adequacy in relation to the characteristics of the company and
- the effective application,

of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2007.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2007 is based on a process defined by Prysmian in compliance with the so-called COSO Report model, which is a reference framework generally accepted at an international level.

3. In addition, it is declared that the consolidated financial statements at 31 December 2007:

a) correspond to the entries in the accounting books and records;

b) are prepared in compliance with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued for the implementation of art. 9 of Leg. Decree no. 38/2005 and are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer and of the group of companies included in the consolidation.

7 March 2008,

Chief Executive Officer	Manager responsible for preparing corporate accounting documents
Valerio Battista	Pier Francesco Facchini

AUDIT REPORT

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Prysmian SpA

1 We have audited the consolidated financial statements of Prysmian SpA and its subsidiaries (Prysmian Group) as of 31 December 2007, which comprise the balance sheet, income statement, statement of recognised income and expense, cash flow statement and the related notes. These consolidated financial statements are the responsibility of Prysmian SpA's Directors. 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 and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. 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 audit opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 28 February 2007.

3 In our opinion, the consolidated financial statements of Prysmian SpA as of 31 December 2007 and for the year then ended comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, the results of operations, income and expense recognised in equity and the cash flows of Prysmian Group as of 31 December 2007 and for the year then ended.

Milan, 26 March 2008

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

(This report has been translated from the original version which was issued in accordance with Italian legislation into the English language solely for the convenience of international readers.)

dega design group

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PRYSMIAN
CABLES & SYSTEMS