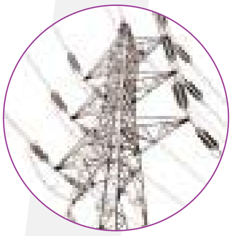
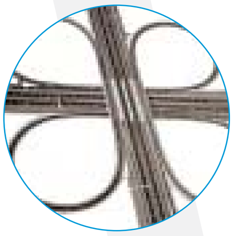
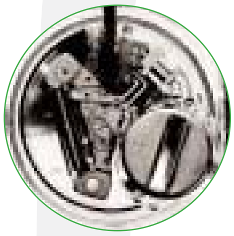
Nexans



Energy_



Telecom_



Electrical wires_

2000 ANNUAL REPORT

Contents

Pages

As the Nexans' IPO took place after the Annual Shareholders' General Meeting, this document has been drawn up for the purposes of presenting an overview of the company and the Nexans Group.

Nexans

a global presence

No. 1 Worldwide for winding wires_

No. 1 Worldwide for submarine power cables_

No. 1 European for wirerod_

No. 1 European for telecom network copper cables_

No. 1 European for equipment cables_

No. 1 European for data transmission special cables_

No. 2 Worldwide for LAN cables_

No. 2 Worldwide for power cables_

No. 2 European for bare wires_

No. 2 European for high voltage and medium voltage power accessories_

Nexans, world leader in cables and cabling systems_

Nexans is the world's leading cable and cabling systems manufacturer. The Group employs 18,500 people in more than twenty countries on four continents. Net sales for the year 2000 totalled 4.8 billion euros, 14.4% up on 1999.

Always tuned in to its customers' needs, Nexans offers a full range of cables and systems in the fields of energy and telecommunications, for the infrastructure, industry and building markets. It develops applications in areas as diverse as "smart" buildings, the automotive sector, railway equipment, aeronautics and health.

Nexans places the emphasis on expertise and quality of service. Its engineers work constantly to invent and develop the materials of the future. Nexans grasps every opportunity provided by the ongoing technological revolutions to promote its activities, be it in high-speed data transmission, new polymer mixes for cable sheathing, super-conductivity or plastic fibres.

Nexans' products comply with the most stringent international standards for safety and the environment. Whether routed below ground, above ground or under the sea, Nexans' cables and systems are designed to fully satisfy the new requirements of globalization.

The Group's recent IPO on the Paris Stock Exchange has given it new development potential and the means to implement a strategy of growth.

Interview with the Chairman and CEO_

Gérard Hauser, Chairman and Chief Executive Officer

"Our aim is to be the most profitable company in the cable industry"

The year 2000 saw the birth of Nexans. Is it too early to make an initial assessment of the situation?
The creation of Nexans enabled the majority of the Alcatel group's cable and components activities to be combined in a single independent legal entity. This separation from Alcatel has given us the opportunity to take our future firmly into our own hands, focusing on a core activity in which we are not only experts, but also one of the world's forerunners. Our new organization based on three business divisions (Energy, Telecom and Electrical wires) enables us to tackle our markets with confidence and clear visibility. The setting up of centralized functions gives us complete management independence, especially regarding the financial aspects.

The Nexans IPO has reinforced that independence. What development opportunities does this represent?
Once the restructuring was completed, the only way of definitively acquiring our independence was to go public, but not at any price. The IPO was initially planned for 2000, but as the stock markets were not in the best of health at the time, Alcatel postponed it. Now the move has been made. Our public status now gives us the means to look further ahead and exercise our activity in a responsible and responsive manner, for the benefit of our customers and shareholders alike. The financial markets simply provide a vector for possible growth. Now, yet again, it is up to us.

Nexans is in good health. Is it in phase with its markets?
We are lucky in that we work on strong markets. Second to food, the vital needs of man are energy, telecommunications, transport and housing. Nexans is a major player in all these areas. Today, more than ever, the future runs through Nexans. This is why our organization and strategy are based on the study of new needs and our ability to satisfy them. Nexans has top quality personnel and a customer portfolio of the first order. The company has low debt, and all the commercial, technical and financial means to progress rapidly over the next three years. We want to increase our share of the American market–which still represents only 23% of our turnover–and concentrate on the development of products with higher added value.

What are your ambitions for external growth?
The IPO has given Nexans the independence and means necessary to buy out companies whose products will enable it to increase its market share or strengthen its presence on progressing markets, by about 7% to 12% per year. We are talking essentially of products and components for telecommunications, electronic cables, special systems and cables, not to mention special products from our Energy Division. In a word, products with high added value.

"Nexans is an international group with top quality personnel and a customer portfolio of the first order. The company has low debt, and all the commercial, technical and financial means to progress even more rapidly over the next three years."

The year 2000 also saw continued restructuring. Can you tell us more about this?
External growth is not sufficient. If we are to improve profitability, we must improve productivity.
This demands a detached and objective identification of our weak points. It was with this aim that we consolidated and streamlined our high voltage cable production sites. On the research front, we can go even faster in the invention, development and commercialization of new products. We also have the means of progressing in customer relations and stock management. The year 2000 saw the start of a substantial continuous improvement program on twelve pilot sites.

Quality and innovation are watchwords; what are your goals in this respect?
Development also demands an active quality policy. Our aim is to reduce the level of defective products to below 0.5%. As for innovation, this constitutes the very heart of our activities. Although Nexans does not plan to embark on the production of optical fibres, we are at the forefront of R&D for the new generations of fibre cables. We will make the investments necessary to offer our customers the most comprehensive range of high-performance products.
We are also starting to commercialize our first plastic fibre cables for the automotive industry.

And what about customer service?
The customer is, and must remain, at the forefront of our concerns. Our policy in this area is based on the development of long-term partnerships in programs of research and innovation in the most dynamic industrial areas such as the automotive industry and aeronautics. The contract signed last year with the automotive equipment manufacturer Valeo is a perfect example in this respect. It will lead to mass production applications resulting in commercial spinoffs in the largest countries in the world. Today more than ever the future runs through Nexans.

Executive Committee_

Frédéric Vincent
Chief Financial Officer

"We have always kept in mind the notion of return on investment. We each have our role to play in making Nexans even more successful."_

After joining Alcatel in 1986, Frédéric Vincent integrated the Cables and Components sector in 1989, where he was appointed Deputy Managing Director (Administration and Finance) of Alcatel's undersea telecommunications activities, and in 1997 of Saft, Alcatel's batteries activity. From 1978 to 1985 he was a member of a major audit firm.

François Saint-Dizier
Senior Vice-President,
Human Resources

"Nexans' highly international teams working in over 20 countries in all four corners of the world are bound by a strong company culture. Our staff turnover is low, and internal mobility is encouraged."_

François Saint-Dizier was Director of Industrial Relations and Communication of Câbleries de Lens (France) until 1987. Before joining Alcatel in 1982, he held various positions in Administration and Human Resources within a subsidiary of the Pierre Fabre group, from 1972 to 1982.

Yvon Raak
President, Energy Division

"We have taken a strong lead over our competitors thanks to the exceptional level of consolidation of our production means. Developing new products and getting them to market faster, participating in the expansion of emerging markets, bringing our factories up to "World-class" level, understanding our customers' needs... these are all vital challenges"_

Yvon Raak joined the Cables and Components sector of Alcatel in 1999 as President of Telecom Products within the Executive Committee. From 1997 to 1999 he was Chairman and CEO of Alstom Énergie SA, and Senior Vice-President, Strategy & Management of Alstom Énergie. He joined Alstom in 1992 as Director before being appointed Chairman & CEO of European Gas Turbine SA. He began his career with Alcatel as Plant Manager at the Jeumont plant of Câbleries de Lens (France).

Gérard Hauser
Chairman and CEO

"We have everything it takes to succeed. First and foremost I have confidence in our teams, who have the means of getting to the very top of the performance ladder."_

Before joining Alcatel in 1996, Gérard Hauser held various key positions within the Pechiney group. From 1975 to 1996 he was President and CEO first of Pechiney World Trade, then of Pechiney Rhénalu, and lastly Senior Executive Vice-President of American National Can and member of the Executive Committee of the group. From 1965 to 1975 he held various positions of responsibility within the Philips group.

Bruno Thomas
Senior Vice-President, Strategic Operations

"Today Nexans is a fully fledged group. We have rethought its entire organization and created new centralized departments in order to operate in an entirely autonomous fashion."_

Bruno Thomas was previously President of the Energy Cables Division, President of the board of Alcatel Kabel KG and Director of Industrial Strategy. In 1992 he was appointed Vice-President of Alcatel Cable, in charge of the France sector. He joined Alcatel in 1986 as General Director of Câbleries de Lens, with responsibility for the Benelux sector. He began his career at Usinor in 1968.

Pascal Portevin
President, Telecom Division

"Although it is true that optical fibres are doing well, our offer will not necessarily be more attractive if we manufacture them ourselves. One of Nexans' strengths is that it has refocused its activities on cables. Our other strength is that we have a full range of products and solutions."_

In 1999 Pascal Portevin was appointed Managing Director of General Market product line within the Cables and Components sector of Alcatel after having headed the Telecommunications Cables activity. From 1993 to 1996 he was Chief Executive Officer (CEO) of Alcatel Fibres Optiques, then Director of Operations of the Optical Fibres product line. From 1990 to 1993 he was Technical Director of Alcatel North America when the optical fibres factory of Claremount (North Carolina) was being built. He began his career at Câbles de Lyon in 1985.

Michel Lemaire
President, Electrical wires Division

"We see the effects of globalization everywhere. The more consolidated our customers become, the more demanding they are. Nexans is well geared to follow this change and support its customers in their development."_

Michel Lemaire was Director of Human Resources at Alcatel Telecom France from 1996 to 1998. Prior to this, from 1993 to 1995, he was Director of Human Resources and Communication at Pinault-Printemps-Redoute. He joined Saint-Gobain in 1984, also as Director of Human Resources.

The Board of Directors and the Committees_

Gérard Hauser	Chairman of the Board
Gianpaolo Caccini	Director
Georges Chodron de Courcel	Director
Bertrand Durrande	Director
Jacques Garaïalde	Director
Robert Mahler	Director
Patrick Puy	Director
Ervin Rosenberg	Director
Jean-Louis Vinciguerra	Director

June 15, 2001

Members of the Board

As of June 15, 2001, the Board of Directors comprises the following nine members:

Gérard Hauser, 59 years old, has been Chairman and CEO of Nexans since the end of 2000. He is on the Board of Directors of Electro-Banque, the Hélène Azaria Foundation, Nexans Deutschland and Nexans Maroc.

Gianpaolo Caccini, 62 years old, has been General Director of the Saint-Gobain group since 2000, after joining the group in 1988.

Georges Chodron de Courcel, 51 years old, is a member of the Executive Committee and Head of the Banque de Financement et Investissement BNP Paribas. He is also on the Board of Directors of Bouygues and Scor, and a member of the Supervisory Board of the Lagardère group.

Bertrand Durrande, 50 years old, Chairman of the Board of Metaleurop, Vice-Chairman of the Supervisory Board of Penarroya Oxide SA and member of the Board of the Fédération des Minerais et Métaux.

Jacques Garaïalde, 45 years old, is Managing Director of "Carlyle Europe Internet Fund", part of "The Carlyle Group".

Robert Mahler, 55 years old, is President of Alstom France and of Gimelec, the grouping of French manufacturers of electrical and electronic equipment.

Patrick Puy, 45 years old, is Chairman and CEO of Moulinex.

Ervin Rosenberg, 65 years old, is Advisor to the Chairman and a member of the Supervisory Board of the Compagnie Financière Edmond de Rothschild Banque. He is on the Board of Directors of Thomson SA, a member of the Supervisory Board of Entreprise Minière et Chimique and of LCF Rothschild Financial Services.

Jean-Louis Vinciguerra, 57 years old, is Managing Director of the Resources branch of France Telecom.

Committees set up by the Board of Directors

At a board meeting held on July 4, 2001, the Board of Directors created two specialized Committees with the mandates and modes of operation described below.

The Accounts Committee

This committee comprises two independent members, Mr Georges Chodron de Courcel and Mr Jean-Louis Vinciguerra. Its functions include ensuring the relevance and consistency of the accounting methods used to draw up the corporate financial statement and consolidated accounts of the Group, verifying that the internal collection and control procedures guarantee information integrity, and giving the Board of Directors its opinion regarding the significant missions entrusted to the Auditors by the companies of the Group, and their fees.

The Compensation Committee

This committee comprises two independent members, Mr Patrick Puy and Mr Ervin Rosenberg. It gives proposals to the Board of Directors regarding the remuneration of the company officers, including that of the Chairman and CEO, and gives its opinion on the plans for share subscription or purchase proposed by the Chairman and CEO.

Auditing of the accounts

Auditors

• Barbier Frinault et Autres/ Arthur Andersen
41, rue Ybry
92200 Neuilly-sur-Seine
represented by Mr Alain Gouverneyre.

Date of first appointment: Ordinary General Shareholders' Meeting of February 21, 2000.

Date of current appointment: Ordinary General Shareholders' Meeting of May 9, 2000.

Date of expiry of current term of office: after the General Shareholders' Meeting held to approve the accounts of the year ending December 31, 2005.

• Ernst & Young Audit
4, rue Auber, 75009 Paris
represented by Mr Jean-Claude Lomberget.

Date of first and current appointment: Combined General Shareholders' Meeting of October 17, 2000.

Date of expiry of current term of office: after the General Shareholders' Meeting held to approve the accounts of the year ending December 31, 2005.

Deputy auditors

• Mr Pascal Macioce
41, rue Ybry
92576 Neuilly-sur-Seine Cedex

Date of first appointment: Ordinary General Shareholders' Meeting of February 21, 2000.

Date of current appointment: Ordinary General Shareholders' Meeting of May 9, 2000.

Date of expiry of current term of office: after the General Shareholders' Meeting held to approve the accounts of the year ending December 31, 2005.

• Mr Jacques Rigo
4, rue Auber, 75009 Paris

Date of first and current appointment: Combined General Shareholders' Meeting of October 17, 2000.

Date of expiry of current term of office: after the General Shareholders' Meeting held to approve the accounts of the year ending December 31, 2005.

Key figures for 2000_

+14.4% compared with 1999
4,783 million euros
Total sales at current copper price

+5.1% compared with 1999
4,361 million euros
Total sales excluding copper price variation

+22.5% compared with 1999
169 million euros
Income from operations

3.9%
Operating margin

146 million euros
Working capital provided by operations

76 million euros
Net debt

1,111 million euro
Net assets

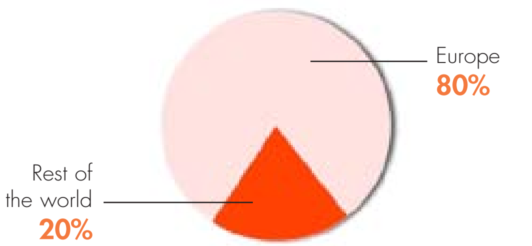
75 million euros
Net income

Shareholder information_

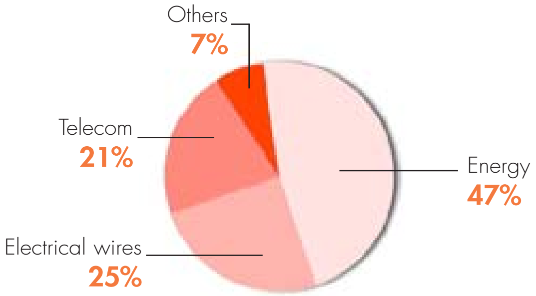
Date of IPO: June 13, 2001
Initial share price: 27 euros
Number of shares: 25,000,000
Stock market designation: NEX
Sicovam code: 4444

Shareholder structure at IPO***:

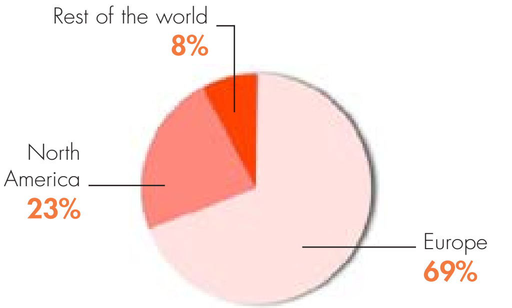
Individual shareholders	22.5% of shares offered
Institutional shareholders	77.5% of shares offered



Manpower



Breakdown by activity**



Total sales*
by destination

* At current copper price
** Excluding copper price variation
*** Excluding Alcatel

Significant events_

Greece (February)
Nexans won a contract (20 M euros) in partnership for the supply of a high voltage submarine connection system to transport electricity between the Ionian island of Zacynthos and Peloponnesus.

Sweden (February)
Nexans was chosen by Tele 1 Europe to supply fibre cables and associated systems to equip 8 broadband connection centres.

Canada (March)
Nexans signed a contract worth 35 M euros with the electricity distribution company Sask Power for the supply of power cables up until 2006.

Belgium (March)
Nexans was chosen for the turnkey supply of a 38-km underground power cable link between the towns of Braine-le-Comte and Oisquercq.

Qatar (April)
Nexans signed a contract (14 M euros) in partnership with ABB HV Cables for the supply of a high voltage power transmission system.

Italy (May)
Nexans took control of Safi Conel, a company specialized in the manufacture and commercialization of winding wires.

Switzerland (June)
Cabelcom chose Nexans to supply and lay an optical fibre cable between Martigny and Bellinzona. The project includes the engineering and supply of the accessories as well as laying of the cables.

Germany (July)
Bewag has contracted Nexans to supply and install a 17-km long high voltage underground power cable and all the associated accessories (about 6 M euros) to equip two districts in the Berlin suburbs.

Europe (October)
Nexans, in partnership with ABB, Legrand, Philips Lighting and Schneider Electric, launched Voltimum, the first European electrical installation portal for promoting products and services.

France (October)
From Alcatel's Cables and Components business comes Nexans.

Korea (March 2001)
Nexans took control of Daesung Cable, the fourth-largest South Korean cable manufacturer (consolidated turnover of 135 M US dollars in 2000), thereby strengthening its position on the Asian markets, especially in the areas of power and telecom cables.

France (June 2001)
Nexans' IPO on the Paris Stock Exchange.

, interconnecting all sectors of the economy_

Nexans has global expertise in cables and systems for three vital markets of the economy, namely infrastructure, industry and building. Each of these sectors has its own needs in terms of performance, reliability, safety and cost. At the cutting edge of innovation, Nexans is constantly tuned in to the needs of its customers the world over: it is for them that Nexans invents the solutions of the future.

Energy_ Telecom_Electrical wires_Energy_Telecom_ Electrical

Infrastructure

The operators of power transmission and distribution, telecommunications, motorway and railway networks represent the principal players on this market, where the use of existing rights of way constitutes one of the main lines of development. The infrastructure markets are currently undergoing drastic changes after enjoying decades of protection at national level. After a phase of deregulation marked by increased competition resulting in price-cutting and operator consolidation, the infrastructure markets are now experiencing a phase of stability and even growth in the USA and Europe, while the emerging Asian markets offer a wealth of opportunities.

Operating in this strong market context, Nexans provides a full range of cables, components and accessories, designed equally well for long-haul, metropolitan and local networks as well as for high, medium and low voltage power distribution.

Industry

Industry represents the second major market for Nexans, where it offers players in the computing, information technology, telecommunications and industrial sectors a wide range of cables that integrate optimally into their manufacturing processes. Nexans also provides automotive equipment manufacturers–large consumers of integrated systems–with light, flexible, compact cables and systems guaranteeing the highest levels of reliability. Its products also meet the needs of the aeronautics, space, rail transport and shipbuilding. Nexans has also a strong presence in the oil, petrochemical and gas industries.

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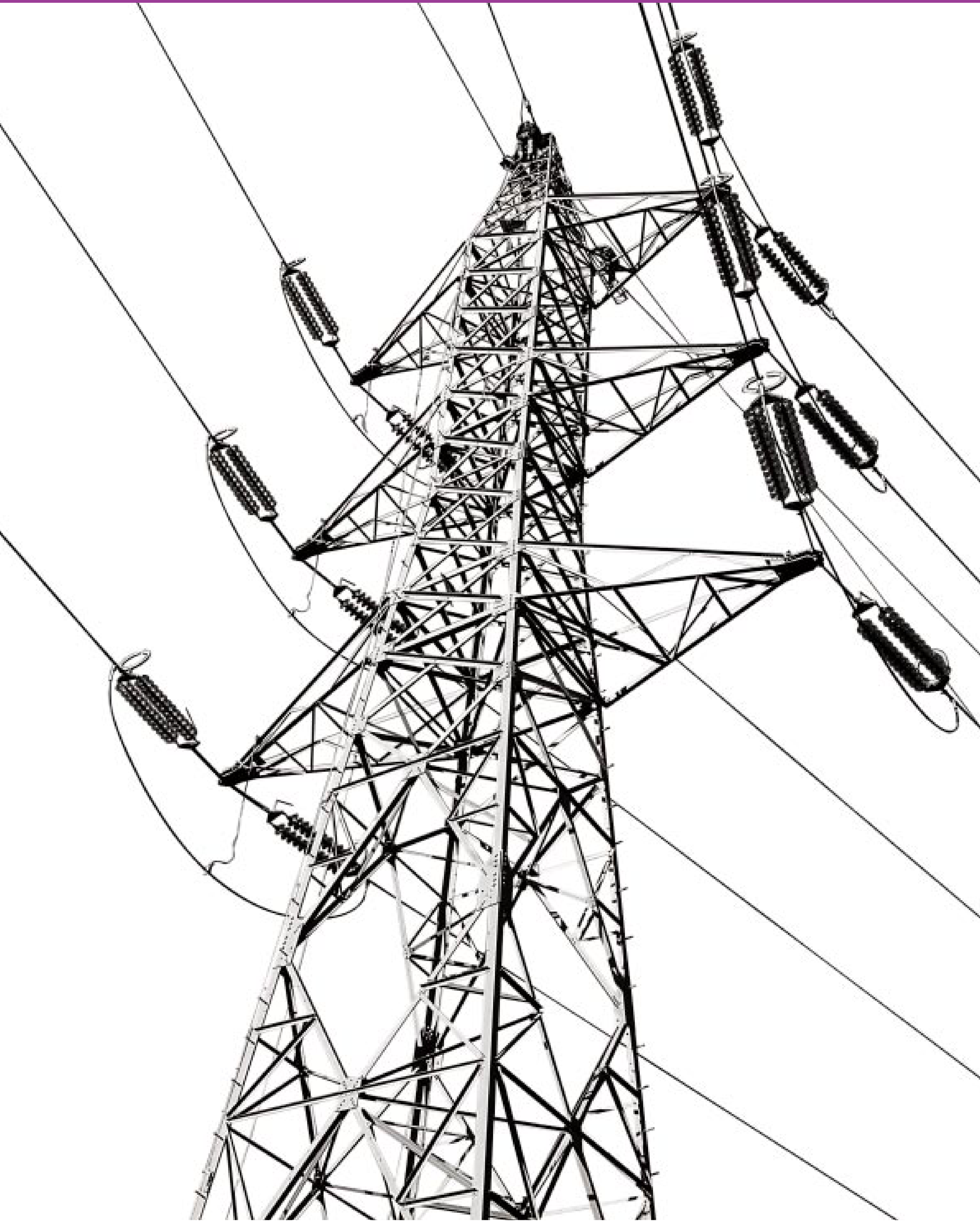
Its special cables guarantee optimum safety and continuous operation capability. The “umbilical” cables that Nexans has developed to carry telecommunications, power and fluids to oil platforms are designed to withstand the harshest environmental conditions. Nexans provides a personalized customer service for each of these industrial sectors. Aware of the increasingly important role of the major industrial integrators (Original Equipment Manufacturers), it adapts its pricing, know-how and capacities for innovation and production to the growing demands of purchasing departments and global procurement policies.

Buildings

More and more modern buildings are “smart” buildings, integrating functions such as telecommunications, power, building management, elevator control, fire safety and security in a single system. Nexans has a strong presence on this booming market, providing distributors, installers and engineering firms with cables and modular, upgradable, high-performance systems to distribute power, communications and data. More than just a supplier, Nexans is a true systems integrator. For example, it offers modular hybrid copper and optical fibre solutions for organizations using high-speed Local Area Networks (LANs), such as universities, government departments, banks and other companies.

These solutions provide for a multitude of different data speeds while extending the life of existing systems. Nexans is also ahead when it comes to safety, offering its customers in the building sector non-toxic, low-smoke, fire-resistant cables. Its research and development teams work constantly to ensure that their new products are environmentally friendly and comply with local regulations and the most stringent safety standards.

Energy_



On the ground, in the sky, even underwater, energy can go anywhere with

High, medium and low voltage cables, overhead and underground lines, submarine and special cables, accessories, superconductors... the Energy Division alone accounts for almost half of Nexans' total sales. It is 2nd Worldwide for power cable production.

On 31/12/2000

47% of the Group's activities

Total sales of 2,062 million euros_
(at constant copper price)

9,026 employees_

No.1 Worldwide for submarine power cables_

No.1 European for equipment cables_

No.2 Worldwide for power cables_

No.2 European for high voltage and medium voltage power accessories_

Yvon Raak

"Our aim was first and foremost to modernize our production facilities. This year, we have made huge investments, especially in the Charleroi high voltage plant. By consolidating our activities, we have gained a full-length lead on the rest of the profession. In 2001, we will continue our investment policy while at the same time developing our employee's skills in order to bring our plants to "top level" in best practices worldwide for all industries combined. For turnkey projects and special cables, we are now focusing on customer relations and innovation."

Nexans, second-largest supplier in the world

The Nexans Energy Division, number 2 worldwide for power transmission cables and systems, has the majority of its production facilities in Europe, Canada and South-East Asia. It adapts its production capacities and products to the ongoing economic situation and the major regional markets. In this way, Nexans meets the dual challenge of controlling costs and meeting international standards by producing cables that are less costly, more resistant and offer higher performance. Over the last few years in Europe these markets have witnessed overproduction of high and medium voltage equipment, but a growth in demand for special cables. In Asia, the emerging markets offer great opportunities. Given this general context, Nexans this year has pursued the policy of restructuring its production sites that began in 1996. The consolidation of resources has enabled the modernization of the production means. A cost-reduction program has been implemented, involving improvements in design, manufacturing processes, packaging, transport, and raw material purchasing policies. The logistics platforms have also been streamlined.

High voltage: more power, fewer pylons

Nexans proposes a full range of products for high voltage network operators, covering all technologies and all standards, from 63 to 500 kV. To meet the new European requirements of high voltage electricity transmission, it has developed a range of specific products. One example among others is the Aero-Z solution, which enables old-generation cables to be replaced by more efficient special geometry cables while conserving the existing pylons. The Belgian national grid is now equipped exclusively with these new cables. Even if many countries are increasingly laying underground cables for low and medium voltage lines, the market for aboveground high voltage cables still has strong potential in countries with vast expanses of land, such as Russia, the USA, in South-East Asia and South America.

Cabling the depths
The "Skagerrak" is one of just two ships in the world capable of carrying very heavy submarine cables and laying them at depths of up to 2,300 metres.

Equipping trains with more reliable cables
Nexans produces complete systems for catenaries. These cables, made of copper and various alloys, offer greater tensile strength and greater safety at high speed. In tunnels and public places, HFFR cables guarantee fail-safe operation of power, alarm and communication systems. Nexans' modular and upgradable cables and accessories can be adapted to suit any railway system in the world.

"20,000 leagues under the sea"
Nexans is one of the world leaders in the manufacture and laying of submarine cables and oil platform equipment. This activity demands an exceptional level of expertise. Submarine cables must be corrosion-resistant and withstand both the extremely high pressures and high mechanical stresses exerted during laying. The high voltage submarine cable market is of capital importance at present as very large projects are being brought back onto the agenda. This is the case between Morocco and Spain, Norway and the British Isles, the Philippines, Indonesia, Cyprus, and between Australia and Tasmania. To ensure the capability to respond optimally to these huge demands, Nexans has consolidated its personnel and streamlined its production means on a single site at Halden in Norway, a country renowned for its maritime skills. Nexans also produces umbilical cables that route fluids, data and power to oil platforms at sea. The prospects are turning out to be excellent: with its order book well filled for the coming years, Nexans is consolidating its position as second in the world on this market.

Medium and low voltage: out to win new territories
Power distribution networks are becoming increasingly large and complex. Nexans provides these networks with a full range of medium voltage (from 3 kV to 60 kV) and low voltage (1 kV) cables and accessories to ensure the distribution of electricity to consumers. Each product is manufactured to the specifications of the national or regional distribution grids.

Ensuring fire safety: the HFFR solution

Nexans has developed halogen-free, low-smoke, fire-resistant cables to ensure the safety of personnel in power stations and substations. These cables are also used in nuclear power plants, as they resist radiation for the 40-year life of the reactor, and the constraints imposed by such an environment.

Did you know?_

Today, a top-of-the-range car packs about 5 km of cables on average. Soon, electronics will represent 30% of the purchase price of a vehicle. With temperatures under the car bonnet exceeding 150°C, wires and cables need insulation and sheathing robustness that will stand up to virtually anything.

Nexans' strategy consists in strengthening its position in countries where it has a newly acquired presence, such as Turkey. It recently formed an alliance in Lebanon with the local company Liban Câble, which also enabled it to acquire a presence in Egypt. The Group is also very active in South-East Asia, where it has bought Daesung Cable, a company with subsidiaries in Vietnam and Tanzania. This strategy of geographical expansion is backed by a strong capacity for innovation. Nexans is one of the world leaders in cold-shrinkage technologies for medium voltage accessories.

General market: when the building sector is OK, everything is OK!

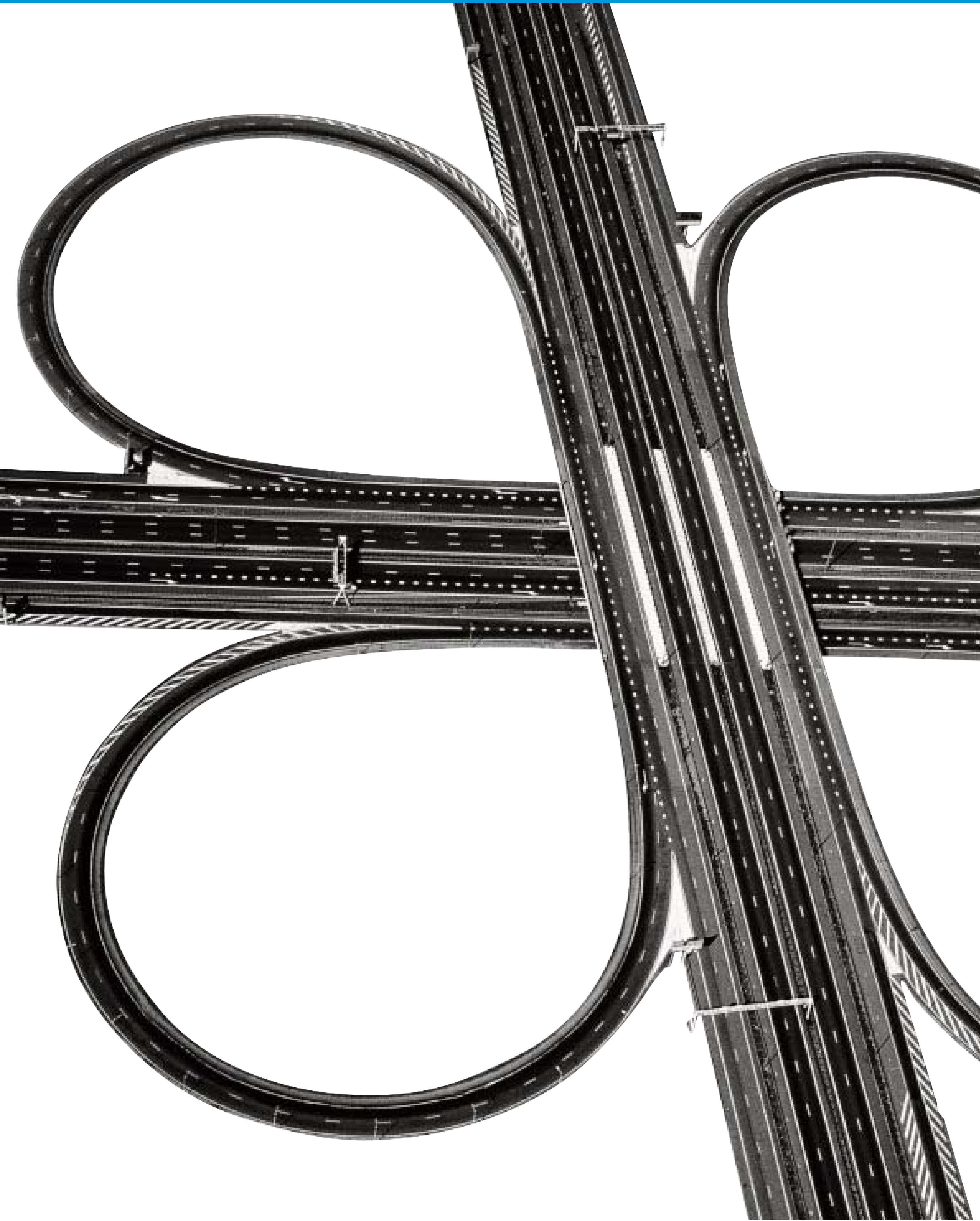
To ensure their energy requirements, "smart" buildings are equipped with resistant and reliable cables that combine several functions. Nexans' low voltage cables equip office blocks, residential buildings and industrial facilities with high-performance electrical networks. They are especially renowned for their robustness and fire-safety characteristics. Nexans is present in fourteen countries to serve this market.

Special miniature cables for on-board electronics

Nexans produces a large variety of special cables. They comply with very precise requirements defined by the customers. The automotive and aeronautical industries in particular, which make increasing use of small electric motors and onboard electronic circuitry, are large consumers of high-reliability, highly-protected miniature cables. The production of these "made to measure" cables requires very close collaboration with the customer, which often means seconding Nexans engineers to work in the customer's own development teams. The year 2000 saw the signing of contracts with major car manufacturers such as BMW and Mercedes, as well as the equipment manufacturer Valeo for the supply of high-performance wires integrated

in harnesses and flat conductor ribbon cables. Nexans also provides cables with improved fire resistance and low smoke emission, flexible cables for systems integrators, and cables for industrial equipment, large projects, infrastructures, etc.

Telecom_



With , communications travel ever-faster_

Nexans provides two major product families for the telecommunications and data transmission market: network cables and cabling systems. With systems that are ever-more complete and easy to upgrade, products that are ever-more compatible and simple to put into service, Nexans has forged itself a leading European position in this field, which represents almost a quarter of its business.

On 31/12/2000

21%
of the Group's activities

Total sales of
876 million euros_
(at constant copper price)

4,696 employees_

No.1 European for telecom network copper cables_

No.1 European for data transmission special cables_

No.2 Worldwide for LAN cables_

Pascal Portevin

"Operators are increasingly seeking hybrid solutions that enable them to acquire ownership of the last mile to the subscriber by the easiest means possible. With its complete copper wire and optical fibre interconnection solutions, Nexans is an unavoidable partner in this strongly developing market."

First in Europe, second in the world

Thanks to its global expertise in cables and components, Nexans masters all aspects of data transmission and telecommunications. Second worldwide for the production of data cables, and number 1 in Europe for telecom network copper cables, it offers a full range of copper and optical fibre solutions meeting the needs of networks, be they local, access, long-haul or metropolitan. Its development centres work constantly on the design of new solutions for the networks of today and tomorrow. It provides assistance and total maintenance services that support its customers throughout the world.

Expertise in hybrid solutions

Nexans' strategy on the network cables market consists in concentrating on the last-mile race to the subscriber and developing efficient and competitive hybrid solutions. Although optical fibre is currently in a phase of exponential development, the demand for copper-based products is still strong. This is especially true in Europe, thanks to the installation of second lines for Internet connections, and also in developing countries such as Egypt or Morocco, where Nexans is very active. The Group is developing its positions in Latin America, and Brazil in particular, through agreements with high-profile partners such as the operator Telefonica. The strategic priorities for Nexans in the medium term are to strengthen its position as European leader on the copper cable markets and to develop an optical fibre cable offering with high added value for service. Nexans offers a huge range of access components and is becoming a leading reference in the supply of interconnection

Ensuring right of ways

Nexans' customers include the companies that own or operate right of ways: navigable waterways, rivers and lakes, railway lines, motorways, overhead power networks. Its data transmission cables are thus routed along all the existing paths and networks.

Collecting and transmitting seismic data

Nexans produces special fibre cables for data transmission and special seismic analysis cables for oil prospecting and exploration. These cables are characterized by their operational reliability and sensitivity in frequently difficult working conditions.

systems for optical fibre and copper cable networks in both Europe and the United States. It intends to develop its sales in this domain by offering a large variety of new products, especially fibre products, and seeking takeover and partnership opportunities.

The "LAN" momentum

The development of LANs (Local Area Networks) is an area of major importance on the telecommunications market. Working on its considerable expertise in this domain, Nexans supplies integrated LAN solutions for transmitting voice, data and video signals. This activity involves both cables (copper and fibre) and connectors. These solutions all help render corporate buildings even "smarter". Nexans sells its products under its own brand name through distributors, agents and installers, mainly in Europe and North America. In 2000, Nexans signed and agreement with Ortronics, an American manufacturer of LAN connectors and components. With the recent development of the GG45 connector, selected by ISO for the definition of the future

Benefiting from the momentum of LANs

Nexans' cabling systems transport the voice, data and video communication networks installed in companies, universities, factories, hospitals, and banks, to name but a few, into the "multigigabit" era.

Did you know?_

Nexans cables play an important role in elevators, where optical fibres and telephone pairs ensure the lighting, control, and video and remote surveillance.

category 7 standard, Nexans has crossed yet another milestone in the development of new technologies.

Metropolitan or long-haul: a complete offering

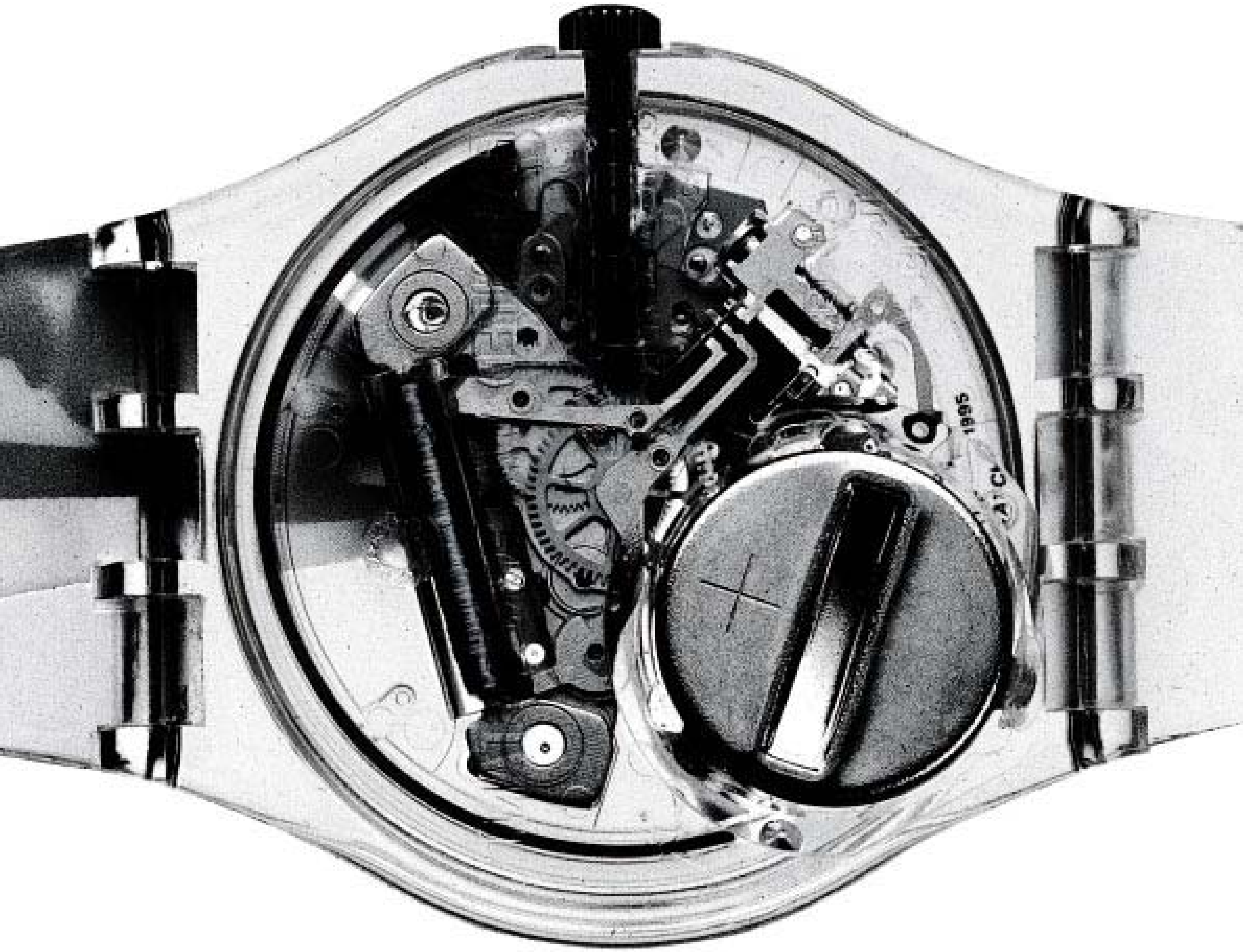
With its vast range of copper and fibre cables, Nexans is a first-choice supplier to long-haul and metropolitan network operators. Its product offering includes innovative solutions enabling operators to exploit "rights of way" to ensure fast development of their networks. Tuned in to the major international markets and with its pan-world presence, Nexans is developing its "win" strategy and adapting its offering to meet local requirements. Its "proximity" approach sets it apart from its competitors and enables it to satisfy the most exalting demands.

Absolute precision for high-tech industries

Nexans figures among the very top world players in the market of special and precision cables for data transmission, supplying its products to the aeronautical, computer and telecommunications industries, among others. These high added value products are usually custom-designed to meet the highly specialized requirements of customers. They are experiencing strong growth, due in particular to the development of the Internet, broadband networks, and new communication technologies in general. Nexans' strategy in this area is based on three broad axes:

- developing its positions with equipment suppliers;
- making company acquisitions to enhance its presence, particularly in the USA;
- establishing close partnerships with connector manufacturers in the telecommunications and microelectronic cables sector.

Electrical wires_



With, electrical wires are entering the "made-to-measure" era_

Nexans masters the entire production line, from the copper cathode, close to the base metal, through to the world standards for wire and cable, and is placed at the forefront of a healthy market. Number 1 Worldwide for winding wires and number 2 European for bare wires, Nexans combines steady growth with good profitability thanks to its high-performance products and strong industrial partnerships.

On 31/12/2000

25% of the Group's activities

Total sales of 1,095 million euros_ (at constant copper price)

2,672 employees_

No.1 Worldwide for winding wires_

No.1 European for wirerod_

No.2 European for bare wires_

Michel Lemaire

"The fact that we master the copper production process from the cathode through to the finished cable gives us an advantage over most of our competitors. The contracts concluded many years ago with the world's main copper producers, especially in Chile and Africa, place us in a privileged position and it is vital for us to take advantage of this."

An historical advantage

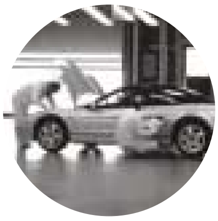
Nexans is one of the world's largest electrical wire manufacturers. It benefits from a longstanding market presence that goes back to the end of the 19th century. From the very outset, the Group was able to gain the support of copper producers all over the world and master the entire production chain by manufacturing the wires used to make the cables. More specifically, Nexans produces the 8-mm rod, the standard used by all wire and cable manufacturers in the world, many of whom are obliged to purchase the rod from outside sources. Thus in 2000, the Group transformed some 700,000 tons of copper. The market follows the economic climate of the consumer regions and market sectors, especially in the case of winding wires, destined more specifically for the automotive, household appliances and computer industry. The cyclic effects are attenuated by Nexans' global and multi-sector presence. The total sales of the Electrical Wires Division in 2000 totalled 1,095 million euros (at constant copper price), representing, in the domain of winding wires, an increase of over 15% on the 1999 figure.

A profitable activity… because it is streamlined

The results of Nexans' Electrical Wires Division were good this year. This performance can be explained among other things by a rational purchasing and procurement policy. In a raw material market that is subject to strong fluctuations, Nexans has a sufficient diversity of supplier countries to be able to overcome any procurement crises. With a copper processing capacity that is going to be upped from 44 to 55 tons per hour, and the implementation of new software package systems, the Group is working to reduce stocks and production costs. The medium-term objective for the winding

Magnebond®

Magnebond is an innovative copper winding wire that has the property of becoming adherent in the presence of heat and producing sintered windings without any impregnation treatment. This type of wire is used in the manufacture of television sets, hand-held electric tools (drills etc), fans, refrigerator compressor motors etc.



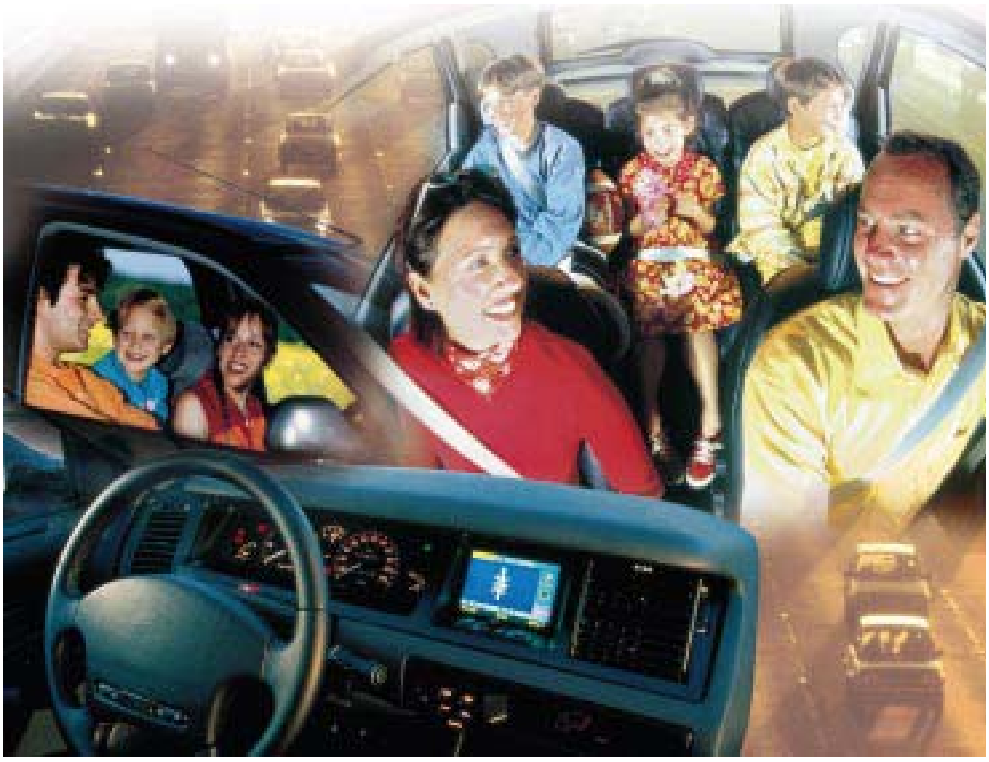
Ultrahigh-performance technologies

Nexans has recently acquired a horizontal enamelling furnace with which it can improve the quality of winding wires and meet the ever-more stringent requirements and growing demand of its industrial customers (manufacturers of automotive equipment, household appliances, lighting appliances etc)

wire activity is to lower production costs by 20% thanks to the "New Horizontal Process". This process places all the elements in the production line at the same level, starting with the customer's demand, thereby enabling needs to be satisfied under optimum technical or lead-time conditions.

High-performance products

The electrical wires activity includes rods, bare wire and winding wires. The former cover all bare copper, aluminium or alloy conductor wires for cables and electrical applications. Nexans markets a complete range of copper conductors intended more specifically for high-performance sectors such as ultrafine wire, surface finish quality and electrodeposition. The Group develops value-added products and focuses on niche markets. Winding wires represent the second category of electrical wires. These are varnish-coated copper or aluminium wires designed for electric motors, transformers and magnetic coils. They find numerous



New lubricants
New lubricants have been developed for drawing copper wires. Ensuring the same level of quality, if not better, they bring substantial savings in production costs... for the benefit of Nexans' customers.

Did you know?_

Packed with technology and very expensive (about 2,000 euros per kilo), coated with varnish and yet finer than a hair, winding wires are commonly used in clockmaking and the manufacture of wristwatches.

applications in the car industry, lighting, household appliances, and electricity distribution, to name but some. And Nexans is meeting all these customers' growing demands for miniaturization.

Development by innovation
Nexans' historic position on the electrical wires market does not stop it from implementing a very active policy of research and innovation. Quite the contrary. Its ultramodern centre at Meyzieu is geared to offer new products that correspond exactly to its customers' demands. The quality of its conductors used for electrical wires or LANs has become a reference the world over. Nexans has recently developed an insulating varnish that gives its winding wires an unequalled capacity to withstand extremely high temperatures. It is also strongly involved in the development of transposed cables (CTC), which are used increasingly in the manufacture of transformers.

A strategy of global conquest
Nexans has production units in Europe, North America and Asia. Its development strategy is based, among other things, on across-the-world deployment, and Asia is a focal point in this respect. This global strategy provides the possibility of balancing any reductions in activity in countries suffering an economic slowdown, and above all of selling irreproachable quality more cheaply, thanks to the integration of its product range and its local or sector-based alliances.

An international culture and a strong identity_

Human Resources plays a driving role in the growth of the Group. This is why Nexans uses every possible means-recruiting, training, remuneration, profit-sharing-to attract and keep the top people. Its teams, with their unanimously acknowledged know-how, international openess and everyday contact with the realities of work on the ground, cultivate the company spirit and a love of their profession.

2000, year 1 for Nexans
The year 2000 was marked by the restructuring of the Group which, from the legal aspect, concerned all the personnel and went smoothly. New centralized departments were created to ensure the full independence of Nexans: Financial, Legal, Technical, Human Resources, Communications, Purchasing and Information Systems. Acquiring independence also meant acquiring new resources and tools. Management meetings were held in the various countries throughout the year to ensure employee involvement in this event. Today Nexans has a staff of about 18,200, of whom 5,200 work in France and 13,000 abroad. Its teams are deployed on numerous industrial sites in more than 20 countries. Wherever it is, Nexans favours local skills. About one hundred of the two thousand managerial staff–mainly management accountants and production engineers–are expatriated. The commercial functions are integrated in three Business divisions and one specialist Export division, the GESO (Global Export Sales Organisation).

Loyalty does not preclude mobility
The Nexans teams are bound by a strong company culture based on their activity as cabling specialists. They have good internal professional and geographic mobility, a quality that is encouraged by the human resources policy. The Human Resources Department teams have set up

On December 31, 2000_

18,186 employees_
76 production sites in more than 20 countries_

A very strong company culture_
Staff turnover below 5%_

an international network of Human Resources Directors, which makes a point of encouraging the development of international careers and harmonising actions across all the sites, for remuneration and training alike.

A new and strong identity
The creation of a new company and the split from Alcatel received full support from all the employees. Throughout the year, an intensive communication campaign was run to develop a strong corporate identity around a new name and a new image. The highly positive reaction of our customers further encouraged our employee's involvement in this company project. Nexans also makes a point of projecting this identity and image towards the graduates of the top engineering schools.

Training courses to "grow" better
As far as training is concerned, Nexans still benefits from the highly effective tools implemented within the Alcatel group. These tools will gradually be adapted to meet the specific needs of the Group and the characteristics of its cable activities. Already a training course for future directors has been set up, with full deployment planned for 2002. The "K programme", a training course developed in collaboration with the ESSEC, has the vocation to make individuals in the organization "grow" by widening their vision of the company. This program is intended for Nexans engineers and junior executives who are preparing to take on management functions.

Associating the personnel with the Group's performance
The Group's personnel remuneration policy is designed–through a system of bonuses linked to qualitative and quantitative objectives–to ensure that the employees gain maximum benefit from their activities and the overall performance of the company. Subsequent to its IPO, Nexans is envisaging going even further in this direction in the near future by proposing to its shareholders the adoption of a bold employee shareholding policy.

The art of gentle integration
Nexans' external growth policy is based on decentralization and respect for local industrial cultures. An example is the recent smooth integration of Daesung, a Korean company specialized in power and telecommunications cables employing 550 people. On the Human Resources front, Nexans HRD applies itself to uniformizing salary scales, initiating training actions and encouraging personnel mobility.

A strong current of innovation_

Nexans conducts extensive R&D work within its specialist departments and laboratories. It thus constantly anticipates the market demands and implements high-performance solutions adapted to each specific need. Innovation is also concerned with enhancing the level of safety and the operation of products in extreme conditions. Nexans' engineers invent the materials, products and services of the future.

A constant Research effort
To invent and develop new products and systems, to use new technologies, to patent inventions and to foresee customers' demands, such are the foundations of Nexans Research & Development strategy. The Group devotes an annual budget of some 38 million euros and over 400 people (scientists, engineers and technicians) to specific programmes relating to both fundamental and applied research.

Cutting-edge research into its core activities
Nexans conducts fundamental research in the major areas of its activities. It carries out scientific research based on the expertise acquired through its numerous industrial sites, its global presence and its vast portfolio of customers. As a result, it is spearheading innovation in areas such as superconductors, polymers, data cables, power cables and plastic optical fibres. Its research potential is further enhanced through alliances with universities and external research centres.

Specialized skills centres
Nexans also performs applied research work in its eight skill centres in France and across Europe. These centres are specialized per product range and have their own Research & Development resources. They are tuned in to the needs of the customers and major industrial production sites, and staffed by teams of skilled specialists. The multicultural nature of these teams and their initiative-taking ability enables them to anticipate needs and develop fruitful partnerships with local customers.

Integrating the marketing aspect
Nexans' R&D structure is organized per activity and is

On December 31, 2000_

400 research scientists, engineers and technicians_
8 R&D centres across the world_

An annual budget of 38 million euros devoted to R&D_
Numerous projects in partnership with industry_

Cutting edge positions in superconductors, plastic optical fibres and cable sheath materials_

finely tuned to the company's marketing strategy, in order to respond precisely to customers' demands. Thus, the Energy Division focuses its work on high-temperature superconductors, techniques for insulating high voltage cables, and non-polluting fire-resistant polymers. The Telecom Division concentrates above all on increasing data transmission capacity. As for the Electrical wires Division, it devotes its efforts to increasing productivity and developing new value-added products, particularly in the field of winding wires.

The specialities of Nexans' 8 skills centres

Halden, Norway
Submarine cables and umbilical cables for oil platforms.

Calais, France
High voltage cables and extruded insulating materials.

Brussels, Belgium
Cabling systems.

Lens, France
Metallurgy-copper, aluminium and alloys.

Chauny, France
Electrical wires.

Nuremberg, Germany
Polymers and cable components.

Erembodegem, Belgium
Power cable accessories.

Bezons, France
Telecommunications components.

320 patent families
Nexans considers the protection and management of its patents portfolio to be an essential part of its activity. At present the Group holds a portfolio of about 320 patent families, and applications for resgistration are currently being made in connection with an additional 180 patent families. They aim at ensuring the effective protection of Nexans' R&D work in a particularly harsh competitive environment.

Compliance with the most stringent standards_

Nexans adopts and promotes an exemplary attitude in its approach to questions of the environment and safety. Its production sites meet the most stringent standards in both these areas. And the products they manufacture and distribute across the world benefit from substantial research budgets devoted in particular to fire protection and end-of-life recycling.

Working to ensure sustainable growth
Today, safety and respect of the environment are the two cornerstones of sustainable growth. Fully aware of these new requirements, Nexans applies the most stringent standards in these two areas to its own work. Thanks to a contract concluded with the Insurance and Risk Management Department of Alcatel, Nexans benefits from high-level expertise and guarantees regarding fire safety, electronic data protection, problems intrusion, and storage conditions for oils, solvents, and inflammable products, to mention but a few. The majority of its plants operate in closed loop configurations where emissions are controlled and energy is saved. Virtually all its sites have ISO 14001 certification. The plants meet the same requirements and standards as far as personnel safety is concerned. Two or three-year plans are being implemented to bring machines into conformity with European directives under optimum conditions. Strongly positioned thanks to its numerous industrial facilities, Nexans capitalizes on experience and encourages the transfer of tried and tested solutions.

Recycling–an absolute priority
Nexans is one of the leading French manufacturers when it comes to recycling. It applies an approach based on the different phases of its products' life cycles, and has developed a software called "EIME" that has become a reference in the profession, especially with the Sycabel (Syndicat Professionnel des Fabricants de Fils et Câbles Électriques) and the FIEEC (Fédération des Industries Électriques, Électroniques et de Communication). This program is used during product design to estimate their impact on the environ-

On December 31, 2000_

Virtually all the production sites have ISO 14001 certification_

Nexans is one of the world's pioneers in lead-free cables_

Leader in the recycling of gel-filled telephone cables_

RIPS: a dedicated recycling company_

1 million FrF per year and per plant devoted to upgrading facilities to ensure conformity_

ment. It analyzes parameters such as the raw materials and energy used in the various phases of the product's life: design, manufacture, use, and possibly destruction at end of life. This approach has resulted in a genuine policy of collection and recycling through a subsidiary dedicated to the collection of rejected cables. The cables are first sorted, then the pure materials (copper, aluminium and steel) are sold to approved smelters, while the PVC is used to make floor coverings

and posts for vineyards and fencing. Nexans has come up with a multitude of innovative solutions for reusing materials reputed to be particularly difficult to recycle. This is the case, for example, with rubber materials, which can be reduced to powder form and used to make a highly effective rain-shedding road surfacing materials.

At the cutting edge of fire-proof cables

Cables, which are often enclosed in plastic sheaths, are basically fire propagators. This is why Nexans allocates a large part of its research budgets to the development of fire-retardant cables. This research has resulted in the creation of flame-resistant products that emit no toxic fumes and continue to function at extremely high temperatures for a long time after fire has broken out.

Such cables can thus prevent the power cuts that aggravate the catastrophic nature of fire situations. These cables are used in environments such as submarines, aircraft carriers and thermal or nuclear power plants. The tragic consequences of recent road and rail tunnel accidents should lead to the more systematic and restrictive use of fire-resistant and special cables. In this domain, Nexans has an undeniable technological lead over the majority of its competitors.

Recycling of telephone cables

Nexans is one of the world leaders in the recycling of telephone cables. It has a highly efficient process for sorting their constituents: metal, plastic and above all the gel filling used to render telephone cables waterproof.

Cables with mineral insulants

Nexans manufactures cables with mineral insulants that function on the principle of powder-filled tubes. Other mica-based cables enclosed in special plastic sheaths that withstand extreme temperatures and pressures are used in nuclear power plants.

More than a century of progress and innovation_

Since the stroke of genius of the Swiss engineer François Borel that rendered electric cables waterlight by applying a coating of lead over bituminous paper, a century of progress and innovation has elapsed. From the Société Française des Câbles Électriques to Nexans, passing through CGE and Alcatel, the Company has not ceased to progress, and to develop its know-how in the cable business.

1897: creation of the Société Française des Câbles in Lyon, Berthoud, Borel and Company system.

1912: the Compagnie Générale d'Électricité (CGE) takes a majority holding in the Société des Câbles Électriques.

1917: the company is renamed Compagnie Générale des Câbles de Lyon.

1925: merger with the Compagnie Générale d'Électricité. Câbles de Lyon becomes a division of the Compagnie Générale d'Électricité.

1938: the Compagnie Générale d'Électricité buys out the Société Industrielle des Téléphones. The cables activities of the Société Industrielle des Téléphones (Bezons and Calais plant) are transferred to Câbles de Lyon.

1969: takeover of the Société Alsacienne de Construction Mécanique.

1970: takeover of Câbles Geoffroy et Delore.

1979: takeover of Câbleries de Lens (France).

1980: takeover of Chandris Cables (Greece).

1981: interest holding in Chester Cables (USA).

1982: takeover of Kabelmetal Elektro (Germany). Nationalization of the Compagnie Générale d'Électricité.

1983: takeover of Thomson-Jeumont Câbles (France). Takeover of Gorse.

1986: agreement between CGE and ITT. The Câbles de Lyon are transferred to Alcatel NV. The cable activities of ITT are taken over by Câbles de Lyon which takes the name Alcatel Câble.
Takeover of the Tréfilerie et Laminoir de la Méditerranée (TLM).
Takeover of Câbleries de Charleroi (Belgium).

1987: privatization of the Compagnie Générale d'Électricité.

1988: takeover of the Société Nouvelle de Câblerie Barelec. Takeover of Manuli Cavi (Italy). Takeover of Thomson Cuivre.

1989: takeover of Câbleries de Dour (Belgium).

1991: takeover of Canada Wire (Canada), Vacha Kabel (Germany), Ehlerskabelwerk (Germany), Lacroix und Kress (Germany), AEG Kabel.

1992: takeover of Berk Tek (USA).

1994: takeover of Cortaillod-Cossonay (Switzerland).

1998: takeover of ODD (USA-Portugal).

2000: takeover of Safi Conel (Italy).

2000: creation of Nexans.

2001: takeover of Daesung (South Korea).

2001: Nexans' IPO on the Paris Stock Exchange.

Financial and Legal Information_

Contents

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Management statement (extract)_

of March 14, 2001 concerning the activities of the Nexans Group companies at the end of the financial year 2000 (Free translation from the original French version)

The Nexans Group was created in 2000 further to the Alcatel group's strategy of recentring on its core activities, and groups together the activities conducted by the "Electrical Wires" and "Power Cables" divisions of Alcatel's "Energy" business since 1996, along with part of the "Telecom Products" and "Components" divisions of Alcatel's "Telecom Components" segment.

After this re-organization, Nexans is now a subsidiary that is legally independent of the rest of the Alcatel group, and has a coherent range of business activities that are representative of its leading positions on its specialist markets: infrastructure cables (low, medium and high voltage cables and accessories for electricity companies, telecommunication cables–predominantly copper–for large operators), cables for industry (special cables for OEM) and the building sector (low voltage power cables and private telecom network cables).

Working within this new framework, the year 2000 enabled the Group to strengthen its positions on its target markets, to continue and consolidate a large number of industrial streamlining actions initiated in the past, and to restore profitability and sound prospects for its "Energy" sector, marked by a contrasting world economic climate.

Combined financial statements, combined perimeter and structural modifications

The management report is based on combined pro forma financial statements drawn up to report on the Nexans Group's activity as if it had been operated in its current form in preceding years. These accounts are drawn up on the basis of the consolidated historical financial statements (financial statements of the legal entities constituting the perimeter of Nexans), adjusted to carve out non-Nexans activities, and in accordance with the chosen financial structure.

The main change in the combined perimeter that occurred during the 2000 financial year results from the acquisition on April 28, 2000 of the Italian company Safi-Conel for 8 million euros. This company is combined from May 1, 2000.

Net sales

Net sales for the year totalled 4,783 million euros, 14.4% up on the previous year at current copper price, and 5.1% up at constant copper price.

Income from operations

The income from operations increased by 22.5%, up to 169 million euros. In relation to net sales at constant copper price, this represents an operating margin of 3.9%.

The gross profit is 647 million euros, compared with 629 million euros in 1999.

Research and Development expenditure increased by 8.5% to 38 million euros. More than half of the R&D program for 2000 concerned the "Telecom" Division's products.

Net income

The pro forma net income, group share totals 75 million euros. This includes a financial income of – 20 million euros that encompasses an expense of 10 million euros resulting from the financial component of the annual retirement contribution.

The net restructuring costs were 30 million euros, and income tax amounted to 40 million euros.

Change in cash and cash equivalents

Total cash and cash equivalents went down by 247 million euros over the year. This change results primarily from an increase of 16.8% in working capital provided by operations to 146 million euros as compared to 1999, offset by a variation in working capital needs of 115 million euros, due primarily to increases in metal prices and increased investments and capital expenditures in the amount of 239 million euros, up by 67% compared to 1999.

Balance sheet

The combined pro forma net assets of the Group at the end of the financial year total 1,111 million euros, while its net financial debt is 76 million euros.

Analysis by business division

The Group's net sales increased by 14.4% in 2000 (5.1% excluding copper price variations) and its income from operations increased by 22.5%.

With the exception of the "Distribution" activity, the Group's three divisions maintained or improved their income from operations over the year.

Electrical wires

Net sales of the "Electrical wires" Division increased by 16%, representing 1,095 million euros at constant copper price, compared with 945 million euros in 1999. The sustained growth of winding wire activities in Europe compensated for the slow down of demand in North America and the cost of starting up this activity in China.

The high production rate of continuous melts led to a 23% increase in net sales for "Wirerods".

Moreover, the Group's investment program–begun in 1999–to increase bare wires production capacities, achieved its objective of reorienting the product mix towards smaller diameter wires, multiwire products and specialty products (electroerosion etc). This resulted in an increase in the profitability of the "Bare wires" segment in 2000 for a lower tonnage sold. Lastly, and in spite of its complexity, the Research and Development program for copper-magnesium alloy catenaries saw the successful production of first series.

In the general context of increasing production costs due to the price of energy and transport, and in spite of over supply on the winding wires market, the "Electrical wires" Division maintained its income from operations stable at 43 million euros.

Energy

The "Energy" Division registered a 38% increase, with income from operations of 63.4 million euros in a context where volumes remained globally stable–net sales of 2,062 million euros, equivalent to that of 1999 at constant copper price–and raw material prices were high. This good result is due in particular to the cost control strategy implemented by the Group through the streamlining of its production sites.

Income from operations generated by the "General market" Division (low voltage cables for the building industry), which represents the largest contribution to the "Energy" activity, increased its income from operations by almost 60% while net sales increased by 6.5% to reach 813 million euros.

Net sales in the "Energy networks" segment decreased by 7% compared with 1999. This downturn can be explained by the following factors:

– the "High voltage cables and associated accessories" activity is still suffering from weak demand for land-based projects, while the "Umbilical and undersea cables" activity is showing signs of recovery;

– the "Medium and low voltage cables" activity experienced a varied year with a slight drop in sales prices in the European market while volumes remained globally stable, and a reasonable development in the North American market justified the launching of substantial investments in medium voltage cables in Canada.

Due to the numerous restructuring operations carried out since 1998 and in 2000–which resulted in the major part of the "High voltage cables France" activity being centralized in Belgium–the "Energy networks" business achieved the same level of profitability as last year.

The "Industrial applications" segment registered net sales of 406.5 million euros, a decrease of 3.8% on the 1999 figure, due primarily to a slowdown in demand in nuclear power plant construction and maintenance projects. It is worth noting that this activity has undergone substantial restructuring, particularly in Germany, where the Nuremberg site has been closed.

Telecom

Net sales for the "Telecom" activity increased by almost 7% in 2000, reaching 875.9 million euros, compared with 821 million euros in 1999 (at constant copper price).

Margins were maintained at a satisfactory level, and income from operations was 45.7 million euros, 26% up on 1999.

Favourable market conditions in the "Copper telecommunication cable networks" sector resulted in net sales of 182.6 million euros, demonstrating the positive effect produced by the industrial restructuring of resources.

Similarly, net sales for the "Fibre cables network" activity increased by 43% to 119 million euros in a context where raw materials were in short supply.

"Access component" sales totalled 40 million euros. The actions taken in 2000 in connection with the development of new "last mile" products and the streamlining of production means should produce a growth in both sales and margins in the future.

The "LAN data cables" activity also saw a significant increase in sales, which amounted to 364 million euros. The year 2000 was marked by the streamlining of the North American production sites with the grouping of all LAN cable production on the New Holland site (PA). Lastly, "Special telecom cables" benefited from the Group's strong position in high added value products in the aeronautics, medical and telecom sectors. Sales totalled 170 million euros, a 24% increase on 1999.

Events occurring after close of the 2000 accounts

On March 7, 2001 the Group announced its acquisition of a 51% share in the capital of Daesung Cable, a company quoted on the KSE (Korean Stock Exchange). With consolidated net sales of 135 million US dollars, of which 30% is represented by export sales, Daesung Cable is South Korea's fourth largest cable manufacturer.

The registered office of this company is in Choung Won (130 km south of Seoul) and it has five production sites (two in Korea, two in Vietnam and one in Tanzania), as well as a minority share in a joint venture in China, on which sites the company manufactures a wide range of power cables, copper and optical fibre telecommunication cables, and special cables in particular for the automotive industry. The company employs 550 people, of whom 275 are based in Korea.

The acquisition of Daesung Cable is part of Nexans' strategy to continue developing its activities through selective acquisitions has doubled the Group's Asian presence in the power and telecom cables sectors. This operation also gives Nexans the possibility of making substantial savings in transport costs and improving its competitiveness in the region, coinciding perfectly with the revival of the Asian economy.

The complementarity between Daesung Cable's and Nexans' product ranges and sales networks was a key factor in Daesung Cable's choosing Nexans as the ideal partner. This operation enables it to increase in size and conclude a strategic alliance to develop its activities–primarily on the export market–while at the same time bolstering its technological capacities.

Unaudited combined pro forma balance sheets_

ASSETS on December 31 *in millions of euros*	**Notes**	**2000**	**1999**	**1998**
Other intangible assets, net		5	4	2
Intangible assets, net		5	4	2
Property, plant and equipment	(7)	2,758	2,686	2,596
Depreciation	(7)	(1,932)	(1,938)	(1,867)
Property, plant and equipment, net		826	748	729
Share in net assets of equity affiliates		2	2	5
Other investments, net	(8)	61	55	72
Investments and other non-current assets, net		63	57	77
TOTAL NON CURRENT ASSETS NET VALUE		894	809	808
Inventories and work in progress, net value	(9)	704	623	623
Trade receivables and related accounts, net	(10)	1,005	817	819
Other accounts receivables, net	(11)	160	195	243
Accounts receivable, net value		1,165	1,012	1,062
Marketable securities, net value		4	6	2
Cash, net		125	492	371
Cash and cash equivalents		129	498	373
CURRENT ASSETS		1,998	2,133	2,058
TOTAL ASSETS		**2,892**	**2,942**	**2,866**

LIABILITIES on December 31 *in millions of euros*	**Notes**	**2000 (before appropriation)**	**1999 (before appropriation)**	**1998 (before appropriation)**
Combined pro forma net assets before cumulative translation adjustments and net income		991	895	848
Cumulated translation adjustments		45	(3)	(31)
Combined pro forma net income, Group share		75	121	72
COMBINED PRO FORMA NET ASSETS	(12)	1,111	1,013	889
MINORITY INTERESTS		49	84	76
Accrued pension and retirements obligations	(13)	259	263	277
Accrued contract costs and other reserves	(14)	181	257	365
TOTAL RESERVES FOR LIABILITIES AND CHARGES		440	520	642
Other borrowings		205	327	280
TOTAL FINANCIAL DEBT	(15)	205	327	280
Customers' deposits and advances	(16)	32	32	29
Trade payables and related accounts		635	532	461
Other payables	(17)	420	434	489
TOTAL OTHER PAYABLES		1,087	998	979
TOTAL LIABILITIES		**2,892**	**2,942**	**2,866**

Unaudited combined pro forma income statements_

in millions of euros	Notes	2000	1999	1998
Net sales	(3)	4,783	4,182	4,330
Metal effect		(422)	(33)	(87)
Net sales at constant metal price	(3)	4,361	4,149	4,243
Cost of sales		(3,714)	(3,520)	(3,575)
Gross profit		647	629	668
Administrative and selling expenses		(440)	(456)	(451)
R&D costs		(38)	(35)	(42)
Income from operation	(3)	169	138	175
Financial income (loss)	(4)	(20)	–	(2)
Restructuring costs	(14)	(30)	(60)	(104)
Other revenue (expense)	(5)	1	80	2
Income before taxes		120	158	71
Income tax	(6)	(40)	(31)	5
Share in net income of equity affiliates		–	–	–
Combined pro forma net income		80	127	76
Minority interests		5	6	4
Combined pro forma net income, Group share		75	121	72
Combined pro forma Group share net income, per share *(in euros)*[1]		3.00	4.84	2.88

(1) Calculated for the three periods on the basis of 25,000,000 outstanding shares.

Unaudited combined pro forma statements of cash flow_

in millions of euros	**2000**	**1999**	**1998**
Cash flow from operating activities			
Combined pro forma net income, group share	75	121	72
Minority interests	5	6	4
Adjustments to reconcile income before minority interests to net cash provided by operating activities:			
– depreciation and amortization	132	127	136
– changes in reserves for pension obligations, net	(7)	(15)	(7)
– changes in other reserves, net	(58)	(72)	(37)
– net (gain) loss on disposal of non-current assets	(1)	(37)	(2)
– share in net income of equity affiliates (net of dividends received)	–	3	–
– other	–	(8)	(1)
Working capital provided by operations	146	125	165
Net change in current assets and liabilities:			
– decrease (increase) in accounts receivables	(151)	50	79
– decrease (increase) in inventories	(71)	37	80
– increase (decrease) in accounts payable and accrued expenses	114	16	(30)
– changes in reserves on current assets (including accrued contract costs)	(7)	(26)	(8)
Net cash provided (used) by operation activities	31	202	286
Cash flow from investing activities			
Proceeds from disposal of fixed assets	21	13	46
Capital expenditures	(239)	(143)	(126)
Decrease (increase) in loans	(1)	(2)	10
Cash expenditures for acquisition of combined companies, net of cash acquired, and for acquisition of uncombined companies	(31)	(8)	(52)
Cash proceeds from sale of previously combined companies, net of cash sold, and from sale of uncombined companies	–	52	28
Net cash provided (used) by investing activities	(250)	(88)	(94)
Net cash flow after investment	(219)	114	192
Cash flow from financing activities			
Proceeds from issuance of shares	2	–	–
Dividends paid	(25)	(25)	(25)
Net cash provided (used) by financing activities	(23)	(25)	(25)
Net effect of exchange rate changes	(5)	(11)	2
Net increase (decrease) in cash and cash equivalents	(247)	78	169
(Debt net)/cash net at beginning of year	171	93	(76)
(Debt net)/cash net at end of year	(76)	171	93

Unaudited combined pro forma statements of change in net assets_

in millions of euros	Notes	Combined pro forma net assets before cumulative translation adjustments and net income	Cumulative translation adjustments	Net income	Combined pro forma Net assets
December 31, 1997		747	44	126	917
Appropriation of net income and dividends	(12)	101		(126)	(25)
Translation adjustments			(75)		(75)
Combined pro forma net income				72	72
December 31, 1998		848	(31)	72	889
Appropriation of net income and dividends	(12)	47		(72)	(25)
Translation adjustments			28		28
Combined pro forma net income				121	121
December 31, 1999		895	(3)	121	1,013
Appropriation of net income and dividends	(12)	96		(121)	(25)
Translation adjustments			48		48
Combined pro forma net income				75	75
December 31, 2000		991	45	75	1,111

Notes to unaudited combined pro forma financial statements_

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

The Nexans Group, which was incorporated in November 2000, essentially groups together the former Alcatel energy cable, electrical wires, and distribution activities, as well as the copper telecommunication cable activities for both private and public networks, and related accessories.

The combined pro forma financial statements of Nexans and its subsidiaries (the "Group") were drawn up on the basis of the combined financial statements (presented in Note 23), which were adjusted to reflect, retroactively, the impact of the following items on the three fiscal years:

- the harmonization of the activities sold, on a comparable basis;
- the projected financial structure of the overall Group as of the date of its initial public offering;
- the effects of the legal reorganization which led to the incorporation of the Group.

The principles used to draw up the combined pro forma financial statements and the resulting figures are described in Note 23.

The combined pro forma financial statements of the Group are presented since January 1, 1999, in accordance with the "New principles and methodology relative to consolidated financial statements" Regulation 99-02 approved by decree dated June 22, 1999 of the "Comité de Réglementation Comptable". The effect of this change in accounting principles for the previous years is considered as not significant.

The combined financial statements of the Group comply with the essential accounting principles described hereafter.

The "Comité de la Réglementation Comptable" approved the CNC n° 00-01 recommendation on liabilities issued on April 20, 2000. This new accounting law will be effective as from January 1, 2002. However, its application is permetted as from January 1, 2000. This new accounting law has not been applied to issue the financial statements at December 31, 2000. The effect of the application of this new accounting principle is being evaluated by the Group.

1.a] Combination methods

Companies over which the Group has control are fully combined.

Companies over which the Group has a significant influence ("equity affiliates") are accounted for under the equity method. Significant influence is generally assumed when the Group interest is between 20% and 50%.

The combined financial statements are prepared on the basis of year-end (or interim) financial statements at December 31.

All significant intra-group transactions are eliminated.

1.b] Translation of financial statements denominated in foreign currencies

The balance sheets of non-French combined subsidiaries are translated into euros at the year-end rate of exchange, and their income statements and cash flow statements are translated at the average annual rate of exchange. The resulting translation adjustments are included in net assets' under the line item "Cumulative Translation adjustments".

1.c] Translation of foreign currency transactions

Foreign currency transactions are translated at the rate exchange applicable on the transaction date. At year-end, foreign currency receivables and payables are translated at the rate of exchange prevailing on that date. The resulting exchange gain and losses are recorded in the income statement.

1.d] Research and Development expenses

These are recorded as expenses for the year in which they are incurred, except for:

- certain software development costs which are included in intangible assets, when they strictly comply with the following criteria:

– the project is clearly defined, and costs are separately identified and measured reliably,

– the technical feasibility of the software is demonstrated,

– the software will be sold or used in-house,

– a potential market exists for the software, or its usefulness, in case of internal use, is demonstrated, and,

– adequate resources required for completion of the project are available.

In that case, software development costs are amortized as follows:

– in case of internal use over their probable service lifetime,

– in case of external use according to prospects for sale, rental or other forms of distribution.

The amortization corresponds to the highest of either the cumulative amounts using straight-line amortization or the cumulative amounts based on the above mentioned criteria;

- recoverable amounts disbursed under the terms of contracts with customers, which are included in work in progress on long-term contracts.

1.e] Intangible assets

Whenever events or changes in market indicate a risk of impairment of intangible assets and property, plant and equipment, a detailed review is carried out in order to determine whether the carrying amount of such assets remains lower than their forecast undiscounted operating cash flows.

Whenever such review indicates that such value is lower than carrying amount, the Group further considers the effects of possible business strategies, such as restructuring plans of involved companies, on its future cash flows.

If necessary, an exceptional amortization of these intangible assets and plant, property and equipment is accounted for to reduce their carrying amount to the value measured by discounted forecasted operating cash flow or market value if any.

1.f] Property, plant and equipment

Property, plant and equipment are valued at historical cost for the Group (excluding any revaluation). Depreciation is generally calculated over the following useful lives:

Industrial buildings, plant and equipment:	
– buildings for industrial use	20 years
– infrastructure and fixtures	10-20 years
– equipment and tools	5-10 years
– small equipment and tools	3 years
Buildings for administrative and commercial use	**20-40 years**

Depreciation expense is determined using primarily the straight-line method.

Fixed assets acquired through capital lease arrangements or long-term rental arrangements that transfer substantially all of the benefits and risks of ownership to the Group are capitalized.

1.g] Investments

Investments are stated at the lower of historical cost (excluding revaluations) or fair value (market value for investments in listed companies), assessed investment by investment, taking into consideration the diversity of the activities they represent.

1.h] Long-term contracts

Work in progress on long-term contracts is stated at production cost, excluding administrative and selling expenses and interest expense. Provisions are established to cover all foreseeable losses at completion.

Sales and contract revenue are recognized on percentage-of-completion basis.

1.i] Inventories and work in progress

Inventories are valued at the lower of cost (including indirect production costs where applicable) or net realizable value. Cost is primarily calculated on a weighted-average price basis. The cost of the copper in the inventories is valued according to the LIFO method (last in–first out) in order to better represent economic reality given the variations in the price of copper.

1.j] Cash and cash equivalents

Cash and cash equivalents comprise receivables from disposal of assets having a maturity less than three months and which are liquid and transferable as well as cash on hand and marketable securities. These items are valued at the lower of cost or market value.

1.k] Pension and retirement obligations

In accordance with the laws and practices of each country, the Group participates in employee benefit plans by offering early retirement benefits and special termination benefits.

For defined contribution pension plans and multi-employer plans, expenses are recorded as incurred. For defined benefit pension plans, in order to harmonize the procedure throughout the Group, liabilities and prepaid expenses are determined from January 1, 1999 as follows:

- using the Projected Unit Credit Method (with projected final salary);

• recognizing, over the expected average remaining working lives of the employees participating in the plan, actuarial gains and losses in excess of more than 10% of the present value of the defined benefit obligation or 10% of the fair value of any plant assets.

The effect of the change as of January 1, 1999 between the reserves calculated in accordance with the new accounting method and the reserves previously calculated according to local accounting standards is recorded under the caption "other revenue (expense)".

1.l] Reserves for restructuring

Reserves for restructuring costs are provided for when the restructuring programs have been finalized and approved by Group management and have been announced before approvals of the financial statements. Such costs primarily relate to severance payments, early retirement of employees, costs for notice periods not worked and retraining costs of terminated employees, shut down facilities and write-off of fixed assets, inventories and other assets.

1.m] Deferred taxation

Deferred income taxes are computed under the liability method for all timing differences arising between taxable income and accounting income, including reversal of entries recorded in individual accounts of subsidiaries solely for tax purposes. All amounts resulting from changes to the tax rate are recorded in the year which the tax rate change has been decided.

Provisions are made for taxes on proposed dividends to be distributed by subsidiaries. No provision is made for taxes payable on undistributed retained earnings.

Deferred income tax assets are recorded in the combined balance sheet when it is more likely than not that the tax benefit will be realized.

1.n] Net sales

Net sales represent sales and revenues net of value added taxes (VAT).

1.o] Income from operations

Income from operations includes research and development expenses (Note 1.d), pension costs (Note 1.k) and employee profit sharing. Income from operations is calculated before financial income (loss) and complies with practices of many of the company's competitors.

1.p] Financial instruments

The Group uses financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and metal prices. When these contracts qualify as hedges, gains and losses on such contracts are accounted for in the same period as the item being hedged; otherwise, changes in the market value of these instruments are recognized in the period of change.

1.q] Introduction of the euro

The combined pro forma financial statements prior to January 1, 1999 were denominated in French francs and have been converted into euros using the fixed exchange rate applicable since January 1, 1999 (1 euro = FF 6.55957). Since January 1, 1999 financial statements are denominated in euros.

NOTE 2 CHANGE IN THE COMBINED COMPANIES

The main changes for 2000 in the combined companies are as follows:

• on April 28, 2000 Nexans acquired the Italian company Safi Conel for 8 million euros. This company is combined from May 1, 2000.

The main changes for 1999 in the combined companies are as follows:

• on December 21, 1998 Nexans acquired for 4 million US dollars Optech Dai-Ichi Denko, a Portugal based company. This company is combined from January 1, 1999.

The main changes for 1998 in the combined companies are as follows:

• on October 9, 1998 Nexans acquired for 26 million US dollars Optech Dai-Ichi Denko, an US and Canada based company. This company is combined from October 9, 1998.

NOTE 3 INFORMATION BY BUSINESS DIVISION AND BY GEOGRAPHICAL AREA

3.a] Information by business division

The tables below break down information for the following business divisions:

- the "Electrical wire" Division, made up of wire rods, electrical wires and enameled wire;
- the "Energy" Division, which includes equipment cables, power cables for networks and special cables;
- the "Telecom" Division, containing cables for private telecommunications networks, special cables for electronics applications, junction components for telecommunications network cables, copper cables for public telecommunications networks, and optical fiber cables for public networks;
- the "Distribution" Division, made up of retail activities for distribution to installers of electrical equipment (equipment and network cables).

"Other" includes the net impact of the various head offices and interdivisional eliminations in trade receivables.

The reporting segment follows the same accounting policies used for the company's consolidated financial statements and described in the summary of significant accounting policies. Profit and loss used for each reportable segment is measured using the "income from operations".

in millions of euros	Electrical wires	Energy	Telecom	Distribution	Other	**Total Group**
2000						
Net sales at constant metal price	1,095	2,062	876	327	1	**4,361**
Income from operations	43	64	46	12	4	**169**
Depreciation and amortization	27	67	27	6	5	**132**
EBITDA*	70	131	73	18	9	**301**
Capital expenditures	71	80	64	4	20	**239**
Property, plant and equipment, net	208	332	181	37	68	**826**
Inventories and work in progress, net value	185	354	110	28	27	**704**
Trade receivables and related accounts, net value	179	469	198	26	133	**1,005**
Total assets from operations, net value	572	1,155	489	91	228	**2,535**
Staff	2,672	9,026	4,696	904	888	**18,186**
1999						
Net sales at constant metal price	945	2,060	821	318	5	**4,149**
Income from operations	43	46	36	17	(4)	**138**
Depreciation and amortization	25	68	26	4	3	**126**
EBITDA*	68	114	62	21	(1)	**264**
Capital expenditures	36	45	25	4	34	**144**
Property, plant and equipment, net	156	316	142	43	91	**748**
Inventories and work in progress, net value	139	335	105	51	(7)	**623**
Trade receivables and related accounts, net value	166	549	190	55	(143)	**817**
Total assets from operations, net value	461	1,200	437	149	(59)	**2,188**
Staff	2,709	9,259	4,197	962	1,246	**18,373**
1998						
Net sales at constant metal price	909	2,146	871	314	3	**4,243**
Income from operations	50	69	36	19	1	**175**
Depreciation and amortization	22	70	32	4	8	**136**
EBITDA*	72	139	68	23	9	**311**
Capital expenditures	28	46	28	4	22	**128**
Property, plant and equipment, net	130	360	140	44	55	**729**
Inventories and work in progress, net value	121	373	105	42	(18)	**623**
Trade receivables and related accounts, net value	116	602	192	49	(141)	**819**
Total assets from operations, net value	367	1,335	437	135	(104)	**2,170**
Staff	2,633	10,176	4,780	906	1,050	**19,545**

* The EBITDA is defined as income from operations, excluding depreciation and amortization.

3.b] Information by geographical area

In millions of euros and number of staff	France	Germany	Other Europe	North America	Rest of world	**Total Group**
2000						
Net sales:						
– by subsidiary location	1,461	645	1,456	1,064	157	**4,783**
– by geographical market	762	584	1,970	1,088	379	**4,783**
Income from operations	46	23	41	36	23	**169**
Property, plant and equipment, net	174	144	250	195	63	**826**
Total assets from operations, net value	693	349	924	430	139	**2,535**
Staff	5,188	3,243	6,118	2,453	1,184	**18,186**
1999						
Net sales:						
– by subsidiary location	1,253	647	1,360	777	145	**4,182**
– by geographical market	690	625	1,632	795	440	**4,182**
Income from operations	59	1	27	40	11	**138**
Property, plant and equipment, net	148	163	232	152	53	**748**
Total assets from operations, net value	603	356	773	342	114	**2,188**
Staff	5,421	3,618	6,023	2,225	1,086	**18,373**
1998						
Net sales:						
– by subsidiary location	1,380	716	1,427	676	131	**4,330**
– by geographical market	731	721	1,542	674	662	**4,330**
Income from operations	96	(2)	38	35	8	**175**
Property, plant and equipment, net	144	194	228	120	43	**729**
Total assets from operations, net value	616	389	794	273	98	**2,170**
Staff	5,659	4,274	6,281	2,275	1,056	**19,545**

Note: the above information is analyzed by subsidiary location, except for net sales which are also analyzed by geographical market.

NOTE 4 FINANCIAL INCOME (LOSS)

in millions of euros	2000	1999	1998
Net interest (expense) income*	(2)	6	(3)
Dividends**	1	11	20
Reserve for depreciation of investments	(2)	(3)	–
Net exchange gain (loss)	(2)	3	–
Financial component of the pension costs	(10)	(12)	(14)
Other financial items (net)	(5)	(5)	(5)
Net financial income (loss)	(20)	–	(2)

* The net debt of Nexans as of December 31, 2000 amounts to 76 millions euros (see Note 23). Financial expenses were subsequently adjusted on the basis of the historical cost of Alcatel plus 50 basis points.
** Received from uncombined companies.

NOTE 5 OTHER REVENUE (EXPENSE)

in millions of euros	2000	1999	1998
Net capital gains on disposal of fixed assets*	1	37	2
Other (net)**	–	43	–
Total	1	80	2

* Of which 31millions euros related to the transfer of Alcatel Contracting Germany shares in 1999.
** Of which 32 millions euros related to a reversal of a tax risk provision in Germany and 10 millions euros resulting from the change in the pension evaluation method linked to the adoption of the new accounting principles (Note 1.k).

NOTE 6 INCOME TAX

6.a] Analysis of income tax charge

in millions of euros	2000	1999	1998
Current income tax charge	43	38	46
Deferred income tax charge (credit), net	(3)	(7)	(51)
Income tax	40	31	(5)

6.b] Effective income tax rate

The effective income tax rate can be analyzed as follows:

in millions of euros	2000	1999	1998
Income before taxes and share in net income of equity affiliates	120	158	71
Average income tax rate *(in %)*	38.8	38.7	43.2
Expected tax	46	61	30
Impact of:			
– change in accrual on deferred income tax assets	4	(17)	(13)
– tax credits	(6)	–	(11)
– other permanent differences	(4)	(13)	(11)
Actual income tax charge	40	31	(5)
Effective tax rate *(in %)*	33.6	19.6	(6.4)

Average income tax rate is the sum of income before taxes multiplied by the local statutory rate for each subsidiary, divided by combined income before taxes.

6.c] Deferred tax balances

Deferred tax (liabilities) assets are included in the following captions of the combined balance sheet:

in millions of euros	2000	1999	1998
Other accounts receivable			
– current assets	20	24	37
– non-current assets	11	11	26
Total*	31	35	63
Other payables			
– current liabilities	(2)	(9)	(24)
– non-current liabilities	(37)	(36)	(51)
Total*	(39)	(45)	(75)
Net deferred tax (liabilities) assets	(8)	(10)	(12)

* See Notes 11 and 17.

Non-current deferred tax assets primarily relate to accrued pension and retirement obligations and other non-tax deductible reserves.

Current deferred tax assets are recognized in companies which plan to incur a tax charge in the future.

The deferred taxes which are not recognized because of their uncertain recovery amount to respectively 306, 305 and 323 million euros at December 31, 2000, 1999 and 1998.

6.d] Tax losses carried forward

Tax losses carried forward and not yet utilized represent a potential tax saving of 287 million euros at December 31, 2000 (302 million euros at December 31, 1999, 350 million euros at December 31, 1998 and 359 million euros at December 31, 1997).

Tax loss carried forward expire as follows:

in millions of euros	Amount
Year	
2001	12
2002	9
2003	4
2004	2
2005 and thereafter	260
Total	287

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

7.a] Change in property plant and equipment, gross

in millions of euros Gross value	Land	Buildings	Plant equipment and tools	Other	Total
December 31, 1997	74	609	1,741	270	2,694
Additions	1	14	61	52	128
Disposals	(9)	(66)	(81)	(28)	(184)
Other movements	(1)	(2)	(38)	(1)	(42)
December 31, 1998	65	555	1,683	293	2,596
Additions	1	21	60	62	144
Disposals	(2)	(10)	(75)	(16)	(103)
Other movements	2	25	51	(29)	49
December 31, 1999	66	591	1,719	310	2,686
Additions	–	19	101	119	239
Disposals	(14)	(14)	(78)	(17)	(123)
Other movements	(1)	17	14	(74)	(44)
December 31, 2000	51	613	1 756	338	2,758

Property plant and equipment acquired under capital leases and long-term rental arrangements account for less than 5% of the total property, plant and equipment.

7.b] Change in accumulated depreciation of property, plant and equipment

in millions of euros Accumulated depreciation	Land	Buildings	Plant equipment and tools	Other	Total
December 31, 1997	4	403	1,280	190	1,877
Depreciation charge	–	29	86	21	136
Write-backs*	–	(38)	(70)	(26)	(134)
Other movements	1	7	(31)	12	(11)
December 31, 1998	5	400	1,265	197	1,867
Depreciation charge	–	27	81	18	126
Write-backs*	–	(9)	(63)	(15)	(87)
Other movements	4	16	18	(6)	32
December 31, 1999	9	434	1,301	194	1,938
Depreciation charge	–	27	90	15	132
Write-backs*	(4)	(14)	(70)	(15)	(103)
Other movements	5	(43)	(6)	9	(35)
December 31, 2000	11	404	1,315	203	1,932

* Write-backs represent the accumulated depreciation of fixed assets disposed of.

7.c] Leases and rental

Future rentals under capital leases at December 31, 2000:

in millions of euros Maturity date	Amount
2001	0.7
2002	0.3
2003	0.3
2004	0.2
2005 and thereafter	–
Capital lease obligations	1.5
Interest	–
Total future rentals	1.5

Rental expenses for operating leases over the last three years:

in millions of euros	**2000**	**1999**	**1998**
Minimum rentals	13.5	29.4	22.5
Contingent rentals	–	0.5	2.4
Sublease rentals	(1.0)	(2.0)	(1.4)
Total	12.5	27.9	23.5

NOTE 8 OTHER INVESTMENTS NET

in millions of euros	2000			1999	1998
	At cost	Provision	Net value	Net value	Net value
Investments in:					
– listed securities	–	–	–	–	–
– unlisted securities	32	(11)	21	21	26
Total	32	(11)	21	21	26
Other investments	46	(6)	40	34	46
Total	78	(17)	61	55	72

NOTE 9 INVENTORIES AND WORK IN PROGRESS

in millions of euros	2000	1999	1998
Raw materials and goods	201	182	180
Industrial work in progress	141	159	159
Work in progress on long-term contracts	11	8	25
Finished products	415	345	337
Gross value	768	694	701
Valuation allowance	(64)	(71)	(78)
Net value	704	623	623

NOTE 10 TRADE RECEIVABLES AND RELATED ACCOUNTS

in millions of euros	2000	1999	1998
Receivables on long term contracts	83	69	106
Other trade receivables	967	802	763
Gross value	1,050	871	869
Valuation allowance	(45)	(54)	(50)
Net value	1,005	817	819

NOTE 11 OTHER ACCOUNTS RECEIVABLES

in millions of euros	2000	1999	1998
Advances and progress payments	7	75	72
Prepaid taxes	45	48	51
Deferred taxes*	31	35	63
Prepaid expenses	6	4	3
Advances made to employees	7	4	3
Other accounts	65	29	51
Gross value	161	195	243
Valuation allowance	(1)	–	–
Net value	160	195	243

* See Note 6.c.

NOTE 12 COMBINED PRO FORMA NET ASSETS

So as to reflect the autonomous functioning of the group, historical recapitalizations and dividends were neutralized. A notional dividend payment amounting to 25 million euros per year was taken into account.

NOTE 13 PENSIONS AND POST-RETIREMENT BENEFITS

The Group sponsors various defined benefit pension plans. In France, all Group employees elect to benefit from the retirement indemnity scheme. In other countries, the employee groups covered and the type of retirement plan depend on local regulation practices.

For defined benefit pension plans in order to harmonize the procedure throughout the Group, liabilities and prepaid expenses are determined since January 1, 1999 in accordance with the new accounting principle described in Note 1.k.

The discrepancy on January 1, 1999 between the reserves calculated in accordance with the new accounting principle and the reserves calculated according to the local accounting rules is shown in the income statement in 1999 under the caption "Other revenue (expense)" (10 million euros; see Note 5).

For defined benefit plans, entailing an actuarial valuation, general assumptions have been determined by actuaries on a country by country basis and, for specific assumptions (turnover, salary increases), company by company. The assumptions for 2000, 1999, and 1998 are as follows:

	2000	1999	1998
Discount rate	5-7%	4-7%	5-8%
Future salary increases	1-8%	1-8%	2-7%
Expected long-term return rate on assets	5-8%	5-8%	5-9%
Average residual active life	15-27 years	15-27 years	15-27 years
Amortization period of transition obligation	15 years	15 years	15 years

Pension benefits

in millions of euros	**2000**	**1999**
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	703	659
Service cost	17	15
Interest cost	37	39
Plan participants' contributions	3	3
Amendments	20	7
Acquisitions	1	–
Disposals	–	–
Curtailments	(2)	–
Settlements	(1)	(7)
Special termination benefits	–	2
Actuarial loss/gain	(37)	16
Benefits paid	(41)	(52)
Reclassifications	5	–
Other (foreign currency translation)	16	21
Benefit obligation at end of year	721	703
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	412	370
Actual return on plan assets	41	41
Employers' contribution	13	15
Plan participants' contributions	3	3
Acquisitions	–	–
Disposals	–	–
Curtailments	–	–
Settlements	1	(4)
Special termination benefits	–	–
Benefits paid	(20)	(33)
Other (foreign currency translation)	19	20
Fair value of plan assets at end of year	469	412
Funded status	(252)	(291)
Unrecognized actuarial loss/gain	(38)	14
Unrecognized transition obligation	4	5
Unrecognized prior service cost	27	9
Net amount recognized	(259)	(263)

Components of net periodic cost:

in millions of euros	**2000**	**1999**
Service cost	17	15
Interest cost	37	39
Expected return on plan assets	(28)	(28)
Amortization of transition obligation	1	1
Amortization of prior service cost	2	1
Amortization of recognized actuarial gain/loss	–	6
Effect of curtailments	–	2
Effect of settlements	–	–
Special termination benefit	–	2
Amortization of unrecognized items	–	–
Net periodic benefit cost	29	38

The pension funds are mostly invested in public and private bonds (about 50%), equity interests (about 30%), and short-term investment securities.

NOTE 14 ACCRUED CONTRACT COSTS AND OTHER RESERVES

14.a] Analysis by type

in millions of euros	**2000**	**1999**	**1998**
Accrued contract costs	72	82	108
Reserves for restructuring	57	115	162
Other reserves	52	60	95
Total	181	257	365

Accrued contract costs relate primarily to warranties granted to customers, cost of completed billed contracts, contract losses and penalties relating to commercial contracts.

14.b] Analysis of reserves for restructuring

in millions of euros	**2000**	**1999**	**1998**
Opening balance	115	162	156
Expensed during year	(92)	(112)	(101)
New plans and adjustments to previous estimates	30	60	104
Effect of acquisition (disposal) of combined subsidiaries	4	3	4
Currency translation adjustments and others	–	2	(1)
Closing balance	57	115	162

A plan aimed at adapting the level of workforce and rationalizing manufacturing facilities and distribution activities of the Telecom and Cables sectors was set up in 1995 for the three year period 1996/1998 and mainly concerns the subsidiaries in France, Germany, Spain, Italy and Belgium. This plan was completed in 1999.

The main activities concerned by the new 1998 plans are as follows: the closing of the Hochelaga site in Canada, Stadthagen and Berlin in Germany, the resizing of high voltage site in Halden, Norway as well as the Cossonay site in Switzerland.

For 1999, restructuring costs mainly relate to the closing of Salles and Reims sites in France, and of the Hamburg and Stadthagen sites in Germany.

In 2000, besides the continuation of the closing of the Hamburg and Stadthagen sites in Germany, the restructuring costs mainly relate to some rationalization in the Energy Division of the Calais and Lens site in France, Charleroi in Belgium, Latina in Italy and Cortaillod in Switzerland.

The main activities concerned by accrued for restructuring costs in 2000 are the high voltage activity in Switzerland and the energy activity in Italy.

NOTE 15 FINANCIAL DEBT

For pro forma combined financial statements purpose, the theoretical debt as of January 1, 1998 was reconstructed retroactively, taking into account the cash flows generated by the operational activities and a notional dividend payment amounting to 25 million euros.

15.a] Analysis by type

in millions of euros	**2000**
Short-term borrowings and bank overdrafts	203
Capital lease obligations	–
Accrued interest	2
Total	205

15.b] Analysis by maturity date

in millions of euros	**2000**
Short-term financial debt	193
2002	3
2003	2
2004	2
2005	2
2006 and thereafter	3
Long-term financial debt*	12
Total	205

* See note 1.p.

15.c] Long term debt

Analysis by currency and interest rate:

	2000	
	Weight average rate	In millions of euros
Euro	4.50%	7
French franc	4.15%	2
Deutschmark	6.50%	2
US dollar	–	–
Pound sterling	–	–
Other	–	–
Total	4.81%	12

15.d] Short term debt

Analysis by currency and interest rate:

	2000	
	Weight average rate	In millions of euros
Euro	5.54%	90
French franc	4.32%	5
Deutschmark	6.50%	2
US dollar	5.20%	56
Pound sterling	6.57%	3
Other	12.29%	37
Total	6.75%	193

NOTE 16 CUSTOMERS' DEPOSIT AND ADVANCES

in millions of euros	**2000**	**1999**	**1998**
Advance payments received on long term contracts	21	20	11
Other deposit advances received from customers	11	13	18
Total customers' deposits and advances	32	33	29

NOTE 17 OTHER PAYABLES

Analysis is as follows, after appropriation:

in millions of euros	**2000**	**1999**	**1998**
Accrued payable and other	168	148	175
Social payables	140	150	122
Accrued taxes	67	83	106
Deferred taxes*	39	45	75
Dividends to be paid	–	–	–
Government grants	6	8	11
Total	420	434	489

* See Note 6.c.

NOTE 18 COMMITMENTS AND CONTINGENCIES

in millions of euros	**2000**	**1999**	**1998**
Guarantees given on contracts and others	279	284	342
Discounted notes receivables	3	8	15
Secured borrowings	33	33	–
Commitments to buy or sell forward raw materials or goods	53	42	53
Commitments to purchase fixed assets	33	43	27
Total	401	410	437

Guarantees given on long-term contracts consist of performance bonds issued to customers and bank guarantees given to secure advance payments received from customers. In the event that, due to occurrences, such as delay in delivery or litigation related to failure in performance on the underlying contracts, it becomes likely that Nexans will become liable for such guarantees, the estimated risk is reserved for on the combined balance sheet under the line item "Accrued contract costs and other reserves", see Note 14.

NOTE 19 MARKET-RELATED EXPOSURES

In 1996, Alcatel's group decided to centralize treasury management in order to minimize the Group's exposure to market risks: foreign exchange risk, interest rate risk and credit risk. These risk management policies are conducted as part of Alcatel global policy and it is not possible to identify precisely risk management transaction corresponding to the operating combined perimeter of the Group.

Metal price risk

The Group enters into futures contracts on the London Metal Exchange in order to reduce its exposure to market fluctuations on its copper and aluminum firm position.

At December 31, 2000, 1999 and 1998, the copper and aluminum net position on futures contracts were as follows:

	2000		**1999**		**1998**	
	Tons	Millions of euros	Tons	Millions of euros	Tons	Millions of euros
Open position (long) at purchase cost	17,150	36	43,400	70	80,150	112
At market value	17,150	32	43,400	79	80,150	98
Profit / (loss)		(4)		9		(14)

These unrealized profit (loss) are substantially offset by unrealized loss (profit) on the firm position, resulting in an net profit of 8 million euros at December 31, 2000 (net unrealized profit of 1 million euros at December 31, 1999; net unrealized profit of 1 million euros at December 31, 1998).

NOTE 20 PAYROLL AND STAFF

in millions of euros	**2000**	**1999**	**1998**
Wages and salaries (including social security / pension costs)	831	899	933
of which remuneration of executive officers of the Group	*2.3*	*1.9*	*1,5*
Employee profit sharing	4.0	9.0	7,0
Staff of combined companies at year end *(number of staff)*	18,186	18,373	19,545

NOTE 21 CONTINGENCIES

As part of its normal activities, Nexans is liable of various requests principally related to environmental matters and contract disputes. Nexans is also involved in product liability claims, including a claim in its early stages by a manufacturing facility in Canada naming Nexans and other cable manufacturers in Canada with respect to property damage in connection with a fire. Considering Nexans reserve policy, insurance, evaluation of the likelihood of recovery and the effect of such claims, Nexans does not consider that these current or anticipated litigations will have a material adverse effect on its financial condition and results of operations.

NOTE 22 MAIN COMBINED COMPANIES *

Company	Country	% of control	% of interest	Combination method
Nexans SA **	France	100.00	100.00	Global
Nexans France	France			
Nexans Benelux	Belgium	99.60	99.60	
Nexans Suisse	Switzerland			
Nexans Canada, Inc.	Canada			
Nexans Italia SpA	Italy			
Nexans Wires	France			
Nexans Deutschland Industries AG & Co	Germany	99.72	99.42	
Nexans USA, Inc.	United States			
Nexans Holding Norway A/S	Norway			
Nexans Maroc **	Morocco	56.52	56.52	
Lacroix & Kress GmbH	Germany	100.00	99.42	
Société de Coulée Continue de Cuivre	France			

* Percentage of control and interest equal 100% except if specified.
** Company publicly traded.

NOTE 23 PRINCIPLES OF DRAWING-UP THE PRO FORMA ACCOUNTS

The pro forma Combined Financial Statements do not necessarily reflect Nexans financial position, results of operations and cash flows as they would have been if Nexans had been formed on January 1, 1998 and operated autonomously before December 31, 2000. Moreover, these financial statements may not reflect what will be the Group's financial position, results and net cash position in the future.

The pro forma combined financial statements were established on the basis of Alcatel's accounting principles and consistent with the assumptions considered as necessary by Nexans management. These financial statements are mainly based on the relevant historical financial information extracted from Alcatel's consolidated financial statements for the concerned fiscal years, and include all the significant restatements considered necessary. The main assumptions used for the established pro forma combined financial statements are described below.

No notes to the historical combined financial statements have been prepared, as it has been considered more appropriate to prepare notes to the pro forma combined financial statements which better reflect the future structure of Nexans business.

23.a] The new operating scope

The operating scope of the Group differs from the legal and historical scope. Indeed, the operational carve out of the activities resulted in some cases in legal separation through partial business transfers, in other cases in the signing of an operator/Alcatel user/Nexans contract. It mainly concerns the following activities:

– optical fiber and optical fiber cable activities in France, Spain and Germany;

– Radio Frequency System activity in Germany;

– taking into account the effects of the signing of an operator/user contract in Switzerland and in Brazil in order to reflect respectively the manufacture of fibers by means of perform molding for Alcatel and the manufacture of copper telecommunications cables by Alcatel for Nexans;

– Alcatel STK's real estate assets and pension fund assets, held by the Alcatel group;

– restatement of the remaining restructuring reserves at December 31, 2000 related to Nexans sites but which will be paid by Alcatel.

23.b] The new financial structure of the Group

For pro forma combined financial statements purpose, the theoretical debt as of January 1, 1998 was reconstructed retroactively, taking into account:

– cash flows generated by the operating activities;

– notional dividend of 25 million euros.

The financial costs were consequently adjusted on the basis of historical costs of Alcatel debt plus 50 basis points.

23.c] Effect of the legal reorganization in order to constitute the Group

The transfer of securities in order to constitute the new Group was carried out on the basis of the utility value estimated by Alcatel at 1,200 million euros excluding debts. The purpose of this adjustment is to conform to such value.

On the reverse side, interests in subsidiaries historically held by the Group business as of June 30, 2000 are considered as sold as of January 1, 1997 on the basis of 45 million euros which represents their historical value as of June 30, 2000.

The effects of these adjustments are detailed in the following tables:

in millions of euros 2000	Combined	Operating carving out (a)	Financial structure (b)	Reorganization (c)	Pro forma
CONDENSED INCOME STATEMENTS					
Net sales	5,348	(565)	–	–	4,783
Gross profit	756	(109)	–	–	647
Income from operations	230	(61)	–	–	169
Financial income (loss)	(20)	–	–	–	(20)
Restructuring costs	(30)	–	–	–	(30)
Other revenue (expense)	103	–	(102)	–	1
Net income before income tax and amortization of goodwill	283	(61)	(102)	–	120
Income tax	(32)	–	(8)	–	(40)
Amortization of goodwill	(14)	–	–	14	–
Minority interests	5	–	–	–	5
Net income, Group share	232	(61)	(110)	14	75
CONDENSED BALANCE SHEET					
Intangible assets, net	165	–	–	(160)	5
Property, plant and equipment, net	826	–	–	–	826
Investments and other non-current assets net	63	–	–	–	63
Total non-current assets, net value	1,054	–	–	(160)	894
Inventories and work in progress, net value	704	–	–	–	704
Receivables, net value	1,165	–	–	–	1,165
Cash and cash equivalents	129	–	–	–	129
Total current assets	1,998	–	–	–	1,998
Total assets	3,052	–	–	(160)	2,892
Combined net assets	1,271	–	–	(160)	1,111
Minority interests	49	–	–	–	49
Reserve for liabilities and charges	440	–	–	–	440
Financial debt	205	–	–	–	205
Other liabilities	1,087	–	–	–	1,087
Total liabilities	3,052	–	–	(160)	2,892
CONDENSED STATEMENT OF CASH FLOWS					
Working capital provided by operations	133	–	13	–	146
Net cash provided (used) by operations activities	22	–	9	–	31
Net cash provided (used) by investing activities	(1,908)	–	(198)	1,856	(250)
Cash flow from financing activities	1,836	69	(27)	(1,901)	(23)
Net effect of exchange rate changes	(5)	–	–	–	(5)
Net increase (decrease) in cash and cash equivalents	(55)	69	(216)	(45)	(247)
(Debt net) / cash net, at beginning of year	(21)	(69)	216	45	171
(Debt net) / cash net, at end of year	(76)	–	–	–	(76)

in millions of euros **1999**	Combined	Operating carving out (a)	Financial structure (b)	Reorganization (c)	Pro forma
CONDENSED INCOME STATEMENTS					
Net sales	4,505	(323)	–	–	4,182
Gross profit	730	(101)	–	–	629
Income from operations	181	(43)	–	–	138
Financial income (loss)	(31)	–	31	–	–
Restructuring costs	(60)	–	–	–	(60)
Other revenue (expense)	80	–	–	–	80
Net income before income tax and amortization of goodwill	170	(43)	31	–	158
Income tax	(25)	–	(6)	–	(31)
Amortization of goodwill	(22)	–	–	22	–
Minority interests	6	–	–	–	6
Net income, Group share	117	(43)	25	22	121
CONDENSED BALANCE SHEET					
Intangible assets, net	148	–	–	(144)	4
Property, plant and equipment, net	895	(147)	–	–	748
Investments and other non-current assets net	102	–	–	(45)	57
Total non-current assets, net value	1,145	(147)	–	(189)	809
Inventories and work in progress, net value	683	(60)	–	–	623
Receivables, net value	1,098	(86)	–	–	1,012
Cash and cash equivalents	498	–	–	–	498
Total current assets	2,279	(146)	–	–	2,133
Total assets	3,424	(293)	–	(189)	2,942
Combined net assets	1,222	(278)	213	(144)	1,013
Minority interests	84	–	–	–	84
Reserve for liabilities and charges	536	(16)	–	–	520
Financial debt	518	67	(213)	(45)	327
Other liabilities	1,064	(66)	–	–	998
Total liabilities	3,424	(293)	–	(189)	2,942
CONDENSED STATEMENT OF CASH FLOWS					
Working capital provided by operations	169	(69)	25	–	125
Net cash provided (used) by operations activities	247	(70)	25	–	202
Net cash provided (used) by investing activities	(113)	31	–	(6)	(88)
Cash flow from financing activities	35	22	(82)	–	(25)
Net effect of exchange rate changes	(10)	–	–	(1)	(11)
Net increase (decrease) in cash and cash equivalents	159	(17)	(57)	(7)	78
(Debt net) / cash net, at beginning of year	(180)	(52)	260	65	93
(Debt net) / cash net, at end of year	(21)	(69)	202	59	171

in millions of euros **1998**	Combined	Operating carving out (a)	Financial structure (b)	Reorganization (c)	Pro forma
CONDENSED INCOME STATEMENTS					
Net sales	4,643	(313)	–	–	4,330
Gross profit	767	(99)	–	–	668
Income from operations	214	(39)	–	–	175
Financial income (loss)	(34)	–	32	–	(2)
Restructuring costs	(104)	–	–	–	(104)
Other revenue (expense)	2	–	–	–	2
Net income before income tax and amortization of goodwill	78	(39)	32	–	71
Income tax	11	–	(6)	–	5
Amortization of goodwill	(24)	–	–	24	–
Minority interests	4	–	–	–	4
Net income, Group share	61	(39)	26	24	72
CONDENSED BALANCE SHEET					
Intangible assets, net	161	–	–	(159)	2
Property, plant and equipment, net	862	(133)	–	–	729
Investments and other non-current assets net	122	–	–	(45)	77
Total non-current assets, net value	1,145	(133)	–	(204)	808
Inventories and work in progress, net value	677	(54)	–	–	623
Receivables, net value	1,138	(76)	–	–	1,062
Cash and cash equivalents	373	–	–	–	373
Total current assets	2,188	(130)	–	–	2,058
Total assets	3,333	(263)	–	(204)	2,866
Combined net assets	1,029	(257)	276	(159)	889
Minority interests	76	–	–	–	76
Reserve for liabilities and charges	650	(8)	–	–	642
Financial debt	552	49	(276)	(45)	280
Other liabilities	1,026	(47)	–	–	979
Total liabilities	3,333	(263)	–	(204)	2,866
CONDENSED STATEMENT OF CASH FLOWS					
Working capital provided by operations	195	(56)	26	–	165
Net cash provided (used) by operations activities	342	(82)	26	–	286
Net cash provided (used) by investing activities	(88)	13	–	(19)	(94)
Cash flow from financing activities	68	–	(93)	–	(25)
Net effect of exchange rate changes	1	–	–	–	1
Net increase (decrease) in cash and cash equivalents	323	(69)	(67)	(19)	168
(Debt net) / cash net, at beginning of year	(503)	18	327	82	(76)
(Debt net) / cash net, at end of year	(180)	(51)	260	64	93

in millions of euros	Combined net assets	Pro forma adjustment	Combined pro forma net assets
COMBINED STATEMENTS OF CHANGE IN NET ASSETS			
December 31, 1997	957	(40)	917
Appropriation of net income and dividend	(107)	82	(25)
Translation adjustments	(75)	–	(75)
Net income	61	11	72
Other	193	(193)	–
December 31, 1998	1,029	(140)	889
Appropriation of net income and dividend	(67)	42	(25)
Translation adjustments	28	–	28
Net income	117	4	121
Other	115	(115)	–
December 31, 1999	1,222	(209)	1,013
Appropriation of net income and dividend	(54)	29	(25)
Translation adjustments	52	(5)	47
Net income	232	(157)	75
Other	(181)	181	–
December 31, 2000	1,271	(160)	1,111

Auditors' Report_

on unaudited combined pro forma financial statements

(Free translation from the original French report)

To the Board of Directors of Nexans (formerly Atalec),

You have requested us to examine the unaudited combined pro forma financial statements of Nexans covering the period from January 1, 1998 to December 31, 2000 as included from page 35 to 59 of this document and prepared in connection with the listing of Nexans on the *Premier Marché* of Euronext Paris.

These pro forma combined financial statements are the responsibility of the Board of Directors (approbation on March 14, 2001) and have been stated in euro currency, based on the historical combined financial statements for the three years in the period ended December 31, 2000. The historical combined financial statements for the two years in the period ended December 31, 1999 have been audited by Barbier Frinault & Autres - Arthur Andersen in accordance with the professional standards applied in France. The historical combined financial statements for the year ended December 31, 2000 have been audited by Barbier Frinault & Autres - Arthur Andersen and Ernst & Young Audit in accordance with the professional standards applied in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether those financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in those financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audit provides a reasonable basis for our opinion, expressed below.

Except for the fact that no notes were prepared for the historical combined financial statements for the three years in the period ended December 31, 2000, on the grounds discussed under Note 23; in our opinion, the historical combined financial statements give a true and fair view of the Group's financial position and of its assets and liabilities, and of the results of the operations of the companies included in the combination.

Without calling into question the opinion expressed above, we draw your attention to the following points:

- Note 1.k to the pro forma combined financial statements specifying the changes in valuation of the provisions for pensions and retirement obligations, from January 1, 1999;
- Note 1 to the pro forma combined financial statements specifying the accounting changes resulting from the initial application of the new rules and methods relating to consolidated financial statements in France, from January 1, 1999.

We have examined the pro forma combined financial statements of Nexans in accordance with the professional standards applied in France. Those standards require an assessment of the procedures applied to select the basis for, and to prepare, the pro forma combined financial statements, and the carrying out of procedures to enable us to assess whether such basis for preparation provides a reasonable basis for presenting the significant effects directly attributable to the pro forma transaction or event, whether the related pro forma adjustments give appropriate effect to such basis for preparation and whether the accounting policies applied in preparing the combined pro forma financial statements are consistent with the accounting policies used in the Nexans combined financial statements for the three years in the period ended December 31, 2000.

The pro forma combined financial statements are designed to reflect the effect of a given transaction or event on the historical financial information, had this transaction or event occurred at an earlier date than the date at which such transaction or event occurred or is reasonably expected to occur. They do not, however, necessarily represent the financial situation and income of operations which would have been reported had this transaction or event occurred at an earlier date than the date at which such transaction or event occurred or is reasonably expected to occur.

In our opinion, the basis of preparation used in the pro forma combined financial statements of Nexans provide a reasonable basis for presenting the effects of Nexans' creation as if Nexans had been created as of January 1, 1998.

The related pro forma adjustments give appropriate effect to such basis for preparation in the Combined Pro Forma Financial Statements and the accounting policies applied in preparing such Combined Pro Forma Financial Statements are consistent with those used to establish the historical combined financial statements of Nexans for the three years in the period ended December 31, 2000.

Neuilly-sur-Seine and Paris-La-Défense, March 15, 2001

BARBIER FRINAULT & AUTRES
ARTHUR ANDERSEN

Alain Gouverneyre

ERNST & YOUNG AUDIT

Jean-Claude Lomberget

Extract from the Board of Directors' Report_

dated March 14, 2001 on the Company's activity for the financial year ended December 31, 2000 and presented to the General Shareholders' Meeting of April 2, 2001 (Free translation from the original French version)

Presentation of the past financial year

The significant events of the 2000 financial year were:

• the change in the corporate name of the company from "Atalec" to "Nexans", as approved by the Ordinary and Extraordinary General Shareholders' Meeting of October 17, 2000, and the resulting modification of its bylaws;

• the transfer of the company's head office to 16, rue de Monceau, 75008 Paris, as approved by the Ordinary and Extraordinary General Shareholders' Meeting of October 17, 2000, and the resulting modification of its bylaws;

• the increase in the registered share capital of the Company and its conversion into euros, subsequent to which the registered capital of the Company is established at 25 million euros and the issue premium at 1,044,039,360 euros. This, and the resulting modification of the bylaws, were also approved by the Ordinary and Extraordinary General Shareholders' Meeting of October 17, 2000;

• the acquisition of virtually all the shares of Cablelec and Vivalec for the sum of 1,048,398,695 euros, as approved by the Meeting of the Board of Directors dated October 23, 2000;

• Cablelec, whose corporate name has been changed to Nexans Participations, holds the majority of the subsidiaries in France and abroad. Nexans' activities in France are also carried out by Vivalec, whose name has changed to Nexans France and is held directly by Nexans;

• the setting up within Nexans of a centralized treasury (including interest rates and foreign exchange) for all companies held directly or indirectly by Nexans.

Financial results

The balance sheet, profit and loss statement and the annex containing the accounting methods and rules used for the year ending December 31, 2000 will be communicated to you. The accounting rules and methods are unchanged by reference to those used in the preceding years.

These documents confirm that:

– Nexans has no employees;

– Nexans has no trading activity and therefore made no sales for the year ending December 31, 2000;

– the net income results essentially from financial income of 28.8 million euros, which consists primarily of the dividends paid by Nexans France and Nexans Participations, totalling 27.5 million euros;

– income tax for the year amounts to 956,821 euros and the net income is 27.8 million euros.

Balance sheet

In view of the net income for the year, Nexans' equity at the close of the accounts amounts to 1,097 million euros. The net cash and cash equivalents at the end of the financial year is 46.1 million euros.

Progress made or problems encountered

In view of Nexans' activity as a holding company and the nature of its net income, there is nothing of significance to report regarding progress made or problems encountered during the year ending December 31, 2000.

Research and Development

As Nexans is a holding company, it has no Research and Development activities.

Dividends paid for the last three years and the corresponding tax credit

No dividends have been distributed over the last three financial years.

Table showing the income of Nexans for the last five financial years

This table is reproduced in note 8 to the company accounts.

Foreseeable development and future prospects of the Company

Nexans is the holding company of a group newly created in 2000 and separate from the rest of Alcatel. This Group has a coherent range of business activities that are representative of its leading positions on its specialist markets: infrastructure cables (low, medium and high voltage cables and accessories for electricity companies, telecommunication cables–predominantly copper–for large operators), cables for industry (special cables for OEM) and the building sector (low voltage power cables and private telecom network cables).

In its role as a holding company, Nexans must pursue its cost management policy to enable the Group to maintain and strengthen its position on its markets while at the same time grasping new commercial opportunities that present themselves.

Important events occurring between close of the financial year and the date of writing of this report

No significant events concerning Nexans occurred between the close of the financial year and the date of writing of this report on Nexans. However, its subsidiary, Nexans Participations, took a 51% share in the capital of Daesung Cable, a Korean company quoted on the Korean Stock Exchange.

Shareholding

At the close of the financial year, 99.99% of the Company's capital is held by Alcatel.

Employee shares

The employees have no shares in the registered capital of the Company.

Composition of the Board of Directors

Certain changes have occurred in the Board of Directors of our Company:

• Mr Frédéric Vincent has been appointed director in place of the Compagnie Générale d'Électricité (CGE) which resigned;

• Mr Jean-Pascal Beaufret has been appointed director by cooption in place of the Société Immobilière Kléber Lauriston (SIKL), which resigned;

• Mr Thierry de Loppinot has resigned from his office as director;

• Mr Gérard Hauser has been appointed director;

• the new members of the Board of Directors have appointed Mr Gérard Hauser to the position of Chairman and CEO in place of Mr Thierry de Loppinot.

These changes were approved by the General Shareholders' Meeting of October 17, 2000. The Compagnie Immobilière Méridionale maintains its office of director.

Acquisitions of shares

As was mentioned earlier, during the past financial year Nexans acquired virtually all the shares of the companies Cablelec (renamed "Nexans Participations") and Vivalec (renamed "Nexans France") for the sum of 1,048,398,695 euros, acquisitions authorized by the Nexans Board of Directors' meeting of October 23, 2000.

The activity of the subsidiary company Nexans Participations consists in the acquisition of direct or indirect interests or holdings in French or foreign company. As such, we inform you that at the present time Nexans Participations has shareholdings exceeding 10% in the following companies on French territory: "Nexans Wires" (approximately 99%), "Alsafil" (approximately 99%), "Société Lensoise du Cuivre SA" (approximately 99%), "Tréfileries Laminoirs de la Méditerranée" (approximately 99%) "RIPS" (approximately 99%), "Eurocable" (approximately 99%), and "Nexans Interface" (approximately 99%).

Nexans France is engaged in the manufacture and sale of wires and cables of all types. Nexans France currently as shareholdings exceeding 10% in the following companies on French territory: "Groupement d'Importation des Métaux SA" (approximately 45%) and "SCI Telimm" (approximately 99%).

Nexans does not have any cross shareholdings.

Activity and incomes of Nexans, its subsidiaries and affiliated companies, per branch of activity

The Nexans Group was created in 2000 further to the Alcatel group's strategy of recentring on its core activities, and groups together the activities conducted by the "Electrical Wires" and "Power Cables" divisions of Alcatel's "Energy" business since 1996, along with part of the "Telecom Products" and "Components" divisions of the Alcatel's "Telecom Components" segment. After this re-organization, Nexans is now a subsidiary that is legally independent of the rest of the Alcatel group, and has a coherent range of business activities that are representative of its leading positions on its specialist markets: infrastructure cables (low, medium and high voltage cables and accessories for electricity companies, telecommunication cables (predominantly copper) for the large operators, cables for industry (special cables for OEM) and the building sector (low voltage power cables and private telecom network cables).

As a result of these operations, Nexans is at the head of a group whose consolidated net sales for the financial year 2000 total 4,783 million euros and groups together the activities conducted since 1996 by the "Electrical Wires" and "Power Cables" divisions of Alcatel's "Energy" segment, along with part of the "Telecom Products" and "Components" divisions of Alcatel's "Telecom Components" segment.

Working in this new framework, the year 2000 enabled the Group to strengthen its positions on its target markets, to continue and consolidate a large number of industrial streamlining actions initiated in the past, and to restore profitability and healthy prospects for its "Energy" sector, marked by a contrasting world economic climate.

Electrical wires

Net sales of the "Electrical wires" Division increased by 16%, representing 1,095 million euros at constant copper price, compared with 945 million euros in 1999.

The sustained growth of winding wire activities in Europe compensated for the slowdown of demand in North America and the cost of starting up this activity in China.

Energy

The "Energy" activity registered a 38% increase, with an income from operations of 63.4 million euros in a context where volumes remained globally stable–net sales of 2,062 million euros, equivalent to that of 1999 at constant copper price–and raw material prices were high.

The "High voltage cables and associated accessories" activity is still suffering from the weak demand for land-based projects, while the "Umbilical and Undersea Cables" activity is showing signs of recovery;

The "Medium and low voltage cables" activity experienced a varied year with a slight drop in sales prices in the European market while volumes remained globally stable, and a reasonable development in the North American market justified the launching of substantial investments in medium voltage cables in Canada.

Telecom

Net sales for the "Telecom" activity increased by almost 7% in 2000, reaching 875.9 million euros, compared with 821 million euros in 1999 (at constant copper price).

Favourable market conditions in the "Copper telecommunication cable networks" sector resulted in an increase in net sales, demonstrating the positive effect produced by the industrial restructuring of resources.

Similarly, the "Fibre cables network" activity saw an increase in net sales.

The "LAN data cables" activity also saw a significant increase in sales, which amounted to 364 million euros. The year 2000 was marked by the streamlining of the North-American production sites with the grouping of all LAN cable production on the New Holland site (PA).

Balance sheets_

ASSETS at December 31 *in euros*	**Notes**	**2000** **Net value**	**1999** **Net value**	**1998** **Net value**
Other investments	4	1,048,398,695	–	–
TOTAL NON-CURRENT ASSETS		1,048,398,695	–	–
Trade receivables		–	–	–
Other current assets	5 and 6	3,368,810	38,646	36,589
Cash		464,481,042	–	872
TOTAL CURRENT ASSETS	5 and 6	467,849,851	38,646	37,462
TOTAL ASSETS		**1,516,248,547**	**38,646**	**37,462**

LIABILITIES AND SHAREHOLDERS' EQUITY at December 31 *in euros*	**Notes**	**2000** **After appropriation**	**1999** **After appropriation**	**1998** **After appropriation**
Capital stock		25,000,000	38,112	38,112
Additional paid-in capital		1,044,039,360	–	–
Reserves		1,388,419	23	23
Statutory provisions		18	–	–
Retained earnings		6,379,502	(1,773)	(1,720)
SHAREHOLDERS' EQUITY	7	1,076,807,317	36,362	36,415
Bank borrowings and overdrafts	5	19,841	1,529	51
Other financial debts & borrowings	5 and 6	418,396,653	–	–
Trade payables and related accounts	5	5,980	–	–
Taxation and social security		–	–	–
Other liabilities	5 and 6	21,018,755	756	996
TOTAL LIABILITIES		439,441,229	2,284	1,047
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,516,248,547**	**38,646**	**37,462**

Income statements_

in euros	Notes	2000	1999	1998
Other revenues				
Operating revenues				
Purchases of services and other expenses		6,351	1,063	1,196
Taxes and similar payments		23,447	263	260
Operating expenses		29,799	1,326	1,457
OPERATING INCOME		(29,799)	(1,326)	(1,457)
Revenues from investments in subsidiaries and associates	3	27,499,149	–	–
Interests and similar revenues		3,268,751	1,295	1,232
Capital gains on foreign exchange		8,982,259	–	–
Financial revenues	3	39,750,160	1,295	1,232
Interests and similar expenses	3	2,109,132	21	–
Capital losses on foreign exchange		8,884,719	–	–
Financial expenses	3	10,993,851	21	–
FINANCIAL INCOME	3	28,756,309	1,273	1,232
INCOME BEFORE NON RECURRING ITEMS AND INCOME TAX	3	28,726,511	(53)	(225)
Non recurring revenues		–	–	–
Non recurring expenses		–	–	–
Non recurring income		–	–	–
Income Tax	2	956,821	–	–
NET INCOME AFTER TAX	2 and 3	**27,769,690**	**(53)**	**(225)**

Notes to the audited Parent Company financial statements (extract)_

In accordance with paragraph 16.1 of the French "Code de commerce", Nexans has decided to denominate its financial statements in euros.

The following notes represent the notes to the financial statements for the financial year 2000.

The balance sheet, closed at December 31, 2000, is presented after appropriation, the total assets amounting to 1,516,248,547 euros.

The Profit and Loss statement, covering the period from January 1, to December 31, 2000, presents a 27,769,690 euros net income.

The notes were elaborated on a simplified format and only present existing and significant items. All the tables and notes are denominated in euros.

1 MAIN SIGNIFICANT EVENTS

The highlights of the year 2000 were:

- the change of name of Atalec which became Nexans, and the relocation of its headquarters;
- the reorganization of the former Alcatel Cable sector : the Power Cable and Telecom Cable activities (excluding Fiber Optics businesses) held by Alcatel Cable France have been transferred to Nexans France; the consolidated subsidiaries of these same business segments have been sold to Nexans Participations; both Nexans Participations and Nexans France have then become subsidiaries of Nexans;
- the implementation of a centralized treasury management (including interest and exchange rates) for the whole Group, of which Nexans is the parent company.

2 SUMMARY OF ACCOUNTING POLICIES

The financial statements of Nexans comply with French general accounting standards, applied in accordance with the principles and the valuation methods relevant in France:

- on-going operations;
- permanent accounting policies from one period to the other;
- cut-off of the different accounting periods.

They are presented in compliance with the French general standards.

As a general rule, accounting entries are booked in compliance with the historical cost method. The most significant principles are described below:

Investments and other shares

The gross value of investments is stated at acquisition cost excluding miscellaneous expenses. A reserve is accrued for, whenever the end-of-period fair value of the investments is lower than their historical acquisition cost. The fair value is assessed according to the value in use for Nexans, resulting from a multi-criteria valuation which may take into account the re-estimated net asset value as well as future cash flows.

Accounts receivable

Accounts receivable are stated at their face value. A reserve may be accrued for whenever litigation or uncertainties arise.

Accounts receivable and payable in foreign currencies

At December 31, reserves are made, in compliance with French accounting policies, to cover potential exchange rate losses on accounts payable or receivable denominated in foreign currency, whenever these accounts have not been hedged by a foreign exchange rate contract.

Cash, financial debt and borrowings

As a result of the centralized treasury management implemented within Nexans for the whole Group:

- current accounts managed by centralized treasury and loans/ borrowings with a debit balance are presented as "Cash";
- current accounts managed by centralized treasury and loans/ borrowings with a credit balance are presented as "Other financial debts and borrowings".

Tax pooling

On January 12, 1995, Nexans entered into a tax pooling agreement with Alcatel, its main shareholder, which came into effect on January 1, 1995. This agreement was entered in to meet the decision of Alcatel to opt for a tax pooling system pursuant to article 223 (and the followings) of the French "Code Général des Impôts". This agreement was valid for the remaining period of the option taken by Alcatel, that is to say December 31, 1997. This option has been renewed for a five year period expiring December 31, 2002.

Share of Nexans in the income tax as well as in the payments and contributions due by Alcatel, is equivalent during each period to the amount which would have been due by Nexans if it had been assessed separately.

Consolidation

Nexans is the parent company of the Nexans Group, and was fully consolidated within Alcatel at December 2000.

Off-balance sheet commitments

Forward deals:

– forward currency purchases from subsidiaries:	308,257,656 euros
– forward currency purchases from markets:	499,992,253 euros
– forward currency sales to subsidiaries:	318,978,215 euros
– forward currency sales to markets:	485,991,837 euros

Commitments granted

Nexans granted two parent company guarantees to cover the legal obligations of some of its subsidiaries at end of year 2000.

The first one covers an order received on December 14, 2000, amounting to 13,469,935 US dollars.

The second one is a warranty on a 23,219,465 US dollars contract.

3 COMMENTS ON THE NET INCOME

The net income was mainly driven by the financial income, and more precisely by advances on year 2000 dividends, which were paid by:

– Nexans France:	8,999,995 euros
– Nexans Participations:	18,499,155 euros

The remaining part consists in: financial interests of 987,194 euros, related to the term deposit account where the capital cash increase was first invested before the purchase of Nexans France and Nexans Participations shares; net exchange gains; revenues from centralized treasury transactions, and operating expenses.

4 FIXED ASSETS

in euros	Beginning of the period	Revaluation	Acquisitions contributions	Transfer	Disposal	End of the period
RESEARCH & DEVELOPMENT COSTS						
OTHER INTANGIBLE ASSETS						
Land						
Buildings						
Infrastructure and fixtures						
Equipment and tools						
Advanced payments						
PROPERTY, PLANTS AND EQUIPMENT						
Share in net asset of equity subsidiaries						
Investments in other subsidiaries			1,048,398,695			1,048,398,695
Other investment shares						
Loans and other financial assets						
INVESTMENTS AND OTHER NON-CURRENT ASSETS			**1,048,398,695**			**1,048,398,695**
TOTAL			**1,048,398,695**			**1,048,398,695**

5 MATURITY OF RECEIVABLES AND PAYABLES

RECEIVABLES *in euros*	Gross amount	Maturing within a year	Maturing after 1 year
Receivables related to investment shares			
Loans			
Other financial assets			
Overdues			
Other trade receivables			
Advances and loans to employees			
Social Security			
Income tax			
Value added taxation	980	980	
Other taxes			
Miscellaneous receivables			
Group and shareholders	39,970	39,970	
Miscellaneous debtors	3,327,860	3,327,860	
Prepaid accounts			
TOTAL	**3,368,810**	**3,368,810**	
Loans granted during the period			
Reimbursements obtained during the period			
Advances and loans granted to the shareholders			

LIABILITIES *in euros*	Gross amount	Maturing within a year	Maturing within 1 year but after 5 years	Maturing after 5 years
Convertible bonds				
Other bonds				
Borrowings originally issued for a 12-month period or less	19,841	19,841		
Borrowings originally issued for over a year				
Other financial debts and borrowings	418,396,653	418,396,653		
Trade payables and related accounts	5,980	5,980		
Wages and salaries				
Other social payables				
Income tax				
Value added tax				
Other accrued taxes				
Payables on fixed assets and related accounts				
Group and shareholders	955,297	955,297		
Other liabilities	63,459	63,459		
Accrued income				
TOTAL	**419,441,229**	**419,441,229**		
Borrowings subscribed during the period				
Borrowings reimbursed during the period				
Borrowings and advances subscribed to the shareholders				

6 RELATED PARTY ACCOUNTS

in euros	Non consolidated subsidiaries, & Group shareholders	Affiliates
FIXED ASSETS		
Investments		1,048,398,695
CURRENT ASSETS		
Other accounts receivable	39,970	
Cash and cash equivalent	452,069,907	
LIABILITIES		
Other financial debts and borrowings	300,366,938	118,029,715
Other liabilities	955,296	

7 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in euros		
Balance at December 31, 1999		**Opening Balance**
Shareholders' equity before appropriation		36,362
Shareholders' equity after appropriation		36,362
Changes of the period	**Decrease**	**Increase**
Capital stock variations		24,961,888
Additional paid-in capital variations		1,044,039,360
Reserves and retained earnings variations		18
Other variations		27,769,690
TOTAL CHANGES		**1,096,770,955**
Balance at December 31, 2000		**Closing Balance**
Shareholders' equity before appropriation		1,096,807,317

8 SUMMARY OF LAST FIVE-YEAR INCOME

in euros					
Closing date Period (month)	12/31/2000 12	12/31/1999 12	12/31/1998 12	12/31/1997 12	12/31/1996 12
CAPITAL STOCK AT YEAR-END					
Capital stock	25,000,000	38,112	38,112	38,112	38,112
Number of ordinary shares	25,000,000	2,500	2,500	2,500	2,500
Maximum number of shares to issue					
INCOME					
Income before tax, depreciation, amortization and provisions	28,726,511				
Income tax	956,821	(53)	(225)	(1,584)	(346)
Net income	27,769,690	(53)	(225)	(1,584)	(346)
EARNING PER SHARE					
Income after tax, profit sharing but before depreciation amortization and provisions	1	(0)	(0)	(1)	(0)
Income after tax, profit sharing depreciation amortization and provisions	1	(0)	(0)	(1)	(0)
EMPLOYEE					
Social security and employee benefits					

9 LIST OF SUBSIDIARIES AND INVESTMENTS

Denomination Head Office	Capital stock/ Shareholders' equity	% interest / Received divid.	Investment gross value / Investment net value	Loans & advances / Deposits	Revenue / Income
SUBSIDIARIES (more than 50%)					
NEXANS FRANCE	160,000,000	99.99%	237,400,000		490,415,349
	227,888,200	8,999,995	237,400,000		15,269,624
NEXANS PARTICIPATIONS	223,781,250	99.99%	810,998,695		
	812,287,816	18,499,155	810,998,695		18,758,495
INVESTMENTS (10% to 50%)					
OTHER SHARES					

Auditors' report_

on the Parent Company financial statements

(Free translation from the original French version)

To the Shareholders of the company Nexans,

In compliance with the assignment entrusted to us by your shareholders' Annual General Meetings, we hereby report to you, for the year ended December 31, 2000, on:

- the audit of the accompanying financial statements of the company Nexans reported in euro*;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the company's financial position and its assets and liabilities as of December 31, 2000, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

2. SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by law, in accordance with the professional standards applied in France.

We have no comment as to the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with the law, we verified that the management report contains the appropriate disclosures as to the acquisition of shares and controlling interests.

Neuilly-sur-Seine and Paris, March 15, 2001

The Statutory Auditors

BARBIER FRINAULT & AUTRES ARTHUR ANDERSEN	ERNST & YOUNG AUDIT
Alain Gouverneyre	Jean-Claude Lomberget

See pages 65 to 73 of this annual report.

Auditors' report_

on certain related parties transactions, year ended December 31, 2000

(Free translation from the original French version)

To the Shareholders and Directors of the company Nexans,

In our capacity as Statutory Auditors of your company, we are required to report on certain contractual agreements with certain related parties.

In accordance with Article L. 225-40 of French Company Law *(Code de commerce)*, we have been advised of certain contractual agreements which were authorized by your Board of Directors.

We are not required to ascertain whether any other contractual agreements exist but to inform you, on the basis of information provided to us, of the terms and conditions of agreements indicated to us. Is it not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of Article 92 of the March 23, 1967 Decree, to evaluate the benefits resulting from these agreements prior to their approval.

We conducted our work in accordance with professional standards. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

With the companies Cablelec and Vivalec

Directors concerned

Mr Gérard Hauser and Mr Frédéric Vincent.

Terms and object

Purchase by Nexans of the shares of the companies Cablelec and Vivalec from Alcatel and Alcatel Câble France.

Conditions

On October 17, 2000, your Board of Directors authorized the purchase of all the shares of Cablelec, mainly held by Alcatel, and of Vivalec, mainly held by Alcatel Câble France.

As of December 31, 2000, your company acquired these subsidiaries for respectively 810,998,695 euros (Cablelec) and 237,400,000 euros (Vivalec).

With the companies Nexans Deutschland AG, Nexans Hellas SA, Nexans Maroc and Iko Sweden

Directors concerned

Mr Gérard Hauser (Nexans Deutschland AG and Nexans Maroc) and Mr Frédéric Vincent (Nexans Hellas SA, Nexans Deutschland AG and Nexans Iko Sweden).

Terms and object

On March 14, 2001, the Board of Directors of your company authorized the execution of certain agreements, called "General Relations Agreement" with the companies Nexans Deutschland AG, Nexans Hellas SA, Nexans Maroc and Nexans Iko Sweden. These agreements regulate the sharing of the research and development facilities, the results issued from those research programs, and the administrative services rendered by Nexans to its subsidiaries.

Conditions

Under the terms of these agreements, the subsidiaries concerned shall pay a percentage of their turnover, variable depending on the segment of business, and Nexans shall contribute to the cost of the research and development programs.
For administrative services, Nexans shall be remunerated according to a percentage of the turnover.
These agreements will be effective beginning the year 2001.

Neuilly-sur-Seine and Paris, March 15, 2001

The Statutory Auditors

BARBIER FRINAULT & AUTRES ARTHUR ANDERSEN	ERNST & YOUNG AUDIT
Alain Gouverneyre	Jean-Claude Lomberget

Non recurring events, risks and disputes_

1. The price of non-ferrous metals (copper and aluminium), which represent a significant proportion of Nexans' costs, are subject to large fluctuations. As these variations are taken into account in prices invoiced, and due to a policy of systematic coverage, these variations do not affect the operating income. They can, however, have a significant impact on working capital requirements.

2. One part of Nexans' activity associated with the infrastructure markets ("Telecom" and "Energy") is subject to seasonal variations due to a lower level of invoicing and activity when the climatic conditions are unfavourable. Consequently, the interim financial statements can be affected by this seasonal aspect, particularly as far as net sales, income and working capital needs are concerned.

3. Nexans is involved in various claims, mainly concerning contractual and environmental matters. It is also subject to product liability claims.

Nexans is currently party to a dispute in Duisberg in Germany, with purchasers of a plot of land, and with a municipality over a problem of contamination of the ground and the groundwater table.

The proceedings–mentioned in note 21 of the pro forma consolidated accounts for the year ending December 31, 2000 –instituted in 2000 against Nexans and other cable manufactures in the Canadian courts, by a producer claiming damages further to a fire, have terminated since the end of 2000.

In view of its reserve policy, the evaluation of the probability of being convicted, the sums in question, and its insurance coverage, Nexans does not consider that the present or future risks associated with these disputes will have any significant effect on its financial situation or results.

In Norway, the Norwegian Competition Authority has submitted a file to the criminal jurisdiction investigators that apparently involves several companies, including Alcatel Distribution–a subsidiary of Nexans Norway–in relation to alleged illegal price fixing. The Competition Authority has stated its desire to see heavy fines inflicted on the companies involved. If the criminal jurisdiction proceeds to take this case to court, Nexans intends to contest strongly any allegations that might be made against it. At this stage of the investigation, and considering the lack of precise information on the accusations made against Nexans Norway, no reserve has been made.

4. As part of its Telecom activities, Nexans designs, manufactures and sells fibre cables. In 2000, two thirds of the fibres were supplied by Alcatel under a three-year contractual arrangement.

Information concerning the Company's activities_

Main sites

Name of site	Place (town/country)	Product range
Rheydt	Mönchengladbach/Germany	Copper telecom cables Cabling systems Industrial applications Bare electrical wires
Hanover	Hanover/Germany	Electricity distribution (medium voltage)
Chauny	Chauny/France	Wire rods Bare electrical wires Winding wires
Nuremberg	Nuremberg/Germany	Industrial applications
Berk Tek	New-Holland/USA (PA)	LAN cables
Santander	Santander/Spain	Copper telecom cables
Cortaillod	Cortaillod (Neuchâtel/Switzerland)	Optical fibre cables for telecoms Electricity transmission (high voltage) Electricity distribution (medium voltage)
Lyons	Lyons/France	Industrial applications
Grimsas	Grimsas/Sweden	Optical fibre cables Copper telecoms cables General market Electricity distribution (low voltage) Industrial applications
Latina	Latina/Italy	Electricity distribution (medium voltage)
Fumay	Fumay/France	LAN cables

Shareholders' rights and obligations_

General Shareholders' Meetings

General or Special Shareholders' Meetings are convened and deliberations are held under the conditions set forth by law. When the required quorum is reached, the General Shareholders' Meeting represents all the shareholders. Its decisions are binding on everyone, even shareholders who are absent or opposed. The Meeting is held at the head office or at any other location specified in the Meeting notice.

Any shareholder may participate in person, by proxy or by mail with proof of identify and of share ownership in the form of either a registered account or bearer shares on deposit at the location mentioned in the Meeting notice. These requirements must be met no later than five days before the meeting date. This period may be shortened by decision of the Board of Directors.

Any shareholder may also, if the Board of Directors so decides at the time the General Shareholder's Meeting is convened, vote at the General Meeting by any means of teletransmission (Internet) under the conditions set forth by law.

The General Shareholders' Meeting is chaired by the Chairman or one of the Vice-Chairmen of the Board of Directors, or by a Director designated by the Board of Directors or by the Chairman.

The Meeting designates an office comprising the Chairman of the meeting, two Officers and a Secretary.

The positions of Officer are held by the two members of the Meeting that represent the largest number of votes or, if they decline, are proposed successively to those following behind them until two people accept.

The copies or extracts of the reports are certified by the Chairman of the Board of Directors or by a General Director who is member of the Board or by the Secretary of the Meeting.

Form of the shares and statutory thresholds

All shares are registered until fully paid in.

Fully paid category shares are registered or bearer, at the choice of the shareholder, subject to the provisions set forth in (2) of the following subsection. Aside from the legal requirement to inform the company when certain portions of the capital are held, any natural or legal person and/or any shareholder owning a number of shares of stock in the company equal to or greater than:

1) 2% of the capital or voting shares, must inform the company of the total number of shares held within a period of fifteen days from the time the threshold is crossed, by registered letter, with acknowledgement of receipt. This report shall be renewed under the same conditions whenever a new threshold of a multiple of 2% is reached.

2) 2% of the capital or voting shares, must request that their shares be entered in registered form within five trading days after the threshold is crossed. This registration requirement applies to all shares held or acquired after the threshold is crossed. A copy of the registration application, sent to the company by letter or facsimile within fifteen days after the threshold is crossed, shall be considered a report that the statutory threshold was crossed. This application shall be renewed under the same conditions whenever a new multiple of 2% threshold is crossed, up to a limit of 50%.

When the thresholds described in (1) and (2) are calculated, any shares held indirectly and any shares combined with shares owned as defined by the provisions of Articles L. 233-7 of the commercial code will also be factored in.

All reports filed as described above must certify that they do indeed include all shares held or owned pursuant to the foregoing paragraph. The acquisition date(s) must also be indicated.

In the event of non compliance with the provisions described in (1) and (2) above, the shareholder shall, under the conditions and restrictions defined by law, lose the voting rights corresponding to any shares over the threshold that are subject to the reporting requirement.

Any shareholder whose interest in the capital drops below either of the thresholds described in (1) and (2) above shall also be required to inform the company within the same period of fifteen days, in accordance with the same terms.

The shares are represented by registration in the books of the issuing company in the name of their owner, or through an authorized intermediary.

The registered shares shall be transmitted by account-to-account bank transfer. Registrations, bank transfers and transfers of ownership shall be done under the conditions laid down by law and the regulations in force.

In cases where the parties are not relieved of these obligations by the legislation in effect, the company can demand that the signing of the transaction or transfer declarations be certified under the conditions laid down by law and the regulations in force.

The company may, under the conditions provided by law or by any bylaws in effect, request any information from any agency or authorized intermediary regarding its shareholders (or the holders of shares granting voting rights immediately or in the future), their identity and the number of securities held by them, as well as information on any restrictions that may apply to the securities.

The statutory provisions concerning the obligations in the event of crossing of the thresholds were approved by the Combined General Shareholder's Meeting of October 17, 2000 and are in effect since June 15, 2001.

Voting rights

Subject to the provisions below, every member of every Meeting is entitled to as many votes as they own or represent in shares.

However, a double voting right is attached to all fully paid registered shares, posted in the name of the same holder for at least three years.

The double voting right will terminate automatically for any shares converted to bearer form or when there is a transfer of ownership. However any transfers made from registered form to registered form following an inheritance or an intestate succession, a division of community property between spouses or a donation inter vivos to a spouse or to relatives who are legal heirs shall not interfere with the above deadline or shall retain the right acquired.

Irrespective of the number of shares owned by them, either directly or indirectly, when casting single votes in General or Special Meetings, either in their own name or as proxies, shareholders may not cast over 8% of the votes attached to the shares present or represented when voting on resolutions in any General Shareholders' Meeting. If shareholders have double votes in addition, either in their own name or as proxies, the limit set above may be exceeded solely with respect to such additional voting rights. However, in no event shall the number of votes exceed 16% of the votes attached to any shares present or represented. When this restriction is applied, any shares held indirectly or shares combined with shares owned as defined by the provisions of Articles L. 233-7 and following of the French new commercial code will be taken into account.

The foregoing restriction shall automatically lapse should any natural or legal person, alone or together with one or more natural or legal persons, come to hold at least 66.66% of the total number of shares in the company following takeover bid or exchange offer proceedings targeting all the stock in the company. The Board of Directors shall acknowledge the lapse once the results of the proceedings are published.

The foregoing restriction shall not apply to the Chairman of the meeting issuing a vote as a result of proxies received pursuant to any legal requirement under Article L. 225-106 of the commercial code.

The voting right belongs to the life tenant in all General Annual, Extraordinary or Special Meetings.

Appropriation of income

The difference between earnings and expenses for the year, after provisions, is the profit or loss for the year. After any prior losses are deducted, five per cent is withheld from the profit to fund the legal reserve. Once the legal reserve reaches one tenth of the capital stock, this requirement will cease to apply. It resumes whenever, for any reason, the reserve drops below that percentage.

The distributable profit, which consists of the profit for the year, less any prior losses, and the amount withheld as described above, plus any retained earnings, is available to the General Shareholders' Meeting, which, on the recommendation of the board of directors, may, in all or in part, carry it forward, appropriate it to general or special reserve funds, or pay it out to the shareholders as dividends.

Furthermore, the Meeting may decide to distribute any sums withheld from optional reserves, either to pay out a dividend or to supplement dividend payments or as an exceptional distribution. In such case, the decision shall indicate expressly from which reserve line items the sums shall be withheld. However, priority is given to withholding funds for dividends from the distributable profit for the year.

For all or part of the dividends or interim dividends paid out, the Ordinary General Meeting has the option of giving shareholders a choice between payment of dividends and interim dividends in cash or in stock.

The General Shareholders' Meeting, or for interim dividends, the Board of Directors, determines the date from which dividends are paid.

General information
on the Parent Company and its capital_

Company profile

Name and head office:

Nexans

16, rue de Monceau, 75008 Paris.

Legal form and governing laws

A French corporation subject to all the laws governing business corporations in France, specifically the provisions of the commercial code and decree No. 67-236 of March 23, 1967.

Trade Register Number

The company is listed in the Paris Trade Register under number 393 525 852. Its APE code is 741J.

Corporate documents

Documents and information on the company may be reviewed at the company's head office located at 16, rue de Monceau, 75008 Paris.

Incorporation and expiration dates

The company was incorporated on January 5, 1994 under the name of Atalec, for a period of 99 years which shall expire on January 7, 2093.

Corporate purpose (condensed from Article 2 of the bylaws)

In all countries, research, manufacture, operation and sale of any and all equipment, hardware and software related to domestic, industrial, civilian, military or other applications for electrical power, telecommunications, information processing, electronics, the space industry, nuclear energy, metallurgy and in general any and all means of production or means of transmitting energy or communications (cables, batteries and other components), and, on a secondary basis, any and all activities related to the operations and services performed in connection with the areas listed above. Acquiring interests in any and all companies irrespective of the form there of, i.e. partnerships, groupings, either French or foreign irrespective of the corporate purpose or business thereof; and in general any and all industrial, commercial, financial, movable or immovable operations related, either directly or indirectly, in whole or in part, to any of the purposes indicated in articles of the bylaws or to any similar or related purposes.

Accounting period

The accounting period begins on January 1 and ends on December 31.

Appropriation of capital and voting rights_

Capital stock and voting rights

The capital stock of the company totals 25,000,000 euros, represented by 25,000,000 shares with a par value of 1 euro each.

Table of the variations in Nexans share capital since its incorporation

Date of General Shareholders' Meeting	Operation	Number of shares issued	Nominal value of shares	Nominal amount of capital stock increase	Paid-in capital or share contributions	Total amount of capital stock	Total number of shares
January 5, 1994	Incorporation	2,500	100 FRF	250,000 FRF	–	250,000 FRF	2,500
October 17, 2000	Capital stock increase	–	105 FRF	12,500 FRF	–	262,500 FRF	2,500
October 17, 2000	Capital converted to euros	–	16 €	–	–	40,000 €	2,500
October 17, 2000	Division of nominal share value	–	1 €	–	–	40,000 €	40,000
October 17, 2000	Capital stock increase	24,960,000	1 €	24,960,000 €	1,044,039,360	25,000,000 €	25,000,000

According to the information in the possession of the Company at July 12, 2001, the total number of voting rights, taking into account the double voting rights at this date amounts to 25,000,032.

The number of shareholders was approximately 111,000 on July 1, 2001, according to the statistics of the banks that managed the share offering.

Notification of threshold crossing

As far as the Company is aware, on July 1, 2001, the shareholders holding directly or indirectly a share exceeding or equivalent to 5% of the capital are Alcatel (20%), K Capital Partners (5.07%) and Voltaire Asset Management Ltd (5%).

Authorized capital increases

There exist no non-voting shares, or shares giving access to the capital.

The Company has been granted the following authorizations by the General Shareholders' Meeting of April 2, 2001.

	Maximum amount of the capital increase authorized	Validity deadline
Authorization with preferential rights		
Shares or other stocks or securities entitling the holder to immediate or future access to the capital stock and capitalizations of reserves [2]	25 million euros [1]	26 months from the date of the General Shareholders' Meeting
Authorization without preferential rights		
Shares or other stocks or securities entitling the holder to immediate or future access to a portion of the capital stock (including remitted under any public offer of exchange initiated by the Company or by a company in which Nexans holds directly or indirectly more than half the stock capital)	25 million euros [1]	26 months from the date of the General Shareholders' Meeting
Employee authorization		
Stock subscription options [4]	1,250,000 euros [2]	April 2, 2006
Capital increase reserved to employees	750,000 euros [3]	April 2, 2006

(1) Within the limit of an overall ceiling, all issues giving immediate or long term access to the nominal capital, with or without preferential subscription rights, of 25 million euros.

(2) With respect to the capitalization of reserves, the maximum nominal amount of the capital increase is limited to the total amount of the funds that can be capitalized.

(3) Mutually independent ceilings and independent of that provided for in sub-paragraph (1).

(4) This right had not been exercised as of July 1, 2001.

Remuneration and benefits received by the Directors during the financial year ended December 31, 2001

The members of the Board of Directors received overall compensation of approximately 2.3 million euros for the financial year ended December 31, 2001 in their capacity as employees of Alcatel and certain of its subsidiaries. They hold Alcatel shares and stock options granted in the framework of a stock option plan.

Purchase of its own shares

The General Shareholders' Meeting of April 2, 2001 authorized the Board of Directors, until confirmed by a subsequent Shareholders' Meeting to undertake the repurchase of its own shares up to a limit of 10% of the capital, and for an amount which shall not exceed 100 million euros, with an option to reduce the capital by an equivalent amount.

Financial information and Shareholder relations

- Contacts

Requests for information or documents are to be addressed to Michel Gédéon, Financial Information Director.
Tel.: 33 (0)1 56 69 85 31 - Fax: 33 (0)1 56 69 86 35

- Documentation

Nexans provides the public with general, economic and financial information about the Group on its Web site at http://www.nexans.com/, including press releases relating to Nexans.

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The future runs through Nexans.

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