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NEXANS

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

Consolidated income statement	2
Consolidated balance sheet.....	3
Consolidated statement of cash flows	4
Consolidated statement of changes in equity.....	5
Notes to the consolidated financial statements:	
- Summary of significant accounting policies	7
- Significant events of the year	25
- Information by business line and geographic area	28
- Other notes.....	32

Consolidated income statement

<i>(in millions of euros)</i>	Notes	2007	2006	2005	
				Restated**	Reported
Net sales	(1.h) & (3)	7,412	7,489	5,449	5,449
<i>Metal price effect*</i>		(2,591)	(3,046)	(1,186)	(1,186)
<i>Net sales at constant metal prices*</i>	(1.h) & (3)	4,822	4,442	4,263	4,263
Cost of sales		(6,521)	(6,802)	(4,825)	(4,825)
<i>Cost of sales at constant metal prices*</i>		(3,930)	(3,756)	(3,640)	(3,640)
Gross profit		892	687	623	623
Administrative and selling expenses		(423)	(372)	(386)	(386)
R&D costs	(1.k)	(60)	(55)	(52)	(52)
<i>Operating margin*</i>	(1.i) & (3)	409	260	186	186
Core exposure effect***	(1.i)	20	107	93	-
Net asset impairment	(1.o) & (7)	(21)	(99)	(32)	(4)
Changes in fair value of non-ferrous metal derivatives	(1.g)	(36)	(7)	33	33
Net gains on asset disposals	(6)	4	151	34	34
Restructuring costs	(22.b)	(14)	(48)	(24)	(24)
Operating income		362	363	290	225
Cost of debt (gross)		(57)	(45)	(26)	(26)
Income from cash and cash equivalents		13	12	7	7
Other financial expenses	(5)	(37)	(36)	(17)	(17)
Share in net income of associates		-	3	(0)	(0)
Income before taxes		281	297	254	189
Income taxes	(9)	(84)	(48)	(36)	(26)
Net income from continuing operations		197	249	218	163
Net loss from discontinued operations	(8.b)	-	(4)	(46)	(46)
Net income		197	244	172	117
Attributable to equity holders of the Company		189	241	163	108
Attributable to minority interests		7	3	9	9
Attributable net income from continuing operations per share (in euros)	(1.dd) & (10)				
- basic earnings per share		7.41	10.44	9.90	7.30
- diluted earnings per share		6.67	9.10	8.52	6.36
Net income/(loss) from discontinued operations per share (in euros)	(1.dd) & (10)				
- basic loss per share		0.00	(0.19)	(2.18)	(2.18)
- diluted loss per share		0.00	(0.17)	(1.89)	(1.89)
Net income per share attributable to equity holders of the Company (in euros)	(1.dd) & (10)				
- basic earnings per share		7.41	10.25	7.73	5.12
- diluted earnings per share		6.67	8.93	6.63	4.46

* Performance indicators used to measure the Group's operational performance

** Since December 31, 2006, the Group's financial statements have been prepared taking into account a change relating to the recognition of non-ferrous metal inventories (see Note 1.b.). The figures in the "Restated" column for 2005 have been adjusted to reflect the impact of this change.

*** Effect relating to the revaluation of core exposure at weighted average cost.

Consolidated balance sheet

At December 31, in millions of euros

	Notes	2007	2006**	2005	
				Restated*	Reported
ASSETS					
Goodwill	(11)	192	174	82	88
Intangible assets	(12)	101	110	14	14
Property, plant and equipment	(13)	858	830	778	942
Investments in associates	(14)	1	22	18	18
Other non-current financial assets	(15)	28	50	56	56
Deferred tax assets	(9.d)	48	97	53	76
Other non-current assets		-	-	-	-
NON-CURRENT ASSETS		1,227	1,283	1,001	1,194
Inventories and work in progress	(16)	1,158	1,328	874	563
Amounts due from customers on construction contracts		163	77	47	47
Trade receivables	(17)	1,092	1,272	1,105	1,105
Current income tax receivables		11	7	9	9
Other current non-financial assets		83	79	54	54
Other current financial assets	(18)	125	105	155	155
Cash and cash equivalents	(19)	622	287	117	117
Assets and groups of assets held for sale	(8.a)	150	60	81	81
CURRENT ASSETS		3,403	3,214	2,441	2,130
TOTAL ASSETS		4,630	4,497	3,442	3,324
EQUITY AND LIABILITIES					
Capital stock		26	25	24	24
Additional paid-in capital		1,133	1,127	1,019	1,019
Treasury stock		-	-	(28)	(28)
Reserves		374	158	23	(40)
Net income attributable to equity holders of the Company		189	241	163	108
Equity excluding minority interests		1,722	1,551	1,201	1,083
Minority interests		36	39	77	77
TOTAL EQUITY	(20)	1,758	1,589	1,278	1,160
Pension and other retirement benefit obligations	(21)	322	336	353	353
Other long-term employee benefit obligations		15	17	10	10
Long-term provisions	(22)	25	27	4	4
Convertible bonds	(23)	258	247	117	117
Other long-term debt	(23)	353	7	5	5
Deferred tax liabilities	(9.d)	85	94	33	33
Other non-current payables		-	-	-	-
NON-CURRENT LIABILITIES		1,058	728	522	522
Short-term provisions	(22)	72	89	83	83
Short-term debt	(23)	301	665	369	369
Customer deposits and advances		59	39	18	18
Amounts due to customers on construction contracts		128	71	70	70
Trade payables		817	917	692	692
Current income tax payables		32	39	31	31
Other current non-financial liabilities		47	47	33	33
Other current financial liabilities	(24)	313	290	308	308
Liabilities related to groups of assets held for sale	(8.a)	45	22	39	39
CURRENT LIABILITIES		1,814	2,180	1,642	1,642
TOTAL EQUITY AND LIABILITIES		4,630	4,497	3,442	3,324

* Since December 31, 2006, the Group's financial statements have been prepared taking into account a change relating to the recognition of non-ferrous metal inventories (see Note 1.b.). The figures in the "Restated" column for 2005 have been adjusted to reflect the impact of this change.

** Taking into account the fair value adjustments made following the completion of the initial accounting for the Olex acquisition in relation to the Olex group's opening balance sheet (see Note 11).

Consolidated statement of cash flows

<i>(in millions of euros)</i>	Notes	2007	2006	2005	
				Restated**	Reported
Net income attributable to equity holders of the Company		189	241	163	108
Minority interests		7	3	9	9
Depreciation, amortization and impairment of assets		122	178	129	101
Cost of debt (gross)		57	45	26	26
Core exposure impact*		(20)	(107)	(93)	-
Other restatements***		118	(70)	(11)	(21)
Cash flows from operations before gross cost of debt and tax****		473	290	223	223
Decrease (increase) in receivables		61	(181)	(404)	(404)
Decrease (increase) in inventories		129	(308)	(64)	(64)
Increase (decrease) in payables and accrued expenses		(6)	242	310	310
Other assets and liabilities		-	-	(7)	(7)
Income tax paid		(80)	(58)	(46)	(46)
Impairment of current assets and accrued contract costs		(4)	12	(14)	(14)
Net change in current assets and liabilities		100	(294)	(225)	(225)
Net cash generated from (used in) operating activities		573	(3)	(2)	(2)
Proceeds from disposals of property, plant and equipment and intangible assets		7	6	10	10
Capital expenditures		(168)	(171)	(130)	(130)
Decrease (increase) in loans granted		2	2	(10)	(10)
Purchase of shares in consolidated companies, net of cash acquired	(2)	(36)	(365)	(28)	(28)
Proceeds from sale of shares in consolidated companies, net of cash transferred	(2)	48	201	116	116
Net cash used in investing activities		(147)	(327)	(42)	(42)
Net change in cash and cash equivalents after investing activities		427	(330)	(44)	(44)
Proceeds from (repayment of) long-term borrowings	(23)	344	276	(9)	(9)
Proceeds from (repayment of) short-term borrowings	(23)	(409)	282	77	77
Proceeds from issuance of shares paid up in cash		7	8	7	7
Interest paid		(36)	(45)	(23)	(23)
Dividends paid		(32)	(23)	(12)	(12)
Net cash (used in) generated from financing activities		(125)	497	40	40
Net effect of currency translation differences		4	1	3	3
Impact of changes in scope of consolidation – discontinued operations		-	1	(3)	(3)
Net increase (decrease) in cash and cash equivalents		306	170	(4)	(4)
		-	-	-	-
Cash and cash equivalents at beginning of year		287	117	121	121
Cash and cash equivalents at year-end		594	287	117	117
<i>Of which cash and cash equivalents recorded as assets in the balance sheet</i>		<i>622</i>	<i>287</i>	<i>117</i>	<i>117</i>
<i>Of which short-term bank loans and overdrafts</i>		<i>(28)</i>	<i>-</i>	<i>-</i>	<i>-</i>

* Impact relating to the revaluation of core exposure at weighted average cost – no cash impact (see Note 1.p).

** Since December 31, 2006, the Group's financial statements have been prepared taking into account a change relating to the recognition of non-ferrous metal inventories (see Note 1.b.). The figures in the "Restated" column for 2005 have been adjusted to reflect the impact of this change.

*** Other restatements for the year ended December 31, 2007 primarily concerned (i) offsetting the Group's income tax charge (84 million euros); and (ii) the cancellation of the expense recorded in the income statement for changes in fair value of metal and foreign exchange derivatives (54 million euros).

In 2006, this item primarily related to: capital gains on the disposal of Electro-Matériel (150 million euros), offsetting the income tax charge (48 million euros), the non-cash impact of changes in fair value of derivatives (16 million euros), goodwill impairment and negative goodwill (17 million euros), and stock option expense (3.4 million euros)

**** The Group also uses the "operating cash flow" concept which is calculated after adding back restructuring costs (22 million euros and 40 million euros in 2007 and 2006 respectively), and deducting gross cost of debt and current income tax charge.

Consolidated statement of changes in equity

in millions of euros	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Reserves				Net income for the year attributable to equity holders	Equity excluding minority interests	Minority interests	Total equity
					Consolidated retained earnings	Changes in fair value and other	Cumulative translation adjustments	Total reserves				
January 1, 2005 restated**	20,968,748	23	1,014	(28)	(153)	5	(4)	(153)	58	915	70	985
Change relating to the recognition of non-ferrous metal inventories (core exposure effect)*					29			29	34	63		63
January 1, 2005 restated*	20,968,748	23	1,014	(28)	(124)	5	(4)	(124)	92	978	70	1,048
Reclassification of prior-year income to retained earnings					92			92	(92)			
Dividends paid					(10)			(10)		(10)	(2)	(12)
Available-for-sale financial assets												
Translation adjustments							73	73		73	8	81
Cash flow hedges – increase / (decrease)						(6)		(6)		(6)		(6)
Cash flow hedges – recycling to income						(5)		(5)		(5)		(5)
Income and expenses recognized directly in equity						(11)	73	62		62	8	70
Net income (prior to the change relating to the recognition of non-ferrous metal inventories – core exposure effect*)									108	108	9	117
Impact on income of change relating to the recognition of non-ferrous metal inventories – core exposure effect *									55	55	0	55
Total recognized income and expenses						(11)	73	62	163	225	17	242
Capital increases												
Employee stock option plans:												
- Service cost					2			2		2		2
- Proceeds from share issues	317,375	0	5							5		5
Other		0								0	(8)	(8)
December 31, 2005 restated	21,286,123	24	1,019	(28)	(40)	(6)	69	23	163	1,201	77	1,278
Reclassification of prior-year income to retained earnings					163			163	(163)			
Dividends paid					(22)			(22)		(22)	(2)	(24)
Available-for-sale financial assets												
Translation adjustments							(27)			(27)	(2)	(29)
Cash flow hedges – increase / (decrease)						(14)				(14)	1	(13)
Cash flow hedges – recycling to income						6				6		6
Income and expenses recognized directly in equity						(8)	(27)	(35)		(35)	(1)	(36)
Net income									241	241	3	244
Total recognized income and expenses						(8)	(27)	(35)	241	206	2	208
Capital increases	65,797	0	2							2		2
Employee stock option plans:												
- Service cost					4			4		4		4
- Proceeds from share issues	378,875	0	6							6		6
Conversion of OCEANE bonds (3.125% - 01/2010)	3,534,160	3	114							117		117
OCEANE equity component (1.5% - 01/2013)					34			34		34		34
Changes in scope of consolidation (buyout of minority interests)											(37)	(37)
Other		(2)	(14)	28	(2)		(6)	(8)		4	(2)	2
December 31, 2006*	25,264,955	25	1,127		136	(14)	36	158	241	1,551	38	1,589

* Since December 31, 2006, the financial statements have been prepared taking into account a change relating to the recognition of non-ferrous metal inventories (see Note 1.b). The figures in the "Restated" lines for 2005 have been adjusted to reflect the impact of this change.

** After adoption of IAS 32 and 39.

Consolidated statement of changes in equity (cont'd)

in millions of euros	Number of shares outstanding	Capital stock	Additional paid-in capital	Treasury stock	Reserves				Net income for the year attributable to equity holders	Equity excluding minority interests	Minority interests	Total equity
					Consolidated retained earnings	Changes in fair value and other	Cumulative translation adjustments	Total reserves				
December 31, 2006	25,264,955	25	1,127		136	(14)	36	158	241	1,551	38	1,589
Reclassification of prior-year income to retained earnings					241			241	(241)			
Dividends paid					(31)			(31)		(31)	(1)	(32)
Available-for-sale financial assets					1			1		1		1
Translation adjustments							(24)	(24)		(24)	(1)	(24)
Cash flow hedges – increase / (decrease)						16		16		16		16
Cash flow hedges – recycling to income						13		13		13		13
Income and expenses recognized directly in equity					1	29	(24)	6		6	(1)	5
Net income for the year									189	189	7	197
Total recognized income and expenses					1	29	(24)	6	189	195	7	202
Capital increases												
Employee stock option plans:												
- Service cost					6			6		6		6
- Proceeds from share issues	413,400	0	7							7		7
Conversion of OCEANE bonds (3.125% - 01/2010)												
OCEANE equity component (1.5% - 01/2013)												
Changes in scope of consolidation (buyout of minority interests)											(8)	(8)
Other					(16)	10		(6)		(6)	0	(6)
December 31, 2007	25,678,355	26	1,133		337	25	12	374	189	1,722	36	1,758

Notes to the consolidated financial statements

Note 1 **Summary of significant accounting policies**

a. General principles

Nexans is a French joint stock corporation (*société anonyme*) governed by the laws and regulations applicable to commercial companies in France, notably the French Commercial Code (*Code de Commerce*). Nexans was formed on January 7, 1994 (under the name Atalec). Its headquarters are at 16, rue de Monceau, 75008 Paris, France and it is listed on the Paris stock exchange (compartment A of Euronext Paris).

The consolidated financial statements are presented in euros rounded to the nearest million. These consolidated financial statements were approved by the Board of Directors on January 30, 2008 and will become final upon approval by the Annual Shareholders' Meeting, which will take place on April 22, 2008.

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. Except where otherwise indicated, these policies have been applied consistently to all the financial years presented.

▪ Basis of preparation

The consolidated financial statements of the Nexans Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The historical cost convention has been applied, except for (i) derivatives; (ii) available-for-sale financial assets; and (iii) other financial assets at fair value through profit or loss that are included in the calculation of net debt. These three categories are all measured at fair value.

○ Exemptions applied on the first-time adoption of IFRS

The Group elected to apply the following exemptions as permitted under IFRS 1, First-time Adoption of International Financial Reporting Standards:

- ✓ Cumulative translation adjustments arising on the translation of the financial statements of foreign entities were recognized in consolidated retained earnings at January 1, 2004.
- ✓ All cumulative actuarial gains and losses on employee benefit obligations were recorded in consolidated retained earnings at January 1, 2004.
- ✓ Business combinations that occurred prior to January 1, 2004 were not restated.
- ✓ IFRS 2, Share-based Payment was only applied to equity instruments granted after November 7, 2002.

At the date of transition to IFRS the other optional exemptions provided for under IFRS 1 were either not applied by the Group or did not have a material impact on the consolidated financial statements.

The Group opted to apply IAS 32 and IAS 39 concerning financial instruments as from January 1, 2005.

The impacts of the Group's transition to IFRS are described in the document entitled "Transition to IFRS" which accompanied the Nexans' 2004 Annual Report.

○ **New standards, interpretations and amendments to published standards effective in 2007**

- ✓ **IAS 1 (Amendment)**, *Presentation of Financial Statements – Capital Disclosures* (applicable to annual periods beginning on or after January 1, 2007). The disclosures required under this Amendment are provided in Note 1.r.
- ✓ **IFRS 7**, *Financial Instruments: Disclosures* (applicable to annual periods beginning on or after January 1, 2007). As IFRS 7 does not contain any specific transitional provisions, the Group has applied this new standard retrospectively to 2006 and 2005 in accordance with IAS 8, except where such application was impractical in which case this has been disclosed in the notes to the financial statements.
- ✓ Application of the following interpretations was mandatory in 2007 but did not have any impact on the Group's financial statements:
 - **IFRIC 7**, *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*.
 - **IFRIC 8**, *Scope of IFRS 2*.
 - **IFRIC 9**, *Reassessment of Embedded Derivatives*.
 - **IFRIC 10**, *Interim Financial Reporting and Impairment*.

○ **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

- ✓ **IAS 1 (Revised 2007)**, *Presentation of Financial Statements*. The aim of the revised version of IAS 1 – which will be effective for annual periods beginning on or after January 1, 2009 – is to improve users' ability to analyze and compare the information given in financial statements. The Group has not yet decided whether it intends to early adopt this revised standard as from January 1, 2008.
- ✓ **IAS 23 (Amendment)**, *Borrowing Costs*. The amended version of IAS 23 – which was published on March 29, 2007 and whose application is mandatory for annual periods beginning on or after January 1, 2009 – requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

The Group believes that this amendment will not have a material impact on its consolidated financial statements but is currently analyzing the situation to confirm this position.
- ✓ **IFRS 8**, *Operating Segments*. This standard – which will supersede IAS 14 for annual periods beginning on or after January 1, 2009 – may affect the presentation of the Group's segment reporting. The Group is currently assessing the impact of this new standard on the definition of its operating and geographic segments. This assessment will take into account the Group's internal reporting system as well as the changes caused by its geographic expansion. The Group does not expect to early adopt IFRS 8 in 2008.
- ✓ **IFRIC 11** *IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007)*. IFRIC 11 provides guidance on how to apply IFRS 2 in the following circumstances: (i) share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation; and (ii) where a subsidiary grants rights to equity instruments of its parent to its employees.

The Group does not anticipate that IFRIC 11 will have a material impact on its consolidated financial statements.

- ✓ **IFRIC 12, Service Concession Arrangements** (effective for annual periods beginning on or after January 1, 2008). This interpretation is not relevant to the Group's operations.
- ✓ **IFRIC 13, Customer Loyalty Programmes** (effective for annual periods beginning on or after July 1, 2008). This interpretation is not expected to have any impact on the Group's consolidated financial statements.
- ✓ **IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** (effective for annual periods beginning on or after January 1, 2008). The Group is currently assessing the impact of this interpretation on its consolidated financial statements. Its effect is not expected to be material, however, as it will only affect certain entities with specific pension plans in place.

▪ **Estimates**

The preparation of consolidated financial statements requires Management to exercise its judgment and make estimates and assumptions that impact:

- ✓ the application of the Group's accounting policies;
- ✓ assets (impairment of goodwill, property, plant and equipment and intangible assets; and the recognition of deferred tax assets);
- ✓ liabilities (provisions and pension liabilities);
- ✓ income and expenses (the measurement of margins on construction contracts).

The estimates and underlying assumptions are based on past experience and other factors considered reasonable under the circumstances. They serve as the basis for any judgment required for determining the carrying amounts of assets and liabilities when such amounts cannot be obtained directly from other sources. Actual amounts may differ from these estimates.

The critical judgments made by Management in applying the Group's accounting policies within the consolidated financial statements are listed below, together with the key sources of estimation uncertainty. They are expanded upon in the notes pertaining to the specific items.

- ✓ The recoverable amount of certain items of property, plant and equipment (see Note 13).
- ✓ The recoverable amount of goodwill (see Note 11).
- ✓ Margins on long-term contracts (see Note 1.h).
- ✓ Deferred tax assets not recognized in prior periods relating to unused tax losses (see Note 9).
- ✓ The measurement of pension liabilities and other employee benefits (see Note 21);
- ✓ Provisions and contingent liabilities (see Notes 22 and 30).

The impact of changes in accounting estimates is recognized over the period of the change if it only affects that period or over the period of the change and subsequent periods if they are also affected by the change.

b. Change relating to the recognition of non-ferrous metal inventories

- Following the application of IFRS from January 1, 2004, Nexans included non-ferrous metal inventories referred to as "core exposure" in property, plant, and equipment. Core exposure represents the quantities required for the Group's plants to operate properly. Its volume is kept stable and its levels are

constantly replenished. For this reason, core exposure is not hedged by forward sales contracts. As an item of property, plant and equipment, it was stated at historical cost at January 1, 2004 and was not depreciated as (i) its residual value was greater than its carrying amount; and (ii) it has an indefinite useful life. Inventories of non-ferrous metals other than those classified as core exposure were recognized as inventories and measured using the weighted average cost method.

The accounting policy applied is described on page 10 of the document entitled "Transition to IFRS" which accompanied the Nexans' 2004 Annual Report.

- At December 31, 2006 Nexans decided to reclassify as inventories the core exposure previously recognized under property, plant and equipment. As a result, the related amounts are now measured using the weighted average cost method. The financial statements for 2005 have been restated using this new classification in order to facilitate year-on-year comparisons.

The policy adopted at transition to IFRS of recognizing core exposure as property, plant and equipment was designed to neutralize in the income statement the impact on core exposure of changes in metal prices, in line with the Group's metal risk management policy (prior to transition to IFRS the Nexans Group used the LIFO method). The change introduced by Nexans as of December 31, 2006 (use of the weighted average cost method in the same way as for other inventories) stemmed from a review of the IFRS applicable to this particular case, which other European groups faced with the same issue have also undertaken. The new approach better reflects the value of inventories in the balance sheet given the very significant rises in non-ferrous metal prices over the past few years.

Due to rising non-ferrous metal prices, the revaluation of the Group's core exposure resulting from the use of the weighted average cost method instead of historical cost gave rise to an increase in the working capital included in non-monetary assets that must be tested for impairment whenever there is an indication that the asset may be impaired. This in turn led to an increase in the amount of impairment recognized in respect of certain cash-generating units at December 31, 2005.

- In sum, the new core exposure accounting treatment gave rise to the following restatements of consolidated equity at January 1 and December 31, 2005, as well as consolidated income for 2005:

<i>(in millions of euros)</i>		Reported amounts	Core exposure revaluation	Additional impairment	Deferred tax impact	Restated amounts
Consolidated equity at: (including minority interests)						
	January 1, 2005 (after application of IAS 32 and 39)	985	76	-	(13)	1,048
	December 31, 2005	1,160	169	(28)	(23)	1,278
Net income						
2005	. Attributable to equity holders of the Company	108	93	(28)	(10)	163
	. Attributable to minority interests	9	0		(0)	9
	Total	117	93	(28)	(10)	172

Additional tables in Notes 7, 9, 11, 13 and 16 provide information on the other changes to the 2005 financial statements.

c. Consolidation methods

The Nexans Group's consolidated financial statements include the financial statements prepared of (i) Nexans SA; (ii) the subsidiaries over which Nexans exercises control; and (iii) associates accounted for by the equity method. The financial statements of subsidiaries and associates are prepared for the same period as those of

the parent company. Adjustments are made to harmonize any differences in accounting methods that may exist. The Group does not currently have any joint ventures within the meaning of IAS 31.

Subsidiaries (companies controlled by Nexans) are fully consolidated from the date the Group takes over control through the date on which control is transferred outside the Group. Control is defined as the direct or indirect power to govern the financial and operating policies of a company in order to benefit from its activities.

Other companies over which the Group exercises significant influence, but which are not subsidiaries or joint ventures, are classified as associates and accounted for by the **equity method**. Significant influence is the power to participate in the financial and operating policy decisions of a company without holding a controlling interest. It is presumed to exist when the Group's direct or indirect interest is over 20%. Investments in associates (including the related amount of goodwill) are initially recognized in the balance sheet at cost and are subsequently adjusted for post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in value. The consolidated income statement includes the share in net income of associates for the period.

The type of control or influence exercised by the Group is assessed on a case-by-case basis using the presumptions set out in IAS 27, 28 and 31. A list of the Group's main subsidiaries and associates is provided in Note 31.

Intra-group balances and transactions, including any intra-group profits, are eliminated in consolidation. Intra-group losses are also eliminated but are considered to be an indicator that the asset may be impaired (see Note 1.o).

d. Translation of financial statements denominated in foreign currencies

The Group's financial statements are presented in euros. The balance sheets of the Group's foreign operations whose functional currency is not the euro are translated into euros at the year-end exchange rate and income statement and cash flow statement items are translated at the average annual exchange rate. The resulting exchange differences are included in equity under "Cumulative translation adjustments".

Functional currency is the currency of the primary economic environment in which the entity operates and in the majority of cases corresponds to the local currency.

When a foreign operation is sold, any related translation adjustments recorded after the first-time adoption of IFRS and included in "Cumulative translation adjustments" are taken to the income statement.

Since January 1, 2006, no Group subsidiary has been located in a "hyperinflationary" economy within the meaning of IAS 29.

e. Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", foreign currency monetary items are translated at the closing rate on the balance sheet date. Any exchange gains and losses arising on translation are recorded as financial income or expense.

Foreign exchange derivatives are measured and recognized in accordance with the principles described in Note 1.cc.

f. Business combinations

Business combinations are accounted for using the purchase method. On the first-time consolidation of a subsidiary, the assets, liabilities and contingent liabilities of the acquiree are recognized at fair value in compliance with IFRS 3. Goodwill arising on the acquisition is determined at the date of the takeover as the difference between the cost of the business combination and the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date (see Note 1.l).

The cost of a business combination is measured as the fair value of the assets given and/or equity instruments issued and liabilities incurred or assumed in exchange for control of the acquiree, plus costs directly attributable to the acquisition. Some business combinations include an adjustment to the purchase price for future events. These adjustments are included in the cost of the business combination at the acquisition date if the adjustment is probable and can be measured reliably.

The Group has a period of 12 months from the acquisition date to finalize the accounting treatment of a business combination. Note 11 to the consolidated financial statements at December 31, 2006 stated that the fair values assigned to the assets, liabilities and contingent liabilities of the Olex group (consolidated as of December 31, 2006) had been determined on a provisional basis only. Final adjustments to these provisional values were recognized during the second half of 2007. In accordance with IFRS 3, the comparative information contained in the 2006 consolidated balance sheet has been presented as if the initial accounting had been completed from the acquisition date (see Note 11).

g. Presentation of IFRS financial statements

In accordance with IAS 1 "Presentation of Financial Statements", consolidated balance sheet items are classified as current or non-current. Assets and liabilities related to the operating cycle and those that are expected to be recovered or settled within 12 months of the balance sheet date are classified as current, and all other assets and liabilities are classified as non-current. In compliance with IAS 12, all deferred tax assets and liabilities are classified as non-current.

Assets and liabilities, income and expenses, and cash inflows and outflows are not offset, except as provided by the applicable accounting standards.

The consolidated income statement is presented by function (rather than by nature of expenses). Total payroll is presented in Note 4. As depreciation and amortization of non-current assets are almost exclusively related to production activities the corresponding expenses are included in "Cost of sales".

The "Changes in fair value of non-ferrous metal derivatives" line was created in the income statement in compliance with IAS 32 and IAS 39 as of January 1, 2005, to distinguish fair value adjustments relating to derivatives (forward purchases and sales of metals on organized markets, notably the LME) that do not qualify as cash flow hedges under IFRS (see Note 1.cc) from changes in fair value of the risks hedged in the underlying commercial contracts.

In the statement of cash flows, cash flows from operating activities are presented using the indirect method, whereby net income attributable to equity holders of the Company is adjusted for the effects of transactions of a non-cash nature and for changes in working capital requirement.

The Statement of Changes in Equity includes information on (i) the amounts of transactions with equity holders acting in their capacity as equity holders; (ii) the balance of retained earnings at the beginning of the period and at the balance sheet date; and (iii) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and end of the period.

The presentation methods have been consistently applied from one year to the next.

h. Sales

Net sales

Net sales (at current metal prices) represent sales of goods and services deriving from the Group's main activities net of value added taxes (VAT). In accordance with IAS 18, revenue is recognized when the risks and rewards of ownership of the goods are transferred to the buyer and the amount of the revenue can be reliably measured. Sales are measured at the fair value of the consideration received or due, which takes into account the financial impact of payment deferrals when they are significant.

Construction contracts

IAS 11 defines a construction contract as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. They essentially cover the Group's high-voltage cable and umbilical cable activities.

Sales and revenue from construction contracts are recognized on a percentage-of-completion basis. The percentage of completion is determined based on technical milestones defined in the contract or on the costs incurred compared to total estimated costs for the contract. When it is probable that total costs will exceed total contract revenue, the expected loss is recognized immediately in cost of sales. Work in progress on construction contracts is stated at production cost, excluding administrative and selling expenses and interest expense. Changes in provisions for penalties are charged to sales.

Down payments received for construction contracts before the corresponding work is performed are recorded in "Customer deposits and advances" on the liabilities side of the balance sheet. For each construction contract, the amount of costs incurred plus profits recognized is compared to the sum of losses recognized and intermediate billings. If the balance obtained is positive, it is included in assets under "Amounts due from customers on construction contracts" and if it is negative it is recorded under "Amounts due to customers on construction contracts" in liabilities.

Net sales (and cost of sales) at constant metal prices

On an operating level, the effects of fluctuations in metal prices are passed on in the selling price.

To neutralize the effect of fluctuations in non-ferrous metal prices and thus measure the underlying trend in its business, the Group presents the sales figure based on a constant price for copper and aluminum (the cost of sales figure is adjusted in the same way). For 2005, 2006 and 2007 these reference prices have been fixed at 1,500 euros per tonne for copper and 1,200 euros per tonne for aluminum.

i. Operating margin

Operating margin measures the Group's operating performance and comprises gross profit (which includes indirect production costs), administrative and selling expenses and research and development costs (see Note 1.k). Share-based payments (Note 1.t), pension operating costs (Note 1.u) and employee profit-sharing are allocated by function to the appropriate lines in the income statement based on cost accounting principles.

Operating margin is measured before the impact of (i) revaluing core exposure using the weighted average cost method (see below); (ii) changes in fair value of non-ferrous metal derivatives; (iii) restructuring costs; (iv) gains and losses on asset disposals; (v) impairment losses recorded on property, plant and equipment or on goodwill following impairment tests; (vi) financial income and expense; (vii) income tax; (viii) share in net income of associates; and (ix) net income from discontinued operations.

j. Core exposure effect

The core exposure effect corresponds to the change in the value of the Group's core exposure during the period as calculated by the weighted average cost method. This impact results from the change described in Note 1.b. and is excluded from operating margin, in line with the Group's business model.

k. Research and development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development costs are recognized as an intangible asset provided the following can be demonstrated:

- ✓ The technical and industrial feasibility of the project;
- ✓ Nexans' intention to complete the project and to use or market the ensuing products;
- ✓ The existence of a potential market (with adequate assurance in terms of volume and price) for the output of the product resulting from the project, or the product's internal usefulness;
- ✓ The availability of adequate resources required to complete the project;
- ✓ The ability to reliably measure the related costs.

These costs are amortized over the estimated useful life of the project concerned, from the date the related product is made available.

Research and development costs to be rebilled to customers under the terms of construction contracts are included in "Amounts due from (or due to) customers on construction contracts".

l. Goodwill

In compliance with IFRS 3 "Business combinations", goodwill is not amortized; instead it is tested at least annually for impairment – in the last quarter of the year – and whenever there is an indication that it may be impaired.

In accordance with IAS 36 these impairment tests are carried out at the level of cash-generating units (CGUs) as determined by the Group by comparing their recoverable amount with the book value of their capital employed (non-current assets and working capital requirement). In 2007, the Group amended the structure of its CGUs to reflect the synergies achieved as a result of its 2007-2009 business plan. Up until 2006 the Group's CGUs primarily corresponded to legal entities but they now include certain cross-functional groupings between entities or business sub-segments which have increasingly integrated cash flows. This change in the definition of the Group's CGUs did not have a material impact on the consolidated financial statements.

The impairment test methods used by the Group are described in Note 1.o. When the recoverable amount of the CGU or group of CGUs is lower than its carrying amount, an impairment loss is recorded in the income statement under "Net asset impairment". This impairment is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. In accordance with IFRIC 10, impairment losses recognized in a previous annual or interim period in respect of goodwill may not be reversed.

After verifying the identification process of the assets and liabilities acquired and their valuation, any negative goodwill is immediately recorded in the income statement.

As IFRS does not currently provide any detailed guidance on how to account for the acquisition of minority interests, when the Group acquires an additional interest in an entity that it already controls the difference between the purchase cost of the minority interest and the Group's equity in the underlying net assets is recognized in goodwill, without making any fair value adjustments to the assets and liabilities acquired. The Group will apply a different accounting treatment following the outcome of Phase II of the IASB's Business Combinations project.

m. Put options given to minority shareholders

In compliance with IAS 32, put options given to minority shareholders in subsidiaries are recognized as financial liabilities at their discounted value. Apart from the derecognition of the corresponding minority interests, the offsetting entry for these financial liabilities is not clearly specified in the applicable standards.

Pending IFRIC guidance, and based on current standard market practices, the Group has opted to record in goodwill the difference between the discounted value of the exercise price of the options and the amount of minority interests removed from equity. This goodwill is adjusted each year to reflect the change in the exercise price of the options and the change in minority interests. This accounting treatment, which has no impact on net income for the period, best reflects the reality of the transaction, to the extent that it corresponds to the treatment that would be applied if the options were exercised immediately. However, if any interpretations or standards are issued that do not permit such treatment it will have to be modified accordingly.

n. Property, plant and equipment and intangible assets (excluding goodwill)

Property, plant and equipment and intangible assets are stated at cost less any accumulated depreciation or amortization and any accumulated impairment losses. When they are acquired under a business combination, their cost is identified as their fair value.

The Group applies the cost model for the measurement of property, plant and equipment and intangible assets rather than the allowed alternative method that consists of regularly revaluing categories of assets. Government grants are recognized as a deduction from the gross amount of the assets to which they relate.

Intangible assets primarily correspond to the following:

- ✓ Trademarks and customer relationships acquired in business combinations. Except in rare cases, trademarks are deemed to have an indefinite useful life. Customer relationships are amortized on a straight-line basis over the period during which the related economic benefits are expected to flow to the Group (between 10 and 25 years).
- ✓ The costs for acquired or developed software, usually intended for internal use, to the extent that their cost can be reliably measured and it is probable that they will generate future economic benefits. These assets are amortized by the straight-line method over their estimated useful lives (generally three years).

Items of property, plant and equipment are depreciated by the straight-line method based on the following estimated useful lives:

Industrial buildings and equipment:

– Buildings for industrial use	20 years
– Infrastructure and fixtures	10-20 years
– Equipment and machinery	
- Heavy mechanical components	30 years
- Medium mechanical components	20 years
- Light mechanical components	10 years
- Electrical and electronic components	10 years
- Small equipment and tools	3 years

Buildings for administrative and commercial use 20-40 years

The depreciation method and periods are reviewed at each year-end. The residual value of the assets is taken into account in the depreciable amount when it is deemed significant. Replacement costs are capitalized to the extent that they satisfy the criteria in IAS 16.

In accordance with IAS 36 (see Note 1.o), property, plant and equipment and intangible assets are tested for impairment when events or changes in the market environment or internal sources of information indicate that the asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment at least once a year.

Property, plant and equipment and intangible assets are derecognized when the risks and rewards incidental to ownership of the asset are transferred or when there is no future economic benefit expected from the asset's use or sale. Any gain or loss arising from the derecognition of an asset (difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement for the year the asset is derecognized (in the line "Net gains/(losses) on asset disposals").

In compliance with the benchmark method in IAS 23, borrowing costs are expensed as incurred.

Assets acquired through leases that have the features of a financing arrangement are capitalized. Finance leases are not material for the Group. Leases under which a significant portion of the risks and rewards incidental to ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of benefits received from the lessor) are expensed on a straight-line basis over the term of the lease.

o. Impairment tests

At each balance sheet date, the Group assesses whether there is an indication that an asset may be impaired. Impairment tests are also carried out whenever events or changes in the market environment indicate that property plant and equipment or intangible assets (including goodwill), may have suffered an impairment. An impairment loss is recognized where necessary for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For operating assets that the Group intends to hold and use over the long term, the recoverable amount of a CGU corresponds to the higher of fair value less costs to sell (where determinable) and value in use. Where the Group has decided to sell particular operations, the carrying amount of the related assets is written down to fair value less costs to sell. Where negotiations in relation to such a sale are in progress, fair value less costs to sell is determined based on the best estimate of the outcome of the negotiations at the balance sheet date.

Value in use is calculated on the basis of the future operating cash flows determined in the Group's budget process and strategic plan, which represent Management's best estimate of the economic conditions that will prevail during the remainder of the asset's useful life. The assumptions are made on the basis of past experience and external sources of information, such as discount rates and non-ferrous metal future prices.

Whenever there is an indication that a cash-generating unit (CGU) may be impaired, the CGU concerned is tested for impairment in accordance with IAS 36 based on the following:

- ✓ The Asset CGU chosen (see Note 1.l for Goodwill CGUs). An Asset CGU is a line or group of product lines that represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Following the adoption of its 2007-2009 Strategic Plan and in line with the approach used for its Goodwill CGUs, in 2007 Nexans amended the structure of its Asset CGUs to take into account the growing synergies between product lines within a single legal entity or country, or within the same sub-segment of a business (such as high-voltage cables). These changes did not, however, have a material impact on the Group's financial statements.
- ✓ A discount rate corresponding to the expected market rate of return for a similar investment, specific to each geographic area, regardless of the sources of financing (see Note 7). The discount rates used are post-tax rates applied to post-tax cash flows. The recoverable amounts

determined using these post-tax rates are the same as those that would be obtained by using pre-tax rates applied to pre-tax cash flows as required in IAS 36.

- ✓ Five-year business plans based on the Group's Budget and Strategic Plan for the first three years, and an extrapolation calculated in conjunction with local management for the last two years.
- ✓ The impact of changes in non-ferrous metal prices on future operating cash flows, determined on the basis of 5-year metal futures prices as at the date of the impairment tests, and assuming that the current hedging policy will be continued.
- ✓ Extrapolation of cash flows beyond 5 years based on growth rates specific to each geographic area and business segment.

The Group has defined indications of impairment based on (i) general financial information (e.g. operating performance during the current year, comparisons between actual data and forecasts); and (ii) indicators specific to each business or segment, such as changes in metal prices or the loss of significant contracts. These indications are based on both internal and external sources of information.

Impairment losses (net of reversals) are recorded in the income statement under "Net asset impairment".

p. Inventories and work in progress

Inventories and work in progress are stated at the lower of cost and net realizable value. The costs incurred in bringing the inventories to their present location and conditions can be analyzed as follows:

- ✓ Raw materials: purchase cost according to the weighted average cost (WAC) method;
- ✓ Finished goods and work in progress: cost of materials and direct labor and share of indirect production costs according to the weighted average cost (WAC) method.

Net realizable value is the estimated sale price in the ordinary course of business, less estimated completion costs and the costs necessary to carry out the sale. If the carrying amount of non-ferrous metals is higher than their market value at the balance sheet date, an impairment loss is only recognized when the legal entity to which the assets are allocated has a negative production margin.

In compliance with the benchmark method in IAS 23, inventories do not include borrowing costs, which are expensed as incurred.

Inventories include core exposure, which represents the amounts required for the Group's plants to operate effectively. Its volume is kept stable and its levels are constantly replenished. Changes in this component of inventory are shown in a separate line of the income statement (see Note 1.j above) and are included as part of cash flow from operating activities in the cash flow statement.

q. Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured using the amortized cost method. Interest free short-term operating receivables are recognized at nominal value as the impact of discounting is not material.

Impairment of trade receivables is recorded whenever there is an objective indication that the Group will not be able to collect the full amounts due under the conditions originally provided for at the time of the transaction. The following are indicators of impairment of a receivable: (i) major financial difficulties for the debtor; (ii) the probability that the debtor will undergo bankruptcy or a financial restructuring; and (iii) a payment default. The amount of the impairment loss recorded represents the difference between the carrying

amount of the asset and the estimated value of future cash flows, discounted at the initial effective interest rate.

The carrying amount of the asset is written down and the amount of the loss is recognized in the income statement under "Administrative and selling expenses". Where a receivable is irrecoverable, it is derecognized and offset by the reversal of the corresponding impairment loss. When a previously derecognized receivable is recovered the amount is credited to "Administrative and selling expenses" in the income statement.

r. Equity

In addition to capital stock, consolidated equity includes the following:

- ✓ "Additional paid-in capital", which corresponds to the excess paid by shareholders of the parent company over the par-value price of a stock issue.
- ✓ "Consolidated retained earnings", comprising the non-distributed net income of the parent company as well as the Group's share in the retained earnings of fully-consolidated companies and companies accounted for by the equity method since their first-time consolidation date.
- ✓ "Changes in fair value and other", which primarily includes changes in market value of (i) derivatives designated as cash flow hedges (see Note 1.cc), and (ii) available-for-sale financial assets (see Note 1.y).
- ✓ "Cumulative translation adjustments", used to record currency translation adjustments deriving from the translation of the financial statements of foreign subsidiaries (as from January 1, 2004 – the date of the Group's first-time adoption of IFRS).
- ✓ Minority interests.

The Group considers that this definition of equity corresponds to the notion of capital within the meaning of IAS 1. Without setting a particular limit, Nexans closely monitors its debt-to-equity ratio in order to ensure that (i) banking covenants are comfortably respected (see Note 23.f); and (ii) the Group has room to maneuver if it needs to raise new financing such as for an acquisition.

It is Group policy to account for transactions with minority interests in the same manner as transactions with unrelated third parties. Gains and losses on disposals to minority interests are recognized in the income statement. The acquisition of shares from minority interests generates goodwill as described in Note 1.l.

The costs directly attributable to the issue of new shares or options are recognized in equity as a deduction from the proceeds of the issue, net of tax.

Dividend payouts to the Group's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by Nexans' shareholders.

s. Treasury stock

The purchase cost of treasury shares is deducted from equity. Gains and losses on the sale of these shares do not affect the income statement.

t. Share-based payments

Stock options are granted to managers and certain Group employees. In accordance with IFRS 2 "Share-based Payment", options are measured at fair value at the grant date (corresponding to the date on which

the related plan is announced) using the Black & Scholes option pricing model. Any changes in value after the grant date do not affect the recognized amounts.

The value of an option primarily depends on market data at the grant date (price and volatility of the share, risk-free interest rate and expected dividends) and on its expected life – an assumption that is determined by the Group taking into account various parameters including minimum holding periods prescribed by law. The value of granted options is recorded in payroll expenses on a straight-line basis from the grant date to the end of the vesting period, with a corresponding adjustment to equity.

The Group has also set up employee stock ownership plans that entitle employees to purchase shares at a discount to the market price. These plans are accounted for in accordance with IFRS 2 taking into the valuation effect of the five-year compulsory holding period.

u. Pensions, statutory retirement bonuses and other employee benefits

In accordance with the laws and practices of each country where Nexans operates, the Group provides pensions, early retirement benefits and statutory retirement bonuses.

For basic and other defined contribution plans, expenses correspond to contributions made. No provision is recognized, as the Group has no payment obligation beyond the contributions due for each accounting period.

For defined benefit pension and similar plans, provisions are determined as follows:

- ✓ Using the projected unit credit method, which sees each service period as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. These calculations take into account assumptions with respect to mortality, staff turnover, discounting, projection of future salaries and the return on plan assets.
- ✓ The amount recognized in the balance sheet corresponds to the value of the obligation less the fair value of plan assets at the balance sheet date.
- ✓ Actuarial gains and losses – corresponding to experience adjustments and the effects of changes in actuarial assumptions – occurring since January 1, 2004 are not immediately recognized in the income statement, in application of the corridor method. Under this method, actuarial gains and losses that exceed 10% of the greater of the defined benefit obligation and the fair value of corresponding plan assets are amortized over the expected average remaining working lives of the participating employees.
- ✓ When the calculation of the benefit obligation results in an asset for the Group, the recognized amount cannot exceed the total net amount of the following: (i) unrecognized cumulative net actuarial losses and unrecognized past service cost; and (ii) the present value of available refunds and reductions in future contributions to the plan. In accordance with paragraph 58A of IAS 19 the Group ensures that the application of these principles does not result in a gain being recognized solely as a result of an actuarial loss or past service cost in the current period or in a loss being recognized solely as a result of an actuarial gain in the current period.

The financial component of the annual pension expense (interest cost after deducting the expected return on plan assets) is included in financial expenses (see Note 5).

Provisions for jubilee and other long-service benefits paid during the employees' service are valued based on actuarial calculations comparable to the calculations used for pension benefit obligations, without any possibility of deferring the related actuarial gains and losses. They are included in the balance sheet under "Provisions".

v. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) resulting from a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

If the effect of discounting is material, the provisions are determined by discounting expected future cash flows applying a pretax discount rate that reflects current market assessments of the time value of money. The discounting impact is recognized in financial income and expense and the effects of any rate fluctuations are recognized in the same account for which the provision was accrued.

A provision is set aside to fully cover restructuring costs when it relates to an obligation by the Group to another party resulting from a Management or Board decision, communicated before the balance sheet date to those affected by it. Such costs primarily relate to severance payments, early retirement, costs for unworked notice periods, training costs of employees whose employment contracts have been terminated, and other costs linked to the shutdown of facilities. Asset retirements and impairment of inventories and other assets directly linked to restructuring measures are also recorded under restructuring costs in the income statement.

w. Deferred tax

Deferred taxes are recognized for temporary differences arising between the carrying amount and tax basis of assets and liabilities, as well as for tax losses available for carryforward. However, in accordance with IAS 12 a deferred tax asset or liability is not recognized for any temporary difference resulting from goodwill for which amortization is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, based on medium-term earnings forecasts for the company concerned. The Group ensures that the forecasts used for calculating deferred taxes are consistent with those used for impairment testing.

Deferred taxes are measured based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. All amounts resulting from changes to the tax rate are recorded in equity or in net income in the year in which the tax rate change is enacted or substantively enacted, based on the initial recognition method for the corresponding deferred taxes.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that (i) the Group is able to control the timing of the reversal of the temporary difference; and (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the entity is legally entitled to offset current tax assets and liabilities and if the deferred tax assets and liabilities relate to taxes levied by the same taxation authority.

x. Assets held for sale

Presentation in the balance sheet

Non-current assets or groups of assets held for sale, as defined by IFRS 5, are presented on a separate line on the assets side of the balance sheet. Liabilities related to groups of assets held for sale are shown on the liabilities side, also on a separate line. Non-current assets classified as assets held for sale cease to be depreciated from the date on which they fulfill the classification criteria for assets held for sale.

Presentation in the income statement

A group of assets sold, held for sale or whose operations have been discontinued is a major component of the entity if:

- ✓ It represents a separate major line of business or geographic area of operations;
- ✓ It is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- ✓ It is a subsidiary acquired exclusively for resale.

Where a group of assets sold, held for sale or whose operations have been discontinued is a major component of the entity, it is classified as a discontinued operation and its income and expenses are presented on a separate line of the income statement (net income from discontinued operations) comprising the total of:

- ✓ The post-tax profit or loss of discontinued operations; and
- ✓ The post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or groups of assets held for sale constituting the discontinued operation.

When a group of assets previously presented as "held for sale" ceases to satisfy the criteria in IFRS 5, each related asset and liability component is reclassified in the consolidated balance sheet.

y. Financial assets

Financial assets are initially recognized at fair value plus transaction costs directly attributable to the acquisition.

At subsequent reporting dates measurement and recognition depend on the classification of the financial asset concerned:

- ✓ Cash equivalents are measured at fair value through profit or loss.
- ✓ Other investments – which primarily correspond to investments in non-consolidated entities – are classified as available-for-sale financial assets. At each balance sheet date, the fair value of investments quoted in an organized financial market is determined by reference to the published market price. For unlisted securities if their fair value cannot be determined reliably they are measured at historical cost. Changes in fair value are recorded in equity on a separate line and are taken to the income statement upon disposal of the asset.
- ✓ Loans and receivables are measured at amortized cost using the effective interest rate.

In the case of the last two categories, an impairment loss is recorded if there is an objective indication that the financial asset is impaired, such as a significant or prolonged decline in value. Any such impairment losses are irreversible for equity instruments classified as available-for-sale, and for unlisted shares in non-consolidated entities measured at cost.

z. Cash and cash equivalents

Cash and cash equivalents – whose changes are shown in the consolidated statement of cash flows – comprise the following:

- ✓ Cash and cash equivalents on the assets side of the balance sheet, which include cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- ✓ Bank overdrafts repayable on demand which form an integral part of the entity's cash management.

aa. Financial liabilities

Financial liabilities are initially recognized at fair value, corresponding to their issue price less transaction costs directly attributable to the acquisition or issue of the financial liability. If the liability is issued at a premium or discount, the premium or discount is amortized over the life of the liability using the effective interest method. The effective interest method calculates the interest rate that is necessary to discount the cash flows associated with the financial liability through maturity to the net carrying amount at initial recognition.

bb. Hybrid instruments – OCEANE convertible/exchangeable bonds

In compliance with IAS 32 "Financial Instruments: Presentation", if a financial instrument has both a liability and an equity component, the issuer must account for these components separately according to their nature.

This treatment applies to OCEANE bonds which are convertible into new shares and/or exchangeable for existing shares, with the conversion option meeting the definition of an equity instrument.

The liability component is measured on the issue date on the basis of contractual future cash flows discounted applying the market rate (taking into account the issuer's credit risk) for a similar instrument but which is not convertible/redeemable for shares.

The value of the conversion option is calculated as the difference between the issue price of the bonds and the value of the liability component. This amount is recognized in equity.

Following initial measurement of the liability and equity components, the liability component is measured at amortized cost.

The interest expense relating to the liability is calculated using the effective interest method.

cc. Derivative instruments

Foreign exchange hedges

The Group uses derivatives (forward purchases and sales of foreign currencies) to hedge the risk of fluctuations in foreign currency exchange rates. These instruments are measured at fair value, calculated by reference to the forward exchange rates prevailing at the balance sheet date for contracts with similar maturity profiles.

When these operations hedge highly probable future transactions (forecast cash flows or firm orders) that have not yet been invoiced, and to the extent that they satisfy the conditions for cash flow hedge accounting, the change in the fair value of the derivative comprises two elements: the "effective" portion of the unrealized gain or loss on the hedge, which is recognized directly in equity, and the "ineffective" portion, which is recognized in net financial income/(expense). Any gains or losses previously recognized in equity are recycled to the income statement in the period in which the hedged firm commitment impacts income, for example when the forecast sale is invoiced. These gains or losses are included in operating margin when they relate to commercial transactions.

Only derivatives negotiated with external counterparties are deemed as eligible for hedge accounting.

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly in the income statement as financial income or expense. Derivatives that do not qualify for hedge accounting include instruments used as economic hedges that were never or are no longer designated as hedges.

Hedging of risks associated with fluctuations in non-ferrous metal prices

Forward purchases of non-ferrous metals which require physical delivery of the related assets are not included within the scope of IAS 39 and are recognized at the time of delivery.

Nexans uses futures contracts negotiated primarily on the London Metal Exchange (LME) to reduce its exposure to fluctuations in non-ferrous metal prices (copper and aluminum). These contracts are settled net in cash and constitute derivative instruments falling within the scope of IAS 39.

Due to the sharp volatility in non-ferrous metal prices over the past several years, the Group has taken measures to enable a significant portion of these financial instruments to be classified as cash flow hedges as defined in IAS 39. Consequently, since November 1, 2006, where these instruments hedge highly probable future transactions (such as copper cathode purchases) that have not yet been invoiced, and to the extent that they satisfy the criteria for applying cash flow hedge accounting, they are accounted for in a similar manner to the foreign exchange derivatives described above: the portion of the unrealized gain or loss on the hedging instrument that is determined to be an "effective" hedge is recognized directly in equity, and the ineffective portion is recognized in "Changes in fair value of non-ferrous metal derivatives". Gains or losses previously recognized in equity are recycled to the income statement within operating margin in the period in which the hedged item (i.e. the purchase of the copper cathodes) affects income.

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly in income for the period under "Changes in fair value of non-ferrous metal derivatives".

dd. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. The average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted for the number of ordinary shares bought back or issued during the period.

Diluted earnings per share are calculated by dividing:

- ✓ net income attributable to ordinary shareholders of the parent company adjusted for the finance cost recognized in the period in respect of the Group's convertible bonds; by
- ✓ the weighted average number of shares outstanding during the period, as adjusted for the effects of all dilutive potential ordinary shares and excluding treasury shares which are deducted from equity. The Group's stock options and convertible bonds are deemed to be dilutive potential ordinary shares.

For stock options, the diluted weighted average number of shares outstanding is calculated using the treasury stock method as provided for in IAS 33. Under this method the assumed proceeds from exercise of the rights attached to the dilutive instruments are regarded as having been used to repurchase ordinary shares at the average market price during the period. The number of shares thus obtained is then deducted from the total number of shares used for the diluted earnings per share calculation.

Note 2 Significant events of the year

a) Framework agreement to acquire the Madeco group

On November 15, 2007 Nexans entered into a framework agreement with Madeco to acquire the Chile-based group's cables operations.

At current metal prices the 2006 sales of the Madeco group cables business totaled 672 million US dollars (490 million euros based on the average 2007 exchange rate), and were generated in three major segments – cables for the infrastructure, industry and building sectors (as well as electrical wires to a lesser extent). In first-half 2007, Madeco's cable operations broke down as follows by country – 43% in Brazil, South America's largest market; 28% in Chile; 18% in Peru; 6% in Argentina; and 5% in Colombia.

The structure of the acquisition is as follows:

- Part of the purchase will take the form of an acquisition of shares in certain Madeco subsidiaries dedicated to the cables business. The sale price – comprising a cash payment and the assumption of liabilities – will total 422 million US dollars (approximately 287 million euros at the 2007 closing rate).
- The remainder of the transaction will involve Madeco transferring to Nexans all of the shares held by Madeco in the group's other subsidiaries dedicated to the cables business. As consideration for this share transfer Madeco will receive 2.5 million newly-issued Nexans shares, giving it an approximately 9% stake in Nexans' capital (based on a total of 28.1 million shares). Madeco will undertake not to sell these shares for a twelve-month period following completion of the transaction.

Based on Nexans' closing share price of 85.50 euros at December 31, 2007 the transaction represents an enterprise value (including minority interests) of some 763 million US dollars (518 million euros). On this basis it would give rise to goodwill of approximately 220 million euros before adjustments to the provisional fair values assigned to the assets acquired and liabilities assumed.

The completion of this acquisition is still subject to (i) the signature of a final agreement which is scheduled for February 2008; (ii) ratification by both Madeco's and Nexans' shareholders; and (iii) regulatory approval. At the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2007, Nexans' shareholders will also be asked to approve the issuance of the above-mentioned shares as consideration for Madeco's asset transfer as well as the appointment of a Madeco group representative as a member of Nexans' Board of Directors.

b) Changes in scope of consolidation

The main changes in scope of consolidation for 2007 were as follows:

- On November 30, 2007 Nexans acquired 70% of the shares in Multinacional Trade – a Spanish electrical equipment distributor – for 7.4 million euros. At the same time, the companies entered into a three-year put/call agreement in relation to the residual 30% of Multinacional Trade's capital. For the twelve month period from November 2006 to November 2007 Multinacional Trade generated sales of about 25 million euros. Its principal supplier during that timeframe was Nexans, which accounted for some 70% of the company's total purchases.

Multinacional Trade has only been consolidated since December 31, 2007 as the impact of this acquisition on Nexans' consolidated net sales, operating margin and net income figures for 2007 was

not material. Total goodwill arising on the transaction (taking into account the minority put) amounted to 6.2 million euros at December 31, 2007, before fair value adjustments which will be recorded in 2008.

- At December 31, 2006, the Group had entered into negotiations to sell its remaining winding wires business in Canada and China, and at that date the balance sheet items of the entities concerned were classified under assets held for sale in accordance with IFRS 5.

In late April 2007, the Group completed the sale of its Simcoe facility in Canada to the US Group Superior Essex for 9.8 million euros (not including the 7 million euro positive impact resulting from subsequent recoveries of working capital items that were excluded from the transaction). The sale gave rise to a capital gain of 0.2 million euros, which was recognized in the income statement under "Net gains on asset disposals". For the first four months of 2007, the Simcoe facility reported net sales at current metals prices and operating margin of 33 million euros and 2 million euros respectively.

The sale of Nexans Tianjin Magnet Wires and Cables was completed in July 2007. The transaction gave rise to a capital loss of 1.6 million euros which was recorded under "Net gains on asset disposals", and reduced net debt by 11.2 million euros. In first-half 2007 Nexans Tianjin Magnet Wires and Cables reported net sales at current metals prices and operating margin of 19 million euros and 1 million euros respectively.

- Also in 2007, Superior Essex exercised its option to purchase the 40% minority interest held by Nexans in Essex Nexans – a joint venture set up in 2005 to combine the European winding wire operations of Superior Essex and Nexans. The sale of this 40% stake was completed on June 28, 2007 for an amount of 22.4 million euros and gave rise to a 0.2 million euro gain (recognized in the income statement under "Net gains on asset disposals"). In addition, Essex Nexans repaid 11.3 million euros to Nexans, corresponding to financing granted to the joint venture.

In accordance with the applicable contractual provisions, and in view of Essex Nexans' EBITDA for the 2006 fiscal year, Nexans also received 3 million euros in additional purchase consideration in first-half 2007 relating to the 60% stake in the winding wires business that was transferred when the Essex Nexans joint venture was originally formed. This consideration was also included in the income statement under "Net gains on asset disposals".

The main changes in the scope of consolidation in 2006 and 2005 were as follows:

- On December 1, 2006, Nexans acquired 100% of the Australian group Olex, the cable industry leader in Australasia, for 515 million Australian dollars (around 310 million euros). In accordance with the terms of the acquisition agreement, in 2007 the Nexans Group paid 41 million Australian dollars (around 26 million euros) in additional purchase consideration, calculated based on changes in the net assets of the Olex sub-group.

Olex has only been consolidated since December 31, 2006, as the company's impact on the Group's net sales, operating margin and net income for the year then ended was not material.

In accordance with IFRS 3, Nexans completed the fair value measurement of the Olex group's assets and liabilities during the second half of 2007. The main fair value adjustments made relate to property, plant and equipment (primarily machinery and equipment) as well as intangible assets (customer relationships and trademarks). The financial statements at December 31, 2006 have been restated to take into account this final allocation of fair values (see also Note 11).

Including these adjustments to the provisional fair values of the assets acquired and liabilities assumed, in 2007 the Olex group generated 419 million in net sales at current metal prices and operating margin of 28 million euros.

- During the second half of 2006, Nexans founded a Japanese subsidiary, Nippon High Voltage Cable Corp. (NVC), of which it owns 66%, the remaining 34% being held by Viscas (JV Furukawa Electric Co., Ltd. and Fujikura Ltd), which transferred its existing factory in Tokyo Bay to NVC. NVC has been consolidated since December 31, 2006. It will be dedicated to producing high-voltage undersea

cables exclusively for its two shareholders and will not carry out any other commercial activities. NVC contributed 14 million euros to the Group's net sales at current metals prices in 2007 and still reported a negative operating margin as it remained in the production ramp-up phase.

- On February 1, 2006, Nexans disposed of its Swiss distribution business (Electro-Matériel SA) for 206 million euros, generating a capital gain of 149 million euros. In 2005, Electro-Matériel SA generated net sales of 189 million euros, EBITDA (before contribution to head office costs) of 21.3 million euros and an operating margin (on the same basis) in excess of 18 million euros. Electro-Matériel SA's contribution to net sales at current metal prices and operating margin in January 2006 amounted to 16 million euros and 1 million euros respectively.
- In 2005, Nexans' winding wires business in Europe was transferred to Essex Nexans, a joint venture set up with the Superior Essex Group, in which Nexans retained a 41% minority stake (reduced to 40% in early 2006 and then sold in full in first-half 2007 as described above). Essex Nexans was accounted for using the equity method from October 21, 2005 until the Group sold its interest. Income up to the sale was recorded as income from discontinued operations in line with IFRS 5 (see Note 8).
- Nexans sold its Norwegian distribution subsidiary Nexans Distribusjon on August 28, 2005, for 45 million euros, generating a net capital gain of 33 million euros. This company contributed 75 million euros to 2005 net sales (8 months).

c) Bond issue

On May 2, 2007, Nexans issued 350 million euros worth of 10-year bonds. The issue was taken up by a wide-ranging European investor base, mainly comprising French and UK investors (which accounted for 35% and 34% respectively). The purpose of the bond issue was to refinance the Group's existing debt, diversify its sources of financing, and extend the average maturity of its borrowings.

The main features of the bond issue were as follows:

- Amount: 350 million euros
- Coupon: 5.75%
- Settlement date: May 2, 2007
- Maturity date: May 2, 2017
- Issue price: 99.266%
- Spread: 140 basis points above the 10-year swap rate
- Issue rating: BB (Standard & Poor's).

d) Dividends

At the Annual General Meeting of May 10, 2007, the Company's shareholders approved the payment of a 1.20 euro dividend per share.

The dividend payout – representing an aggregate amount of 30.6 million euros – was made on May 15, 2007.

Note 3 Information by business line and geographic area

Segment information is presented as follows:

- By business line – the Group’s primary reporting format – as risks and rates of return are mainly affected by differences between the products offered; and
- By geographic area.

Transfer prices between the various segments are generally the same as those applied for transactions with parties outside the Group.

The segment information presented is based on the same accounting policies as those used for the consolidated financial statements, as described in the notes to the financial statements. Consequently:

- Figures from 2006 onwards have been prepared subsequent to the change relating to the recognition of non-ferrous metal inventories (see Note 1.b). 2005 figures have been restated to reflect the impact of this change.
- 2006 figures have been restated to take into account the fair value adjustments recorded in second-half 2007 following the completion of the initial accounting for the Olex group acquisition (see Note 11).

The performance of each segment is measured based on operating margin.

These data do not include discontinued operations as they do not represent material amounts at Group level. Information on discontinued operations is presented separately in Note 8 below.

The tables below relate to the following business lines:

- Electrical wires – comprising wirerods, electrical wires and the winding wires production operations that are not in the process of being sold.
- Energy¹ – comprising power cables for energy infrastructures (low-, medium- and high-voltage cables and related accessories), specialty cables for industry (including specialty cables for electronic applications) and equipment cables for the building sector.
- Telecom – which includes cables for private telecommunications networks, junction components for telecommunication network cables, and copper and optical fiber cables for public telecommunication networks.
- Other – mainly comprising certain specific or centralized activities carried out for the Group as a whole that give rise to expenses not allocated to the business lines, as well as eliminations relating to inter-segment transactions.

¹ In accordance with the Group’s new segmentation as set out in its strategic plan, since January 1, 2007 submarine cables used for the remote operation of underwater robots and vehicles have been included in the Energy infrastructure segment, and electronic cables have been classified as part of the Industry segment based on similarities between end-markets and customers. As a result, these cables have been included within the Energy business line for 2007 rather than in Telecom as was previously the case. 2006 data presented in Note 3 have not been restated.

Net sales generated by these operations in 2007 amounted to 213 million euros (based on constant non-ferrous metal prices) compared with 160 million euros in 2006.

a) Information by business line

<i>(in millions of euros)</i>	Electrical wires	Energy **	Telecom	Other (or not allocated)	Inter-segment eliminations*	Group total
December 31, 2007						
Net sales at current metal prices	2,603	5,270	638	11	(1,110)	7,412
Net sales at constant metal prices	845	3,780	529	11	(343)	4,822
Operating margin	9	365	49	(14)	-	409
Depreciation and amortization	(3)	(76)	(13)	(9)	-	(101)
Impairment losses	(34)	(21)	(7)	-	-	(63)
Reversals of impairment losses	-	38	4	-	-	42
EBITDA***	12	441	62	(5)	-	510
Restructuring costs	(3)	(8)	-	(2)	-	(14)
Capital expenditure	10	141	14	10	-	174
Property, plant and equipment, net	13	759	98	22	-	893
Total segment assets****	400	3,014	270	56	-	3,740
Total segment liabilities*****	281	879	85	84	-	1,329
Investments in associates	1	-	-	-	-	1
Share in net income of associates	-	-	-	-	-	-
Number of employees	779	18,089	2,183	847	-	21,898
December 31, 2006 (1)						
Net sales at current metal prices	3,438	4,298	781	9	(1,038)	7,489
Net sales at constant metal prices	1,133	2,983	648	9	(331)	4,442
Net sales at constant metal prices and 2007 exchange rates	1,163	3,104	472	9	(375)	4,373
Operating margin	(4)	233	48	(18)	-	260
Depreciation and amortization	(10)	(62)	(19)	(4)	-	(95)
Impairment losses	(54)	(61)	(9)	(4)	-	(128)
Reversals of impairment losses	-	19	8	-	-	27
EBITDA***	6	296	67	(14)	-	355
Restructuring costs	(5)	(19)	(24)	(1)	-	(48)
Capital expenditure	14	137	17	4	-	171
Property, plant and equipment, net	23	643	143	20	-	829
Total segment assets****	662	2,725	399	41	-	3,826
Total segment liabilities*****	416	732	100	50	-	1,298
Investments in associates	22	-	-	-	-	22
Share in net income of associates	3	-	-	-	-	3
Number of employees	1,140	15,952	3,276	782	-	21,150
December 31, 2005 restated						
Net sales at current metal prices	1,991	3,342	677	10	(573)	5,449
Net sales at constant metal prices	1,056	2,865	630	10	(298)	4,263
Net sales at constant metal prices and 2006 exchange rates	1,076	2,883	631	10	(298)	4,301
Operating margin	6	171	25	(16)	-	186
Depreciation and amortization	(10)	(61)	(20)	(4)	-	(95)
Impairment losses	(0)	(14)	(22)	(18)	-	(55)
Reversals of impairment losses	4	15	3	-	-	21

EBITDA***	15	232	45	(12)	-	280
Restructuring costs	(4)	(12)	(6)	(3)	-	(24)
Capital expenditure	6	102	20	1	-	129
Property, plant and equipment, net	96	498	146	38	-	778
Total segment assets****	562	1,936	398	36	-	2,933
Total segment liabilities*****	281	639	112	48	-	1,079
Investments in associates	17	1	-	-	-	18
Share in net income of associates	-	-	-	-	-	-
Number of employees	1,162	14,157	3,473	792	-	19,584

* Inter-segment eliminations mostly stem from the upstream Electrical Wires business.

** Of which net sales (at current metal prices) related to construction contracts: 511 million euros in 2007 (394 million euros in 2006).

*** Operating margin excluding depreciation and amortization.

**** Segment assets include property, plant and equipment and intangible assets, inventories, trade receivables, advances to suppliers, amounts due from customers on construction contracts, other operating receivables and goodwill.

In 2007, segment assets included 145.4 million euros worth of assets owned by entities held for sale, of which 34.9 million was recorded under property, plant and equipment, net.

***** Segment liabilities include trade payables, amounts due to customers on construction contracts, customer deposits and advances, accrued contract costs and other operating liabilities. In 2007, segment liabilities included 39.4 million euros worth of liabilities held by entities held for sale.

(1) Of which Olex at December 31, 2006

Property, plant and equipment, net	-	83	-	-	-	83
Total segment assets****	-	394	-	-	-	394
Total segment liabilities*****	-	27	-	-	-	27
Number of employees	-	929	-	-	-	929

b) Information by geographic area

(in millions of euros)

	France***	Germany	Other European countries	North America	Asia-Pacific	Rest of the World	Group total
December 31, 2007							
Net sales at current metal prices (before inter-area eliminations)	2,871	935	2,390	1,333	886	591	-
Inter-area sales at current metal prices	(1,032)	(83)	(432)	(1)	(15)	(31)	-
Net sales at current metal prices	1,839	852	1,958	1,332	871	560	7,412
Net sales at constant metal prices	1,083	621	1,511	662	571	374	4,822
Operating margin	61	65	123	78	50	31	409
Capital expenditure	35	28	55	10	16	29	174
Property, plant and equipment, net	146	120	264	90	153	121	893
Total segment assets*	973	386	1,062	307	640	372	3,740
Number of employees	3,919	2,862	8,407	1,870	2,269	2,571	21,898
December 31, 2006**							
Net sales at current metal prices (before inter-area eliminations)	3,112	911	2,175	1,745	435	519	-
Inter-area sales at current metal prices	(937)	(59)	(354)	(2)	(6)	(50)	-
Net sales at current metal prices	2,175	852	1,821	1,743	429	469	7,489
Net sales at constant metal prices	1,037	582	1,402	813	277	331	4,442
Net sales at constant metal prices and 2007 exchange rates	1,037	582	1,397	769	261	326	4,373
Operating margin	35	33	72	63	19	37	260
Capital expenditure	30	18	64	24	6	30	171
Property, plant and equipment, net	158	105	235	88	153	91	829
Total segment assets*	1,180	404	989	305	616	332	3,826
Number of employees	3,858	2,707	7,807	1,960	2,459	2,359	21,150
December 31, 2005 restated							
Net sales at current metal prices (before inter-area eliminations)	2,065	692	1,846	1,153	302	348	-
Inter-area sales at current metal prices	(592)	(43)	(293)	(1)	(3)	(26)	-
Net sales at current metal prices	1,473	649	1,553	1,152	299	322	5,449
Net sales at constant metal prices	1,024	553	1,412	753	247	275	4,263
Net sales at constant metal prices and 2006 exchange rates	1,024	553	1,406	777	259	283	4,301
Operating margin	6	27	73	41	11	28	186
Capital expenditure	18	22	52	12	14	12	129
Property, plant and equipment, net	165	121	213	125	86	68	778
Total segment assets*	874	363	860	365	220	250	2,933
Number of employees	3,823	2,685	7,766	1,835	1,270	2,205	19,584

* Segment assets include property, plant and equipment and intangible assets, inventories, trade receivables, amounts due from customers on construction contracts, advances to suppliers, other operating receivables and goodwill.

** The figures at December 31, 2006 have been restated to take into account the fair value adjustments made following completion of the initial accounting for the Olex group acquisition (see Note 3.a).

*** Including Corporate activities

c) Net sales at current metal prices by geographic market

(in millions of euros)

	France	Germany	Other European countries	North America	Asia-Pacific	Rest of the World	Group total
2007	998	762	2,283	1,380	993	996	7,412
2006	987	852	2,512	1,729	512	896	7,489
2005	740	616	1,957	1,127	407	601	5,449

Note 4 Payroll, staff and staff training entitlement

		2007	2006	2005
Payroll costs (including payroll taxes)	(in millions of euros)	909	813	800
Staff of consolidated companies at year-end	(number of employees)	21,898	21,150	19,584
Staff training entitlement*	(in hours)	280,000	209,085	149,318

* Aggregate number of training hours accumulated by staff (French companies only) at December 31. Costs incurred in relation to this training entitlement are recognized as expenses for the period and no related provision is recorded.

Payroll costs in the above table include share-based payments in accordance with IFRS 2. These amounts totaled 5.6 million euros, 3.4 million euros and 2.4 million euros for 2007, 2006 and 2005 respectively. See Note 20 for further information.

Note 5 Other financial expenses

(in millions of euros)

	2007	2006	2005
Dividends received from non-consolidated companies	1	1	1
Provisions	0	1	(0)
Net exchange gain (loss)	(19)	(18)	4
Discounting impact on employee benefit obligations*	(34)	(33)	(36)
Expected return on employee benefit plan assets*	19	18	19
Other	(4)	(5)	(5)
Other financial expenses	(37)	(36)	(17)

* See Note 21.

Note 6 Net gains on asset disposals

(in millions of euros)

	2007	2006	2005
Net gains on disposal of non-current assets	3	1	0
Net gains on disposal of investments*	1	149	33
Other	-	1	1
Net gains on asset disposals	4	151	34

* In 2006, disposal of Electro-Matériel (Switzerland) (see Note 2)

In 2005, disposal of Nexans Distribusjon (Norway)

Note 7 Net asset impairment

(in millions of euros)	2007	2006	2005	
			Restated*	Reported
Impairment losses – non-current assets	(59)	(109)	(49)	(14)
Reversals of impairment losses – non-current assets	42	27	21	8
Impairment losses – goodwill	(4)	(19)	(6)	-
Negative goodwill recognized in the income statement		2	2	2
Net asset impairment	(21)	(99)	(32)	(4)

* See Note 1.b

Principal movements

In the fourth quarter of each year the Group carries out impairment tests on goodwill, property, plant and equipment and intangible assets, based on estimated medium-term data provided by its business units (see Notes 1.l and 1.o).

The 21 million euros in net impairment losses recorded in 2007 related to various factors but were in line with the trends identified at previous balance sheet dates:

- The main impairment losses for the year related to the Group's upstream businesses (wirerods and electrical wires) which have now been almost fully written down. This reflects the impact on capital employed in these businesses caused by rises in raw material prices as well as the Group's decision to focus these operations purely on its own internal requirements.

Infrastructure cables in Italy were once again written down significantly in 2007 as the value in use of the cash-generating unit (CGU) to which these assets belong is not sufficiently high based on the unit's current performance. Additional impairment losses were also recorded in relation to the building sector cables business in Germany for similar reasons. An impairment loss was recognized for the Telecom infrastructure cables CGU in Spain in order to align its carrying amount with its probable market value in view of the disposal process currently under way (see Note 8). These impairment losses represented an aggregate amount of 59 million euros.

An additional impairment loss was also recorded for the goodwill relating to Liban Câbles following an unfavorable change in the applicable discounting rate due to a rise in the market risk premium as a result of the heightened geopolitical tension in Lebanon.

- Inversely, a number of impairment losses were reversed during the year relating to (i) China and, to a lesser extent Morocco and Brazil, where the reversals were significant on account of a strong growth outlook for these countries, particularly in view of the robust margin gains achieved in 2007; (ii) Germany, for Infrastructure cable operations following measures implemented to focus on higher value-added products; and (iii) Switzerland, although to a lesser extent, as business levels continued to pick up in this country. Altogether, reversals of impairment losses amounted to 42 million euros in 2007.

The aggregate 109 million euros in impairment losses for 2006 primarily concerned (i) the Group's upstream businesses (wirerods, electrical wires and the remainder of the winding wires business in Canada and China) where capital employed was particularly impacted by the rise in raw material prices; (ii) the Energy infrastructure cables business in Germany, Italy, Greece, Egypt and South Korea; and (iii) goodwill relating to Liban Câbles, ICC (Egypt), Nexans Tianjin and Nexans Inc. (representing aggregate goodwill impairment of 19 million euros). Conversely, the turnaround in (i) the industrial cables business in Switzerland and Germany; (ii) the specialty cables business for electronic applications in France; and (iii) the building sector cables business in the United States, enabled the Group to reverse 27 million euros worth of impairment losses in 2006.

As described in Note 1.b, the revaluation of core exposure resulting from the use of the weighted average cost method as from 2006 gave rise to an increase in the working capital requirement included in non-monetary assets which are subject to impairment tests whenever there is an indication that they may be impaired. This in turn led to an increase in the amount of impairment losses previously recognized at December 31, 2005 in respect of certain cash-generating units:

- Impairment losses recorded in 2005 related primarily to the specialty cables business for electronic applications in Belgium, the industrial cables business in Switzerland and Belgium, the private network cables business in the United Kingdom and the telecom infrastructure cables business in Spain. Reversals of impairment losses related to the building sector business in France, the telecom infrastructure cables business in Morocco and the metallurgy business in China.
- In the restated 2005 financial statements, additional impairment losses were recognized for the specialty cables business for electronic applications in France and Brazil, the specialty cables business in Germany and Switzerland and certain corporate assets in Germany. The Group also recognized goodwill impairment in relation to Nexans Inc and Nexans Brazil.

Main assumptions

The main assumptions applied by geographic area when preparing the business plans in connection with impairment testing are listed below. Apart from in North America, the discount rate applied has increased for all areas due to a rise in long-term interest rates as well as an upward revision of certain market risk premiums for a number of specific countries.

	Discount rate (before tax) applied to future cash flows	Discount rate (after tax) applied to future cash flows	Perpetuity growth rate
2007			
Europe (euro zone)	13.5%	9.0%	0.5% to 2.0%
United States	12.9%	9.0%	2.0%
Canada	12.9%	9.0%	0.5% to 2.0%
Australia	12.8%	10.0%	3.0%
China	12%	11.0%	4.0%
Korea	13.3%	10.0%	2.0% - 4.0%
Brazil	16.2%	11.5%	4.0%
Turkey	16.7%	13.5%	3.0%
Lebanon	20.2%	18.0%	5.0%
2006			
Europe	10.6%	8.0%	2%
North America	11.9%	9.0%	2%
China	11.9%	10.0%	2%
Korea	10.2%	8.0%	2%
Egypt	14.4%	12.0%	2%
Brazil	15.2%	11.0%	2%
Turkey	16.7%	12.0%	2%
Lebanon	17.8%	15.5%	2%
2005			
Europe	10.2%	7.7%	2%
North America	10.2%	7.7%	2%
China	10.5%	8.8%	2%
Korea	11.4%	8.9%	2%
Egypt	11.1%	9.2%	2%
Brazil	17.6%	12.8%	2%
Turkey	20.7%	14.8%	2%
Lebanon	18.5%	16.1%	2%

The estimated cash flows used for the Group's impairment tests are based on 5-year metal price trends as at end-October 2007. The terminal value applied approximates the latest available market forecast value. The aluminum and copper price forecasts used were as follows (12-month average prices):

Euro/tonne	Copper	Aluminum
2008	5,367	1,798
2009	5,042	1,817
2010	4,673	1,797
2011	4,313	1,756
2012	3,963	1,713
Terminal value	3,728	1,627

At December 31, 2007, Australia was the only cash-generating unit that held intangible assets with indefinite useful lives and goodwill representing a material amount at Group level. These items respectively totaled 15 million euros and 131 million euros. The recoverable amount of this CGU was determined based on its value in use in accordance with the method described in Note 1.o, using the latest available medium-term forecasts (2008-2010) approved by Group Management. The other key assumptions used for these cash flow projections are described above.

Sensitivity analyses

Impairment calculations are based on the latest projections approved by Group management as well as the main assumptions described above. At December 31, 2007 the main sensitivity factors were as follows:

- A 1% increase in the discount rate used for the "France Building Cables" CGU would result in an additional impairment loss of approximately 29 million euros.
- If retail prices from 2008 onwards were maintained at a similar level to those observed in 2007, 18 million euros in accumulated impairment losses recorded for the "France Building Cables" CGU would be reversed.
- A 1% increase in the discount rate used for the "Germany Industrial Cables" CGU would lead to an additional impairment loss of 19 million euros.

Note 8 Discontinued operations and assets held for sale

At December 31, 2007 negotiations were under way with a third party relating to the sale of the Group's Telecom infrastructure cables business in Spain. The Group has also launched a consultation process with a financial intermediary with a view to selling its Harness business (including the "automotive" and "railway" sub-segments). In accordance with IFRS 5, the assets and liabilities relating to these businesses have been classified under "Assets and groups of assets held for sale" and "Liabilities related to groups of assets held for sale" in the consolidated balance sheet, as have the Group's remaining winding wires assets in Italy. However, as the above operations do not meet the criteria in IFRS 5 for separate presentation in the income statement, the related income and expense items have been included line by line in the corresponding income statement headings for continuing operations in the Group's consolidated income statement for 2007.

At December 31, 2006 negotiations were underway to dispose of the Group's remaining winding wires businesses in Canada and China (these sales were completed in 2007 – see Note 2). In accordance with IFRS 5, the balance sheet items relating to these businesses were reclassified in Nexans' consolidated balance sheet at December 31, 2006 along with those operations that had already been divested or discontinued (i.e. the remaining assets and liabilities of the Italian winding wires business closed at end-2005) and presented on two separate lines – "Assets and groups of assets held for sale" on the assets side and "Liabilities related to groups of assets held for sale" on the liabilities side. However, as these operations do not meet the criteria in IFRS 5 for separate presentation in the income statement, the related income and expense items have been included line by line in the corresponding income statement headings for continuing operations in the Group's consolidated income statement for 2006 and 2007.

At December 31, 2005 the above-described balance sheet headings also included the assets and liabilities of Electro-Matériel, which was divested on February 1, 2006 (see Note 2). In the income statement, the European winding wires businesses that were sold ("European business") or discontinued ("Italian business") during 2005 have been presented on a separate line called "Net loss from discontinued operations" since that date.

a) Assets and groups of assets held for sale – Balance sheet

<i>At December 31, in millions of euros</i>	2007	2006	2005
Property, plant and equipment and intangible assets	47	25	29
Inventories and work in progress, net	46	6	21
Trade receivables and other assets	57	29	31
Assets of businesses held for sale	150	60	81
Other assets held for sale	-	-	-
Total assets and groups of assets held for sale	150	60	81
Pension and other retirement benefit obligations	3	0	-
Provisions	3	0	1
Financial liabilities	0	7	1
Trade payables	37	10	11
Other liabilities	1	5	26
Liabilities related to groups of assets held for sale	45	22	39

b) Income statement for discontinued operations

The income statement for discontinued operations for 2007, 2006 and 2005 is as follows:

<i>(in millions of euros)</i>		2007	2006	2005
Net sales		-		146
Net sales at constant metal prices	<i>(after adding back sales to the discontinued businesses)</i>	-		131
Operating margin		-		(2)
Restructuring costs, impairment, changes in fair value of non-ferrous metal derivatives		-	(4)	(37)
Cost of debt		-		(1)
Loss before taxes		-	(4)	(40)
Income taxes		-		(0)
Post-tax loss of discontinued operations		-	(4)	(40)
Post-tax loss from disposal of discontinued operations		-		(6)
Net loss		-	(4)	(46)

c) Cash flows of discontinued operations

<i>(in millions of euros)</i>		2007	2006	2005
Cash flows from operations (1)		-	(5)	(9)
Net change in current assets and liabilities (2)		-	5	19
Net cash used in investing activities (3)		-	-	(3)
Net cash used in financing activities (4)		-	-	(7)
Impact of change in scope of discontinued operations (5)		-	(1)	3
Increase/(decrease) in cash and cash equivalents of discontinued operations		-	(1)	3
<i>(1)+(2)+(3)+(4)+(5)</i>				

Note 9 Income tax

a) Analysis of the income tax charge

<i>(in millions of euros)</i>	2007	2006	2005	
			Restated*	Reported
Current income tax charge	(64)	(58)	(46)	(46)
Deferred income tax (charge) benefit, net	(19)	10	10	20
Income tax charge	(84)	(48)	(36)	(26)

* See Note 1.b

Nexans SA heads a tax group in France that comprised 12 companies in 2007. Other tax groups have been set up where possible, including in Germany and North America.

b) Effective income tax rate

The effective income tax rate was as follows for 2007, 2006 and 2005:

<i>(in millions of euros)</i>	2007	2006	2005 Reported
Income before taxes	281	297	189
Standard tax rate applicable in France (in %)	34.43%	34.43%	34.43%
Theoretical income tax expense	(97)	(102)	(65)
Effect of:			
- Differences in current tax rates of foreign countries	6	3	8
- Expenses not deductible for tax purposes	(10)	2	1
- Unused tax losses and other deductible temporary differences for the period not recognized as deferred tax assets	(13)	(2)	
- Utilization during the period of unused tax losses and other deductible temporary differences not previously recognized as deferred tax assets	24		20
- Previously unrecognized and unused tax losses and other deductible temporary differences now recognized as deferred tax assets	11		
- Income not subject to tax or taxed at a reduced rate (primarily gains on disposals of securities)	1	50	9
- Impact of changes in tax rates	(6)		
- Tax credits	-	1	1
- Other	0		
Actual income tax expense	(84)	(48)	(26)
Effective tax rate	29.84%	16.31%	13.78%

The theoretical income tax expense is calculated by applying the parent company's tax rate to pre-tax consolidated income. Income tax payable relating to prior periods was not material for the years presented above.

c) Deferred taxes recognized directly in equity

At December 31, 2007, deferred taxes recognized directly in equity – primarily relating to fair value adjustments on financial instruments included in equity – totaled 23 million euros and can be analyzed as follows:

<i>(in millions of euros)</i>	2007	2006
By type of underlying		
OCEANE convertible/exchangeable bonds	(10)	(10)
Metal derivatives – cash flow hedges	3	10
Foreign exchange derivatives – cash flow hedges	(15)	1
	(23)	1

Deferred taxes relating to the Group's OCEANE bonds were reclassified at December 31, 2007 from "Changes in fair value and other" to "Consolidated retained earnings". Deferred taxes on cash flow hedges are recorded in "Changes in fair value and other".

d) Deferred taxes recorded in the balance sheet

Deferred taxes are presented by type of temporary difference in the following table:

<i>At December 31, in millions of euros</i>	2005 Restated*	Impact on the income statement	Translation adjustments	Business combinations	Other	2006 **
Property, plant and equipment and intangible assets	31	7		(27)	12	22
Inventories	0	0		(0)	(0)	0
Provisions	(45)	2		0	8	(34)
Other temporary differences	(14)	52		2	(12)	27
Tax losses carried forward	447	(107)	-	1	(21)	320
Deferred tax assets (gross) and deferred tax liabilities	419	(47)	-	(24)	(13)	335
Unrecognized deferred tax assets	(399)	56	-	(0)	11	(332)
Net deferred taxes	20	9		(24)	(2)	3
Of which recognized deferred tax assets	53					97
Of which deferred tax liabilities	(33)					(94)

At December 31, in millions of euros	2006 **	Impact on the income statement	Translation adjustments	Business combinations	Changes in tax rates	Impact on equity	Other	2007
Property, plant and equipment and intangible assets	22	9					2	33
Inventories	0	16					(40)	(24)
Provisions	(34)	5					1	(28)
Other temporary differences	27	(34)	1				(23) (15)	(44)
Tax losses carried forward	320	(43)			(54)		2	225
Deferred tax assets (gross) and deferred tax liabilities	335	(47)	1	-	(54)	(23)	(50)	162
Unrecognized deferred tax assets	(332)	34			48		50	(199)
Net deferred taxes	3	(13)	1	-	(6)	(23)	-	(37)
Of which recognized deferred tax assets	97							48
Of which deferred tax liabilities	(94)							(85)

* See Note 1.b

** The figures at December 31, 2006 have been restated to take into account the fair value adjustments made following completion of the initial accounting for the Olex group acquisition, primarily corresponding to an additional 30 million euro deferred tax liability relating to property, plant and equipment and intangible assets.

“Other temporary differences” mainly include consolidation adjustments relating to financial instruments such as the fair value of derivative instruments and the option component of the OCEANE bonds.

Deferred tax assets are recognized for the unused tax losses of companies whose business plans show that it is probable that future taxable profit will be available against which the tax losses can be utilized.

At December 31, 2007, 2006 and 2005, deferred tax assets in the amounts of 199 million euros, 332 million euros and 399 million euros were not recognized as the Group deemed that their recovery was not sufficiently probable. These mainly concern the tax losses described in paragraph e) below.

e) Tax losses carried forward

Unused tax losses carried forward represented potential tax benefits of 225 million euros at December 31, 2007 (320 million euros and 447 million euros at December 31, 2006 and 2005, respectively), including (i) 157 million euros relating to the Group’s German subsidiaries (205 million euros and 279 million euros at December 31, 2006 and 2005, respectively); and (ii) 15 million euros relating to French subsidiaries (55 million euros at December 31, 2006 and 76 million euros at December 31, 2005).

For countries in a net deferred tax position after offsetting deferred tax assets and deferred tax liabilities arising from temporary differences, the net deferred tax asset recognized in the balance sheet is determined based on updated business plans as described in Note 1.w. Net deferred tax assets recognized in the balance sheet on the basis of these business plans amounted to 32 million euros at December 31, 2007 (52 million euros at December 31, 2006), including 27 million euros for the Group’s German subsidiaries (23 million euros at December 31, 2006 and 16 million euros at December 31, 2005). No net deferred tax assets were recorded in relation to French subsidiaries at December 31, 2007 as these companies had a net deferred tax liability at that date, compared with a net deferred tax asset position at December 31, 2006 and 2005 (restated) amounting to 25 million euros and 20 million euros respectively. Tax losses may be carried forward indefinitely in both France and Germany.

The potential tax benefits deriving from tax losses carried forward break down as follows by expiry date:

<i>(in millions of euros)</i>	2007	2006	2005
Year y+1	36	13	30
Year y+2 to y+4	5	32	52
Year y+5 and subsequent years	184	275	365
Total	225	320	447

f) Taxable temporary differences relating to interests in subsidiaries, joint ventures and associates

No deferred tax liabilities have been recognized in relation to temporary differences where (i) the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; or (ii) the reversal of the temporary difference will not give rise to a tax payment (notably concerning the abolition in France of capital gains tax on sales of securities as from 2007).

Note 10 Earnings per share

The following table presents a reconciliation of basic earnings per share and diluted earnings per share:

	2007	2006	2005	
			Restated*	Reported
Net income attributable to equity holders of the Company (in millions of euros)	189	241	163	108
Impact of interest expense (OCEANE convertible/ exchangeable bonds)	10	7	5	5
Adjusted net income (in millions of euros)	199	248	168	113
Average number of shares outstanding	25,553,906	23,529,530	21,146,263	21,146,263
Average number of OCEANE bonds	3,794,037	3,463,868	3,552,632	3,552,632
Average number of stock options	547,659	794,369	712,570	712,570
Average number of diluted shares	29,895,603	27,787,767	25,411,465	25,411,465
Attributable net income from continuing operations per share (in euros)				
- basic earnings per share	7.41	10.44	9.90	7.30
- diluted earnings per share	6.67	9.10	8.52	6.36
Net income/(loss) from discontinued operations per share (in euros)				
- basic earnings per share	0.00	(0.19)	(2.18)	(2.18)
- diluted earnings per share	0.00	(0.16)	(1.89)	(1.89)
Net income per share attributable to equity holders of the Company (in euros)				
- basic earnings per share	7.41	10.25	7.73	5.12
- diluted earnings per share	6.67	8.93	6.63	4.46

* See Note 1.b

Note 11 Goodwill

<i>(in millions of euros)</i>	Gross	Impairment losses	Carrying amount
January 1, 2005 restated***	77	-	77
First-time adoption of IAS 32 and 39**	3	-	3
Change related to core exposure***	-	(6)	(6)
Business combinations	0	-	0
Disposals	-	-	-
Impairment losses	-	-	-
Translation adjustments	10	-	10
Other movements*	(2)	-	(2)
December 31, 2005 restated***	88	(6)	82
Business combinations****	112	-	112
Disposals	-	-	-
Impairment losses	-	(19)	(19)
Translation adjustments	(5)	2	(3)
Other movements*	2	-	2
December 31, 2006	197	(23)	174
Business combinations	35	-	35
Disposals	(1)	1	-
Impairment losses	-	(4)	(4)
Translation adjustments	(5)	-	(5)
Other movements*	(10)	2	(8)
December 31, 2007	216	(24)	192

* Including classification as assets and groups of assets held for sale (IFRS 5)

** Put options granted to minority shareholders in the Liban Câbles group (see Note 20.e)

*** See Note 1.b

**** Taking into consideration the final allocation of goodwill relating to Olex (see below)

Goodwill is tested for impairment at least once a year and whenever there is an indication that it may be impaired, using the methods and assumptions described in Notes 1.l, 1.o and 7.

Main movements

During 2007, the main additions to goodwill related to the following:

- The 26 million euros in additional purchase consideration paid in connection with the acquisition of the Olex group (see Note 2). After the final purchase price allocation concerning this acquisition, the total goodwill recognized in relation to Olex amounted to 131 million euros at December 31, 2007.
- The purchase of a 70% interest in Multinacional Trade which gave rise to provisional goodwill of 6 million euros at December 31, 2007. The amount recognized takes into account a minority put option relating to the remaining 30% of Multinacional Trade's capital (see Note 1.m and Note 2).

Goodwill impairment losses recorded in 2007 related to Liban Câbles (see Note 7). "Other movements" primarily reflect the reclassification of goodwill relating to harness operations in accordance with IFRS 5 in view of the planned divestment of this business (see Note 8).

The main movements in goodwill in 2006 were as follows:

- Additional recognized goodwill primarily related to the December 1, 2006 acquisition of the Australian group Olex – Australasia’s cable industry leader – for approximately 310 million euros. Provisional goodwill on this acquisition amounted to 184 million euros. The initial accounting of the business combination was completed in 2007 and the related goodwill was reduced to 131 million euros at December 31, 2007 (taking into account the 26 million euros in additional purchase consideration paid in 2007). Further details are provided below.
- 19 million euros in goodwill impairment losses were recognized due to an increase in capital employed caused by the rise in non-ferrous metal prices. These impairment losses primarily concerned Liban Câbles.

In 2005, apart from the impact of translation adjustments, the main change in goodwill was due to the inclusion of the put option granted to minority shareholders in the Liban Câbles group in connection with the first-time adoption of IAS 32 and IAS 39. In the restated 2005 financial statements, additional goodwill impairment losses have also been recognized in relation to Nexans Inc and Nexans Brazil (see Note 7).

Information on acquisitions and disposals carried out in 2007, 2006 and 2005 is set out in the table below (the main changes in scope of consolidation are described in Note 2).

<i>(in millions of euros)</i>	Acquisitions			Disposals		
	2007	2006 *	2005	2007 **	2006	2005
Acquisition/sale price	36	393	2	45	201	84
Including portion paid/received in cash and cash equivalents	36	393	2	45	201	84
Purchase price excluding the purchase of minority interests	36	347				
Assets						
Non-current assets	0	194	1	8	27	30
Inventories	3	71	2	12	20	39
Receivables	5	56	5	23	25	116
Cash and cash equivalents	1	18	0	(10)	4	2
Other assets	0	4	0	22	-	-
Liabilities						
Provisions	3	15	1	(0)	0	14
Debt	4	20	2	6	(16)	37
Other liabilities		66	3	7	33	81
		-				
Net assets acquired/disposed of (including minority interests)	1	242	3	44	57	54
Minority interest in net assets acquired		(11)	0			
Net attributable assets at the balance sheet date	1	231	3			

* Taking into consideration the final allocation of goodwill relating to Olex (see below)

** The figures for 2007 disposals do not include the impact of the legal reorganization carried out in Vietnam

Final allocation of goodwill arising on the acquisition of Olex

The difference between the reported provisional goodwill relating to the Olex group at December 31, 2006 and restated final goodwill at the same date breaks down as follows:

<i>(in millions of euros)</i>		Note
Provisional goodwill at December 31, 2006	184	
Additional allocation to property, plant and equipment	(14)	a)
Allocation to trademarks	(15)	b)
Allocation to customer relationships	(77)	b)
Additional net deferred tax liabilities	30	c)
Other	(3)	
Final goodwill at December 31, 2006	105	

- a) In 2007 Nexans measured the fair value as at the acquisition date of all of the Olex group's property, plant and equipment, including land, buildings and industrial equipment. These valuations were performed with the assistance of specialized consulting firms.

Including the 30 million euros provisionally allocated to property, plant and equipment in 2006, following the above valuations the total amount of the purchase price allocated to this item came to 44 million euros. These assets are being depreciated over an average of 10 years.

- b) Also in 2007 Nexans measured the fair value of the Olex group's intangible assets. Two main categories of intangible assets were identified in connection with this valuation:
- The Olex trademark, which has a strong reputation. However, the fair value assigned to the trademark was assessed taking into account its regional reach and the fact that the group only operates in one industrial segment. The Olex trademark is not amortizable as it is deemed to have an indefinite useful life.
 - Customer relationships, in view of Olex's very solid customer portfolio. A specific valuation process was set up for each of the main market sub-segments in order to factor in different earnings and risk profiles. The intangible asset recognized for customer relationships is being amortized over an average of twenty years, based on Olex's very high capacity to retain customers and its historically extremely low turnover level for principal customers.
- c) These deferred tax liabilities were recognized in relation to the adjustments made to the provisional fair values of intangible assets and property, plant and equipment.

The above adjustments did not have an impact on 2006 net income or equity as Olex has only been consolidated since December 31, 2006. At December 31, 2006, further to the additional allocation analyses, the Group reclassified an 8 million euro commitment related to "Other long-term employee benefit obligations" from current to non-current liabilities.

Note 12 Intangible assets

a) Changes in the gross value of intangible assets

(in millions of euros)	Gross value					Total
	Trademarks	Customer relationships	Software	Patents and licenses	Other	
January 1, 2005	-	-	24	7	6	38
Acquisitions	-	-	2	-	2	4
Disposals	-	-	(0)	(0)	(0)	(0)
Business combinations	-	-	(2)	(0)	(0)	(2)
Translation adjustments	-	-	0	-	1	1
Other movements*	-	-	5	(4)	4	5
December 31, 2005 reported	-	-	30	3	13	46
Acquisitions	-	-	3	-	3	6
Disposals	-	-	(2)	-	(0)	(2)
Business combinations**	15	77	1	1	0	94
Translation adjustments	-	-	(0)	-	(1)	(1)
Other movements*	-	-	3	0	(3)	1
December 31, 2006	15	77	34	5	12	144
Acquisitions	-	-	2	0	1	3
Disposals	-	-	(0)	-	(0)	(0)
Business combinations	-	-	(0)	-	(1)	(1)
Translation adjustments	(0)	(2)	(0)	(0)	(0)	(3)
Other movements*	0	2	1	0	(2)	1
December 31, 2007	15	77	37	5	10	143

* Including classification as assets and groups of assets held for sale (IFRS 5)

** After final adjustments to provisional fair values relating to the Olex acquisition (see Note 11)

b) Changes in amortization and impairment of intangible assets

(in millions of euros)	Amortization and impairment					Total
	Trademarks	Customer relationships	Software	Patents and licenses	Other	
January 1, 2005	-	-	20	7	3	30
Amortization expense	-	-	3	0	0	4
Disposals	-	-	(0)	(0)	(0)	(0)
Business combinations	-	-	(2)	(0)	(0)	(2)
Translation adjustments	-	-	0	-	0	0
Other movements*	-	-	4	(4)	(0)	(0)
December 31, 2005 reported	-	-	25	3	3	32
Amortization expense	-	-	4	-	0	4
Disposals	-	-	(2)	-	(0)	(2)
Business combinations	-	-	1	-	0	2
Translation adjustments	-	-	(0)	-	(0)	(0)
Other movements*	-	-	0	0	(0)	0
December 31, 2006	-	-	28	3	4	35
Amortization expense	-	4	5	-	0	10
Reversals on disposals	-	-	(0)	-	(0)	(0)
Business combinations	-	-	(0)	-	(1)	(1)
Translation adjustments	-	(0)	(0)	(0)	(0)	(0)
Other movements*	-	(0)	(2)	0	0	(2)
December 31, 2007	-	4	31	3	3	42

* Including classification as assets and groups of assets held for sale (IFRS 5)

Note 13 Property, plant and equipment

a) Changes in the gross value of property, plant and equipment

<i>(in millions of euros)</i>	Gross value				Total
	Land	Buildings	Plant, equipment and machinery	Other <small>(including assets under construction)</small>	
January 1, 2005 reported	62	616	1,689	255	2,622
Acquisitions	0	6	51	68	125
Disposals	(0)	(2)	(47)	(16)	(65)
Business combinations	0	(5)	1	(2)	(6)
Translation adjustments	4	17	61	13	94
Other movements*	(11)	(46)	27	(51)	(82)
December 31, 2005 reported	55	585	1,781	404	2,825
Reclassification of core exposure as inventory**				(142)	(142)
December 31, 2005 restated**	55	585	1,781	262	2,683
Acquisitions	1	11	40	114	166
Disposals	(1)	(5)	(53)	(11)	(71)
Business combinations***	11	19	90	6	126
Translation adjustments	(1)	(9)	(33)	(5)	(50)
Other movements*	(0)	4	(30)	(53)	(79)
December 31, 2006	64	605	1,794	312	2,775
Acquisitions	1	17	50	103	172
Disposals	(2)	(4)	(51)	(15)	(72)
Business combinations	0	1	5	6	12
Translation adjustments	(2)	(4)	(14)	(2)	(22)
Other movements*	1	(11)	18	(118)	(110)
December 31, 2007	63	603	1,802	285	2,754

* Including classification as assets and groups of assets held for sale (IFRS 5)

** See Note 1.b

*** After final adjustments to provisional fair values relating to the Olex acquisition (see Note 11)

Property, plant and equipment acquired under finance leases and long-term leases account for less than 1% of total property, plant and equipment.

b) Changes in depreciation and impairment of property, plant and equipment

(in millions of euros)	Depreciation and impairment				
	Land	Buildings	Plant, equipment and machinery	Other	Total
January 1, 2005	9	429	1,215	181	1,834
Depreciation expense	0	19	70	10	99
Impairment losses**	-	7	7	-	14
Reversals of impairment losses**	(0)	(0)	(7)	-	(7)
Reversals on disposals	(0)	(0)	(35)	(8)	(43)
Business combinations	(0)	(3)	(2)	(2)	(7)
Translation adjustments	0	8	36	4	48
Other movements*	(0)	(44)	(6)	(5)	(55)
December 31, 2005 reported	9	415	1,278	180	1,883
Change relating to recognition of non ferrous metal inventory (core exposure)**			22		22
December 31, 2005 restated	9	415	1,300	180	1,905
Depreciation expense	0	17	66	8	91
Impairment losses**	-	-	106	-	106
Reversals of impairment losses**	-	-	(23)	-	(23)
Reversals on disposals	(0)	(4)	(36)	(9)	(49)
Business combinations***	-	3	18	1	21
Translation adjustments	0	(6)	(24)	(3)	(33)
Other movements*	(0)	(9)	(93)	30	(72)
December 31, 2006***	8	417	1,313	208	1,946
Depreciation expense	0	16	69	7	92
Impairment losses**	2	11	44	2	59
Reversals of impairment losses**	-	(5)	(37)	(0)	(42)
Reversals on disposals	(0)	(3)	(44)	(15)	(62)
Business combinations	0	0	(3)	1	(2)
Translation adjustments	(0)	(3)	(7)	(1)	(11)
Other movements*	0	27	(69)	(41)	(83)
December 31, 2007	10	460	1,266	161	1,896

* Including classification as assets and groups of assets held for sale (IFRS 5)

** See Note 1.b and Note 7

*** After final adjustments to provisional fair values relating to the Olex acquisition

0

c) Other information

Firm commitments to purchase property, plant and equipment amounted to 39 million euros at December 31, 2007 (20 million euros and 10 million euros at December 31, 2006 and 2005, respectively).

Note 14 Investments in associates – summary financial data

a) Equity value

<i>At December 31, in millions of euros</i>	<i>Percentage ownership</i>	2007	2006	2005
Essex Nexans	40%	-	22	17
Other		1	-	1
Total		1	22	18

When Essex Nexans was set up, Superior Essex was granted a purchase option exercisable at a price approximating the equity value as from October 21, 2006. This option was exercised during the first half of 2007 (see Note 2).

At December 31, 2007, the Group had only one associate accounted for by the equity method – Recycables, based in France and 36.5%-owned by Nexans. Recycables – which has been set up in partnership with the Sita group and will begin operations in 2008 – will be dedicated to recycling manufacturing waste.

b) Financial data relating to associates

Condensed balance sheet

At December 31, in millions of euros

<i>At December 31, in millions of euros</i>	2007	2006*	2005*
Property, plant and equipment	-	20	31
Working capital requirement	-	68	61
Other	-	(4)	(7)
Total capital employed	-	85	85
Net debt	(1)	30	40
Equity	1	55	45
Total financing	-	85	85

Condensed income statement

(in millions of euros)

<i>(in millions of euros)</i>	2007	2006	2005
Sales at current metal prices	-	509	45
Operating margin	-	14	(0)
Net income	-	9	(1)

* These data include the estimated accounts of Essex Nexans at December 31, 2006 (the final accounts were not available at the date Nexans' financial statements were approved by the Board of Directors). For 2005, the condensed income statement covers the period from October 21 to December 31, 2005.

Note 15 Other non-current financial assets

<i>At December 31, in millions of euros</i>	2007	2006	2005
Long-term loans and receivables	6	25	16
Available-for-sale securities	18	16	22
Other	4	9	17
Total	28	50	56

Loans and receivables at December 31, 2006 and 2005 included an 11.3 million euro subordinated loan granted to Essex Nexans Lacroix & Kress bearing interest at 8.97%. This loan was granted in 2005 as part of the sale of Nexans' winding wires business to Superior Essex and was repaid in first-half 2007 following the sale of the Group's residual interest in its European winding wires operations.

The maturity schedule for these financial assets at December 31, 2007 is presented below (excluding available-for-sale securities which correspond to shares in non-consolidated companies and have no maturity).

<i>(in millions of euros)</i>	2007			
	Carrying amount	< 1 year	1 to 5 years	> 5 years
Long-term loans and receivables	6	1	1	4
Other	4	3	0	1
Total	10	4	1	5

Impairment losses recorded for available-for-sale securities were as follows in 2005, 2006 and 2007:

<i>in millions of euros</i>	At Jan. 1	Additions	Disposals	Other	At Dec. 31
2007	9	-	-	-	9
2006	16	-	-	(7)	9
2005	9	-	-	7	16

No impairment losses are recorded for "Long-term loans" and "Other long-term receivables" and there were no past-due balances in relation to these items at December 31, 2007, 2006 or 2005.

Note 16 Inventories and work in progress

At December 31, in millions of euros	2007	2006	2005	
			Restated*	Reported
Raw materials and supplies	388	793	371	228
Industrial work in progress	260	186	180	125
Finished products	510	349	324	210
Net amount	1,158	1,328	874	563

* See Note 1.b

Note 17 Trade receivables

At December 31, 2007, 108 million euros worth of receivables had been sold to a bank (124 million euros and 135 million euros at December 31, 2006 and 2005, respectively). However, in view of the terms of the sale the receivables concerned do not qualify for derecognition under IAS 39. The receivables sale program in which the Group's main French operating subsidiaries participate was renewed for one year on December 13, 2007, covering an amount of 120 million euros. Subsidiaries with wirerod operations are no longer included in this program as their business now only covers the Group's internal needs and they consequently have no external receivables that could be sold under the program.

At December 31, in millions of euros	2007	2006	2005
Gross value	1,129	1,313	1,147
Provisions for impairment in value	(37)	(41)	(42)
Net value	1,092	1,272	1,105

Changes in provisions for impairment of trade receivables can be analyzed as follows:

(in millions of euros)	At Jan. 1	Additions	Utilizations	Reversals (surplus provisions)	Other (translation adjustments, IFRS 5 requirements)	At Dec. 31
2007	41	4	(3)	(3)	(2)	37
2006	42	7	(5)	(2)	(1)	41
2005	52	5	(11)	(3)	(1)	42

Receivables more than 30 days past due at the year-end and which had not yet been written down were as follows:

(in millions of euros)	Between 30 and 90 days past due	More than 90 days past due
Dec. 31, 2007	12	21
Dec. 31, 2006	9	18
Dec. 31, 2005	8	19

Receivables past due but not written down mainly relate to leading industrial groups, energy companies or major resellers. They historically represent an extremely low level of default and are generally located in geographic areas where contractual payment dates are customarily exceeded.

Note 18 Other current financial assets

<i>At December 31, in millions of euros</i>	2007	2006	2005
Advances and progress payments	11	10	7
Prepaid expenses	9	9	2
Derivative instruments	38	27	47
Other operating receivables	23	28	64
Other non-operating receivables	24	26	14
Other	21	6	23
Gross value	126	106	156
Provisions for impairment in value	(1)	(1)	(1)
Net value	125	105	155

Derivative instruments correspond to foreign exchange derivatives and non-ferrous metal forward contracts whose fair value represents an unrealized gain (see Note 25 for further information).

Note 19 Cash and cash equivalents

<i>At December 31, in millions of euros</i>	2007	2006	2005
Cash on hand	181	188	12
Money market funds (SICAV)	215	99	
Commercial paper	-	-	105
Certificates of deposit	226	-	-
Total cash and cash equivalents	622	287	117

In addition to cash on hand, the line "cash and cash equivalents" consists primarily of money market funds (SICAV), commercial paper and certificates of deposit.

Note 20 **Equity**

a) Composition of capital stock

At December 31, 2007 Nexans' capital stock comprised 25,678,355 fully paid-up shares (25,264,955 at December 31, 2006 and 23,507,322* at December 31, 2005), with a par value of 1 euro each. Including the impact of the 220,720 shares carrying double voting rights, the total number of voting rights was 25,899,075 at December 31, 2007 (25,544,195 at December 31, 2006 including the impact of 279,240 shares carrying double voting rights).

* Including 2,221,199 treasury shares

b) Dividends

At the Annual General Meeting, shareholders will be invited to approve the payment of a dividend of 2 euros per share, representing an aggregate dividend of 51.4 million euros based on 25,678,355 shares making up the Company's capital stock at December 31, 2007.

In the event that Nexans holds treasury stock at the time the dividend is paid out, the amount corresponding to unpaid dividends on these shares will be appropriated to retained earnings. The total amount of the dividend could be increased in order to reflect the number of additional shares that may be issued between January 1, 2008 and the date of the Annual General Meeting convened to approve the dividend distribution, following transactions such as:

- the exercise of stock options
- the issuance of new shares in connection with the employee rights issue decided by the Board of Directors on July 24, 2007 which is scheduled to be carried out before the Annual General Meeting (see paragraph g below)
- the conversion of OCEANE bonds.

At the Annual General Meeting held on May 10, 2007 to approve the financial statements for the year ended December 31, 2006, the Company's shareholders authorized the payment of a dividend of 1.20 euros per share – representing a total amount of 30.6 million euros – which was paid out on May 15, 2007.

At the Annual General Meeting held on May 15, 2006 to approve the financial statements for the year ended December 31, 2005, the Company's shareholders authorized the payment of a dividend of 1 euro per share, which was paid out on May 19, 2006.

c) Treasury stock

Following the cancellation of all the 2,221,199 treasury shares held at December 31, 2005, Nexans did not hold any of its own shares at December 31, 2007 or 2006. As these treasury shares were deducted from equity at December 31, 2005, their cancellation had no impact on income or on total equity.

d) Stock options

At December 31, 2007, there were 1,070,250 stock options outstanding, each exercisable for one newly-issued share, and in total representing 4.2% of the Company's capital stock. At December 31, 2006 and 2005 a total of 1,462,775 and 1,498,650 options were outstanding, exercisable for 5.8% and 6.4% of capital stock respectively. The options outstanding at December 31, 2007 can be analyzed as follows:

Grant date	Number of options originally granted	Number of options outstanding at the year-end	Exercise price (in euros)	Exercise period
November 16, 2001	531,500	26,000	17.45	From November 16, 2002 (vesting at 25% per year) to November 15, 2009
January 18, 2002	5,000	-	16.70	From January 18, 2003 (vesting at 25% per year) to January 17, 2010
March 13, 2002	8,000	-	19.94	From March 13, 2003 (vesting at 25% per year) to March 12, 2010
April 4, 2003	644,500	68,300	11.62	From April 4, 2004 (vesting at 25% per year) to April 3, 2011
November 16, 2004	403,000	302,000	27.82	From November 16, 2005 (vesting at 25% per year) to November 15, 2012
November 23, 2005	344,000	301,950	40.13	From November 23, 2006 (vesting at 25% per year) to November 22, 2013
November 23, 2006	343,000	343,000	76.09	From November 23, 2007 (vesting at 25% per year) to November 22, 2014
February 15, 2007	29,000	29,000	100.94	From February 15, 2009 (vesting at 50%), February 15, 2010 and February 15, 2011 (vesting at an additional 25% per year) to February 14, 2015
Total	2,308,000	1,070,250		

Changes in the number of options outstanding

	Number of options	Weighted average exercise price
Options outstanding at beginning of the year	1,462,775	37.69
Options granted during the year	29,000	100.94
Options cancelled during the year	(8,125)	-
Options exercised during the year	(413,400)	16.78
Options expired during the year	-	-
Options outstanding at the year-end	1,070,250	47.46
Including options exercisable at the year-end	517,000	36.40

Valuation of options

The assumptions applied to value the options impacting income for the year are as follows:

Grant date	April 4, 2003	Nov. 16, 2004	Nov. 23, 2005	Nov. 23, 2006	Feb. 15, 2007
Share price upon grant (in euros)	11.62	27.82	40.13	76.09	100.94
Average estimated life of the options	5 years	5 years	5 years	5.75 years	4.75 years
Volatility (in %)	35.00%	35.00%	33.00%	30.00%	30.00%
Risk-free interest rate (%)	3.54%	3.44%	3.04%	3.70%	4.00%
Dividend rate (%)	2.00%	1.60%	1.50%	1.50%	1.50%
Fair value of the option (in euros)	3.49	8.65	11.75	22.79	28.22

Options granted prior to November 7, 2002 which had not vested at January 1, 2005 were not valued and are not recognized. The first tranche of the plan dated April 4, 2003 does not fall within the scope of IFRS 2, since the rights were fully vested prior to January 1, 2005.

The estimated life of options is determined taking into account tax laws applicable to option beneficiaries. The volatility applied was determined by reference to the historic volatility of the Nexans share over the last three years. The options vest by tranches of 25% per year over a four-year period from the grant date, except for the February 15, 2007 plan where half of the options vest after a two-year period, with the remainder vesting over the following two years at a rate of 25% per year.

The fair value of the stock options is recorded as a payroll expense on a straight-line basis from the grant date to the end of the vesting period, with a corresponding adjustment to equity. A 5.6 million euro stock option expense was recognized in the 2007 income statement (3.4 million euros in 2006 and 2.4 million euros in 2005).

e) Put options granted to minority shareholders

Nexans' commitment to buy the shares of minority shareholders in the Liban Câbles group (representing 7% of the capital stock) is considered as a financial liability under IAS 32. Since December 31, 2005 this put option has been recognized under financial liabilities in the amount of 4 million euros, with a corresponding adjustment to minority interests in the amount of 1 million euros. The 3 million euro balance is recognized as goodwill. The goodwill was partially written down at December 31, 2007 and December 31, 2006 (see Note 7).

A similar accounting treatment was applied at December 31, 2007 to the put option granted to minority shareholders in Multinacional Trade relating to Nexans' acquisition of the remaining 30% of that company's capital. This put option, which is valid for three years, has been recognized as follows: (i) 2 million euros under goodwill; (ii) 3 million euros under financial liabilities; and the balance under minority interests.

f) Equity component of the OCEANE convertible/exchangeable bonds

In accordance with IAS 32, the portion of the July 2006 OCEANE bond issue that corresponds to the value of the options embedded in the instrument is recorded under "consolidated retained earnings" within equity, representing an amount of 34 million euros.

g) Employee share ownership plan

In 2007, Nexans announced its intention to carry out an employee rights issue involving the issuance of a maximum of 500,000 shares to members of an employee share ownership plan.

This issue, which has been postponed to 2008, will be the third international employee rights issue carried out by the Group. Employees will be able to subscribe for the shares through a corporate mutual fund, where permitted by local regulations, based on the following structures: (i) a "classic" structure, whereby employees subscribe for Nexans shares at a per-share price based on a 20% discount to the market price; or (ii) a "leveraged" structure, whereby employees are provided with a capital guarantee plus a multiple based on share performance. The aim of these share ownership plans is to strengthen the Group's relationship with its employees, both in France and abroad, and to closely associate them with Nexans' future expansion and earnings.

Note 21 Pensions and other retirement benefit obligations

There are a large number of retirement schemes in place within the Group.

- In France, each Group employee is eligible for state pension schemes and is entitled to a statutory retirement bonus paid by the employer.
- In other countries, pension schemes are subject to local legislation, and to the business and historical practices of the subsidiary concerned. Nexans takes care to ensure that the plan assets of its main open pension schemes approximate the value of the Group's underlying obligations. Unfunded schemes mainly relate to closed plans.

The Group Consolidation Department determines the basic assumptions used for the actuarial calculations required to measure obligations under defined benefit plans, in conjunction with actuaries in each country concerned. Specific assumptions, such as staff turnover and salary increases, are set on a per-company basis, taking into consideration local job market trends and forecasts specific to each entity.

The average weighted rates used per country are listed below (together, these countries represent over 90% of the Group's pension obligations at December 31, 2007).

	Discount rate	Estimated future salary increases	Expected long-term return on plan assets
2007			
France	5.25%	2.50%	4.00%
Germany	5.25%	2.25%	NA
Norway	4.80%	4.50%	5.70%
Switzerland	3.50%	2.25%	4.00%
Canada	4.75%	4.00%	7.00%
United States	6.00%	5.00%	7.00%
Australia	5.00%	4.00%	7.00%
2006			
France	4.50%	2.50%	4.50%
Germany	4.50%	2.25%	NA
Other European countries	3.51%	2.38%	4.25%
North America	5.11%	4.15%	7.00%
Asia-Pacific	4.85%	5.56%	5.06%
2005			
France	4.25%	2.50%	4.50%
Germany	4.25%	2.13%	NA
Other European countries	3.40%	2.33%	4.02%
North America	5.16%	4.00%	7.00%
Asia	4.97%	3.97%	3.75%

The discount rates applied were determined by reference to market yields on high-quality corporate bonds with similar maturities to those of the pension plans concerned. In those countries where there is no deep market in such bonds, the market yields on government bonds were used.

The expected long-term return on plan assets was estimated by reference to the composition of the portfolio and the maturity of the assets concerned.

<i>(in millions of euros)</i>	2007	2006	2005
Retirement costs for the period			
Service cost	(16)	(17)	(20)
Interest cost	(34)	(32)	(35)
Expected return on plan assets	19	18	19
Past service cost	(1)	(2)	(1)
Amortization of actuarial gains and losses	5	(1)	0
Effect of curtailments and settlements	1	0	0
Supplementary retirement benefits	-	1	(1)
Impact of asset ceiling	(10)	-	-
Net cost for the period	(36)	(32)	(38)
of which: Operating expenses	(21)	(18)	(21)
Financial expenses	(15)	(14)	(17)
Valuation of benefit obligation			
Present value of benefit obligation at January 1	775	863	822
Service cost	16	17	20
Interest cost	34	32	35
Employee contributions	1	2	4
Amendments	1	1	1
Acquisitions and disposals	(1)	(79)	(19)
Curtailments and settlements	(14)	(5)	(1)
Benefits paid	(51)	(46)	(54)
Actuarial (gains)/losses	(17)	12	36
Other (translation adjustments)	0	(23)	19
Present value of benefit obligation at December 31	744	775	863
Plan assets			
Fair value of plan assets at January 1	387	464	423
Expected return on plan assets	19	18	19
Actuarial gains/(losses)	(8)	4	21
Employer contributions	23	23	23
Employee contributions	2	2	4
Acquisitions and disposals	(3)	(79)	(12)
Curtailments and settlements	(12)	(4)	0
Benefits paid	(27)	(22)	(27)
Other (translation adjustments)	(2)	(19)	14
Fair value of plan assets at December 31	379	387	464
Funded status			
Present value of benefit obligations wholly or partially funded	(435)	(444)	(501)
Fair value of plan assets	379	387	464
Funded status of benefit obligation	(56)	(57)	(37)
Present value of unfunded benefit obligation	(309)	(331)	(362)
Benefit obligation net of plan assets	(365)	(388)	(399)
Unrecognized actuarial (gains)/losses	39	51	45
Unrecognized past service cost	1	1	1
Unrecognized surplus (due to asset ceiling)	-	-	-
Net provision recognized	(325)	(336)	(353)
Change in provisions			
Net provision recognized at January 1	336	353	370
Expense/(income) recognized in the income statement	36	32	38
Utilization	(48)	(47)	(50)
Other impacts (translation adjustments, acquisitions/disposals, etc.)	1	(2)	(5)
Net provision recognized at December 31*	325	336	353
* of which amount related to assets held for sale (see Note 8):	3	0	-

The 10 million euro expense corresponding to the asset ceiling impact in 2007 concerned the Group's Swiss subsidiary. The net impact of this accounting treatment on the Group's 2007 consolidated income was a 2

million euro expense as in accordance with IAS 19, Nexans also recognized in the income statement the 8 million euros in actuarial gains generated from this plan during the period.

The effects of curtailments and settlements recorded in 2007 substantially reflected the sale of the Simcoe site (see Note 2).

Actuarial gains and losses generated in 2007 and 2006 can be analyzed as follows:

<i>Actuarial gains and losses (in millions of euros)</i>	2007	2006
Total (gains)/losses generated during the year	(17)	12
<i>(Gains)/losses on plan amendments</i>	-	-
Discounting	(38)	2
Salary increases	4	3
Mortality	7	0
Staff turnover		(1)
Other	4	1
<i>Total (gains)/losses from changes in assumptions</i>	(22)	6
<i>(Gains)/losses from experience adjustments</i>	(2)	9
<i>Other</i>	7	(3)

Actuarial gains in 2007 were primarily due to higher interest rates during the year, notably in the euro zone. "Other" mainly reflects the impact of the upward revision of the annuity indexation assumption in Norway.

The Group's portfolio of plan assets breaks down as follows:

<i>At December 31</i>	2007		2006		2005	
	(in millions of euros)	%	(in millions of euros)	%	(in millions of euros)	%
Equities	135	36%	135	35%	142	31%
Bonds and other fixed income products	165	43%	191	49%	220	47%
Real estate	32	8%	30	8%	42	9%
Cash	25	7%	16	4%	26	6%
Other	22	6%	14	4%	35	7%
Fair value of plan assets at December 31	379	100%	387	100%	464	100%

Employer contributions relating to defined benefit plans are estimated at 21 million euros for 2008.

Other retirement schemes for which the Group's employees are eligible correspond to defined contribution plans under which the Group pays a fixed contribution and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions under these plans are recognized immediately as an expense. The amount of contributions paid in relation to defined contribution plans in 2007 was 32 million euros.

Note 22 Provisions

a) Analysis by nature

<i>At December 31, in millions of euros</i>	2007	2006	2005
Accrued contract costs	51	57	48
Restructuring provisions	32	44	30
Other provisions*	14	16	9
Total	97	117	87
of which short-term	72	81	74
of which long-term	25	36	14

* Excluding provisions for other long-term employee benefit obligations, which as from 2007 are recorded on a separate line of the consolidated balance sheet.

Movements in these provisions were as follows during 2005, 2006 and 2007:

<i>(in millions of euros)</i>	Total	Accrued contract costs	Restructuring provisions	Other provisions**
January 1, 2005	98	51	38	9
Additions	51	20	27	4
Reversals (provisions used)	(37)	(5)	(31)	(1)
Reversals (surplus provisions)	(24)	(16)	(3)	(4)
Business combinations	(2)	(1)	-	(1)
Other*	1	(1)	(1)	3
December 31, 2005	87	48	30	9
Additions	88	33	51	4
Reversals (provisions used)	(50)	(8)	(40)	(1)
Reversals (surplus provisions)	(25)	(19)	(3)	(3)
Business combinations	7	1	-	5
Other*	9	2	5	2
December 31, 2006	117	57	44	16
Additions	45	29	13	3
Reversals (provisions used)	(38)	(18)	(18)	(2)
Reversals (surplus provisions)	(21)	(15)	(4)	(2)
Business combinations	-	-	-	-
Other*	(6)	(2)	(3)	(1)
December 31, 2007	97	51	32	14

* Including classification as liabilities related to assets and groups of assets held for sale (IFRS 5)

** Excluding provisions for other long-term employee benefits, which as from 2007 are recorded on a separate line of the consolidated balance sheet.

The above provisions have not been discounted as the effect of discounting would not have been material. The above table does not include provisions set up and reversed in the same year.

Provisions for accrued contract costs are primarily set up by the Group as a result of its contractual responsibilities, particularly relating to customer warranties, loss-making contracts and penalties under commercial contracts (see Note 30 on contingent liabilities and disputes). They do not include provisions for

construction contracts in progress, which are accounted for in accordance with the method described in Note 1.h.

Surplus provisions are reversed when the related contingency no longer exists or has been settled for a lower amount than the estimate based on information available at the prior balance sheet date (including provisions for expired customer warranties).

The 11 million euro provision recorded under accrued contract costs in prior years to cover the Meko legal dispute was reversed (surplus) in 2007 as it was no longer required (see Note 30).

b) Analysis of movements in restructuring provisions

<i>(in millions of euros)</i>	2007	2006	2005
Restructuring provisions at beginning of year	44	30	38
Utilization for the period	(18)	(40)	(31)
Impairment and retirements of assets		-	(3)
New restructuring plans and adjustments to prior-year estimates	9	48	24
Translation adjustments and other movements	(3)	5	3
Restructuring provisions at year-end	32	44	30

During 2007, a 13 million euro restructuring provision was set aside, primarily to cover the reorganization of the Group's harness operations in Belgium.

In 2006 restructuring costs incurred mainly related to the closure of three plants – Opglabbeek in Belgium, which employed 123 people; Abbey Wood in the United Kingdom, which employed 93 people; and Marseille in France (TLM) which employed 34 people. Other smaller-scale plans were implemented to cut capacity, notably in Italy, France, Germany and Spain.

During 2005, restructuring costs for which provisions were recorded primarily concerned staff reductions in Germany, France, the United Kingdom, Italy and Spain.

Note 23 Net debt

a) Analysis by nature

<i>At December 31, in millions of euros</i>	2007	2006	2005
Bonds redeemable in 2017*	359	-	-
OCEANE convertible/exchangeable bonds *	262	250	121
Other long-term borrowings*	8	7	5
Short-term borrowings*	256	662	365
Short-term bank loans and overdrafts	28	-	-
Gross debt	912	919	491
Cash and cash equivalents	622	287	117
Net debt	290	632	374

*Including accrued interest

In May 2007, the Group carried out a 350 million euro bond issue, made up of 7,000 bonds with a nominal value of 50,000 euros each. These bonds – which were taken up by European investors – are redeemable in full on May 2, 2017 and pay interest at an annual rate of 5.75%. See Note 2.c for further information.

b) Change in net debt

<i>(in millions of euros)</i>	2007	2006	2005
Net (debt) / cash at beginning of year	(632)	(374)	(180)
Impact of IAS 32-39			(115)
Net (increase) / decrease in net debt	343	(263)	(80)
Impact of assets and groups of assets held for sale (IFRS 5)	(1)	5	1
Net (debt) / cash at year-end	(290)	(632)	(374)

c) OCEANE convertible/exchangeable bonds

On June 16, 2006, Nexans redeemed in advance the OCEANE bonds issued in July 2004. Substantially all of the OCEANE bondholders exercised their option to receive shares, at a ratio of one Nexans share per OCEANE bond. A total of 3,534,160 OCEANE bonds were therefore converted into shares, with the remaining 18,472 being redeemed at their nominal value of 38 euros each.

The conversion of the OCEANE bonds resulted in (i) a 110 million euro reduction in consolidated debt (taking into account the 1.80 euro adjustment payment made per bond to OCEANE bondholders); and (ii) a 117 million euro increase in consolidated equity.

On July 7, 2006, Nexans carried out another OCEANE bond issue for an aggregate nominal amount of 280 million euros. The issue comprised 3,794,037 bonds, each with a nominal value of 73.80 euros, with a coupon of 1.5% and redeemable at a price of 85.76 euros per bond on January 1, 2013. In accordance with IAS 32, the portion of the OCEANE bonds corresponding to the value of the option is included in equity, in an amount of 34 million euros.

Balance sheet <i>At December 31, in millions of euros</i>	2007	2006	2005
Equity component (retained earnings)*	34	34	18
Convertible bond (liability component)*	242	242	117
Accrued interest	20	8	4
Amount recognized under financial liabilities	262	250	121

Income statement <i>(in millions of euros)</i>	2007	2006 **	2005
Contractual interest paid	(4)	(4)	(4)
Additional interest calculated at rate excluding the option*	(11)	(7)	(4)
Total financial expense	(15)	(11)	(8)

* See Note 1.bb

** Of which costs relating to the OCEANE bonds issued in 2004 and redeemed in June 2006: 2 million euros in interest paid and 2 million euros in additional interest calculated using the effective interest rate method.

d) Analysis by currency and interest rate

Long-term debt (including accrued interest)

<i>At December 31</i>	Weighted average EIR* (%)			in millions of euros		
	2007	2006	2005	2007	2006	2005
Euro (OCEANE convertible/ exchangeable bonds)	6.23	6.23	6.56	262	250	121
Euro (bonds redeemable in 2017)	5.95			359		
Euro (excluding OCEANE bonds and bonds redeemable in 2017)	N/A**	5.28	4.51	8**	7	4
US dollar	-		5.35	-		2
Other		-				-
Total	5.99	6.20	6.46	629	257	126

* Effective interest rate

** Corresponding to minority put options (see Note 1.m)

Short-term debt (excluding accrued interest on long-term debt)

<i>At December 31</i>	Weighted average EIR* (%)			in millions of euros		
	2007	2006	2005	2007	2006	2005
Euro	4.27	3.89	2.60	146	575	316
US dollar **	4.61	5.91	5.28	52	28	7
Other	7.77	5.78	5.92	86	59	42
Total	5.41	4.14	3.03	284	662	365

* Effective interest rate

** US dollar debt concerns subsidiaries located in the Middle East and Asia.

The Group's medium- and long-term debt is at fixed interest rates.

All of the Group's short-term debt is at variable rates based on monetary indices (see Note 25.b).

e) Analysis by maturity (including accrued interest)

Nexans SA is the Group's main financing vehicle. The Treasury and Metals Department monitors Nexans SA's available liquidity and financing structure on a weekly basis (see paragraph f below and Note 25 for further information).

Maturity schedule at Dec. 31, 2007 <i>(in millions of euros)</i>	Due within 1 year		Due in 1 to 5 years		Due beyond 5 years		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Bonds redeemable in 2017		20	81		350	101	350	201
OCEANE convertible/exchangeable bonds		4	17		325	4	325	25
Other long-term borrowings			4		4		8	-
Short-term borrowings	256						256	-
Short-term bank loans and overdrafts	28						28	-
Total	284	24	4	97	679	105	966	226

f) Other information

At December 31, 2007, Nexans and its subsidiaries had access to 580 million euros under a committed medium-term revolving facility, none of which had been drawn down. In accordance with the provisions of the related contract, in October 2007 Nexans asked the participating banks to extend this credit facility by one year, until October 17, 2012. All the banks except one agreed to grant this extension. Consequently, Nexans' committed revolving facility now expires in two tranches – 34 million euros on October 17, 2011 and 546 million euros on October 17, 2012.

The syndicated revolving facility agreement is subject to standard covenants (negative pledge, pari-passu, cross default) and financial ratio covenants (net debt/EBITDA <2.95, and net debt/equity including minority interests <1.15). These ratios were well within the specified limits at December 31, 2007 and at the date the Board of Directors approved the financial statements.

If any of the revolving facility covenants were breached, any undrawn credit lines would become unavailable and any amounts outstanding would be repayable, either immediately or after a cure period of thirty days depending on the nature of the breach.

g) Pledged collateral

Collateral pledged by the Group to secure borrowings broke down as follows by type of asset at December 31, 2007, 2006 and 2005:

<i>At December 31, in millions of euros</i>	2007	2006	2005
Property, plant and equipment pledged as collateral	5	11	15
Intangible assets pledged as collateral	-	-	-
Inventories pledged as collateral	-	-	-
Financial assets pledged as collateral	-	-	-
Total pledged collateral	5	11	15

Note 24 **Other current financial liabilities**

<i>At December 31, in millions of euros</i>	2007	2006	2005
Derivative instruments	26	12	9
Other operating liabilities	236	214	235
Other non-operating liabilities	47	58	59
Other	4	6	5
Total	313	290	308

Derivative instruments correspond to foreign exchange derivatives and non-ferrous metal forward contracts whose fair value represents an unrealized loss (see Note 26).

“Other operating liabilities” mainly include payroll liabilities and related taxes.

Substantially all of these liabilities are payable within 12 months of the balance sheet date.

Note 25 **Financial risks**

Liquidity, foreign exchange and interest rate risks, as well as risks relating to non-ferrous metals, are managed by the Group Treasury and Metals Department which forms part of the Group Finance Department.

Where permitted by local regulations, the Group Treasury and Metals Department manages foreign exchange and interest rate risks for the subsidiaries on a centralized basis, and also manages their access to liquidity through a cash pooling system.

The key subsidiaries that do not have access to the centralized cash management system are located in Turkey, Lebanon, Egypt, Morocco, China, Korea, Vietnam and Brazil. These subsidiaries, which have their own banking partners, are nevertheless subject to Group procedures regarding (i) their choice of banks; (ii) foreign exchange and interest rate risk management; and (iii) hedging non-ferrous metal risks.

a) Liquidity risks

The Group has a centralized cash management system which pools subsidiaries’ liquid resources, enabling the use of these resources to be optimized as subsidiaries’ credit balances in the main currencies are transferred to the parent company’s central cash pooling accounts. The Group’s financing is primarily provided through Nexans SA which covered 68.8% and 69.3% of the Group’s gross external debt at December 31, 2007 and December 31, 2006 respectively.

Recourse to bank borrowings is limited, thanks to the Group’s use of diversified sources of funding, including the 2006 convertible bond issue and the 2007 ordinary bond issue. Bank financing primarily comprises a 580 million euro syndicated revolving facility, with a maximum 12.25% risk exposure for each participating bank.

The Treasury and Metals Department monitors both the parent company’s treasury positions and refinancing structure on a weekly basis. It also tracks the Group's overall liquidity position via a weekly reporting schedule that gives the cash position of the Group and each of its subsidiaries. Bank borrowings taken out by subsidiaries that are not part of the centralized cash management system must be approved in advance by

the Treasury and Metals Department and may not have maturity dates exceeding 12 months, unless express authorization is obtained.

The key liquidity indicators used by the Group are (i) the unused amount of credit facilities; and (ii) available cash and cash equivalents. The table below sets out the Group's liquidity facilities at December 31, 2007.

<i>Main liquidity indicators for the Group at December 31, 2007 (in millions of euros)</i>	Ceiling	Utilization	Available amount
Unconfirmed facilities			
Commercial paper program	500	0	N/A
Nexans SA unconfirmed bank lines**	200	4	196
Cash pooling overdraft	69	2	67
Confirmed facilities			
Syndicated revolving facility	580	0	580
Convertible bonds redeemable in 2013*	280	280	0
Ordinary bonds redeemable in 2017*	350	350	0
<i>Total</i>	1,979	636	843
Cash and cash equivalents			622

* Nominal amount including the conversion option where applicable

** At the value date

The Group also monitors its net debt position on a quarterly basis (see Note 23 for definition of net debt).

b) Interest rate risk

Nexans carefully monitors interest rate trends in order to set up suitable hedging instruments where appropriate.

Nexans did not have any interest rate hedges in place at December 31, 2007, 2006 or 2005. The Group considers that its financing structure does not expose it to specific interest rate risks.

The following table breaks down the Group's financial assets and liabilities between fixed and variable rates.

<i>At December 31, in millions of euros</i>	2007			2006		
	Current	Non-current	Total	Current	Non-current	Total
Variable rate						
Financial liabilities	284		284	662		662
Financial assets	(622)		(622)	(287)		(287)
Net variable rate position	(338)	-	(338)	375	-	375
Fixed rate						
Financial liabilities	18	611	629	3	254	257
Financial assets			-			-
Net fixed rate position	18	611	629	3	254	257
Net debt *	(321)	611	290	378	254	632

* Including accrued interest

All of the Group's short-term debt is at variable rates based on monetary indices (EONIA, Euribor or Libor). Short-term cash investments are also at variable rates, which limits the Group's net exposure to changes in interest rates. At December 31, 2007 the Group was in a net asset position of 338 million euros in relation to exposure to variable interest rates, compared to a net liability position of 375 million euros at December 31, 2006.

The Group's medium- and long-term debt is at fixed rates. At December 31, 2007 substantially all of this debt corresponded to the OCEANE bonds and the ordinary bonds redeemable in 2017.

c) Foreign exchange risk

Risks relating to operating cash flows

Management considers that the Group's sensitivity to foreign exchange risk on operating cash flows is moderate due to (i) its operational structure whereby the Group's subsidiaries have a very strong local presence except in specific cases; and (ii) the hedging policy described below.

US dollar exposure on purchases of copper and, to a lesser extent, aluminum is hedged as part of the Group's overall metals hedging strategy.

Hedging foreign exchange risks on operating cash flows

Nexans hedges its foreign exchange risk on cash flows relating to foreseeable contractual commercial transactions as well as to certain forecast transactions. The foreign exchange operations arising from this hedging activity may result in certain positions being kept open. Where this happens, the positions are limited in amounts and tenor involved. At the balance sheet date, Nexans had no material unhedged foreign exchange positions.

Certain bids are made in a currency other than that in which the entity concerned operates. Foreign exchange risks arising on these bids are not systematically hedged, which could generate a cost for the Group. Where this is the case – notably in infrastructure markets – the Group includes additional safeguards when presenting its bids to take into account the exposure to foreign exchange risk, such as stipulating that the bid will only remain valid if exchange rates remain within a certain pre-defined range.

Foreign exchange risk is identified at the level of the Group's operating subsidiaries, whose treasurers set up hedges using forward currency transactions. For subsidiaries that are members of the central cash management system these transactions are carried out with the Group Treasury Department. Other subsidiaries enter into forward currency transactions with their local banks. The objective of these transactions is for operating cash flows to be denominated in the functional currency of the entity concerned.

Net position at December 31, 2007

The table below sets out all of the Group's assets, liabilities and future commitments denominated in foreign currencies as well as the nominal amount of forward foreign currency purchases and sales outstanding at December 31, 2007 for entities that submit monthly reports on their foreign exchange positions. These subsidiaries accounted for close to 90% of the Group's net sales in 2007. The main currencies on which the Group is exposed to exchange risk are the US dollar, the euro and the Norwegian krone. Foreign currency assets and liabilities that are denominated in the local entity's functional currency are not included in the table below, as they do not generate any foreign exchange risk.

Foreign exchange risk exposure at Dec. 31, 2007* <i>(in millions of foreign currency units)</i>	USD	NOK	EUR
- Trade receivables	172	-	66
- Trade payables	(205)	-	(58)
- Bank accounts	10	(170)	17
- Loans/borrowings	93	-	(29)
- Commitments (future cash flows)	277	11	315
Total exposure	346	(159)	311
- Net nominal amount of hedges	(363)	159	(228)
Residual net exposure	(16)	-	83

* Excluding Lebanon, Egypt, Vietnam and Brazil

The Group's residual net exposure to foreign exchange risks primarily correspond to bids that are not hedged as they are not deemed to be sufficiently probable. Where foreign exchange risk arises in relation to these transactions it is factored into the price submitted in the related bid or the bid documentation stipulates that the submitted price will only be valid if exchange rates remain within a range defined with the customer.

Verifying the correct application of procedures

The Group verifies that its foreign exchange risk management procedures are properly applied by means of monthly reports to the Group Treasury Department. The reports contain details on the subsidiaries' firm and estimated cash flows in each currency and the related hedges that have been put in place.

In addition, the Group Treasury and Metals Department has set up an on-site audit system for the subsidiaries whereby representatives of the Department conduct visits at regular intervals to ensure that the relevant procedures have been properly understood and applied. Lastly, the Internal Audit Department also systematically reviews the proper application of procedures relating to the identification and hedging of foreign exchange risks during its visits to the Group's subsidiaries.

Foreign exchange risk related to the acquisition of Madeco

Part of the acquisition price for Madeco is payable in dollars, thus exposing the Group to a foreign exchange risk. As Group Management considered this acquisition to be highly probable but not yet certain at December 31, 2007 a portion of the cash purchase price was hedged at that date through a forward purchase of 100 million US dollars at rates reflecting those prevailing when the framework agreement was signed on November 15, 2007. These derivatives were accounted for as cash flow hedges at the year-end.

Foreign currency translation risk

The Group's main foreign currency translation risk relates to the translation of the net assets and profit or loss of its subsidiaries based in US dollar zones. This risk is not hedged as Group Management considers it to be extremely limited. The situation could change in the future, however, as a result of the acquisition of Madeco.

d) Metal price risk

The Group's policy for managing non-ferrous metal risks is defined and overseen by the Group Treasury and Metals Department and is implemented by the subsidiaries that purchase copper and aluminum. The Group's main exposure to metal price risk arises from fluctuations in copper prices.

Impact on operating income

In order to offset the risks arising due to the volatility of non-ferrous metal prices (copper and, to a lesser extent, aluminum), Nexans passes on metal prices in its own selling price, and hedges the related risk either by setting up a physical hedge at the same price or by entering into futures contracts on the London, New York and, to a lesser extent, Shanghai, metal exchanges.

In order for this mechanism to function properly, the units must have a permanent level of metal inventories which is referred to as core exposure. Core exposure represents the minimum amounts that are necessary for the production units to operate appropriately and is not intended to be sold off. Consequently, the quantities of metal corresponding to core exposure are not hedged.

The Group verifies that its price risk management procedures are properly applied by means of a monthly reporting system which details each legal entity's exposure to copper and aluminum price risk in both tonnage and value terms.

Nexans does not generate any income from speculative trading of metals. In addition, the Group considers that its operating margin is only slightly sensitive to changes in copper and aluminum prices as a result of the following:

- In 2006 the Group decided to recognize core exposure at weighted average cost in inventories instead of at historic cost under property, plant and equipment as was previously the case (see Note 1.b). This means that the measurement of core exposure is now subject to changes in copper and aluminum prices. However, the impact of changes in the value of core exposure is recorded below operating margin as it is not subject to the Group's metal prices risk management policy.
- Positions in tonnes and value in excess of the core exposure must be balanced for both copper and aluminum, in order to neutralize the effect of any changes in metal prices.

The Group's operating margin is nevertheless still partially exposed to metal price risks for certain product lines, such as copper cables for cabling systems and building sector products. In these markets, any increases in copper prices are generally passed on in the selling price, but with a time lag that can place a certain amount of pressure on margins. The fierce competition in these markets can also affect the timescale within which price increases are passed on.

As with foreign exchange risk, the risk of fluctuations in copper and other metal prices is not systematically hedged when making bids. This type of risk is limited, however, thanks to the use of similar practices to those described above concerning the management of foreign exchange risk. In particular, it is increasingly being borne by the Group's potential customers, especially in infrastructure markets.

Impact on financing needs

Fluctuations in copper and aluminum prices have a significant impact on the Group's financing needs, as a rise in copper prices implies an increase in working capital requirement. Prices have fluctuated significantly over the past five years.

Having decreased sharply at the beginning of 2007 the price of copper swung steeply upwards in the following three months, reaching USD 8,320 per tonne in early May. Between May and September it remained extremely volatile, ranging between USD 6,740 and USD 8,110. After peaking at USD 8,180 per tonne, in October the copper price fell to between USD 6,500 and USD 7,000, with the cash to three month spread returning to a contango position as from November. This high volatility occurred in tandem with the slide in the dollar against the euro. Over the full twelve months of 2007 copper traded at an average price

of USD 7,097 per tonne and the EUR/USD exchange rate rose from 1.32 to 1.47. Taken on a stand-alone basis, copper price fluctuations had a neutral impact on the Group's financing needs during the year.

In 2006, the price of copper surged over the first few months of the year, rising from USD 4,537 at the start of January to a historic high of USD 8,788 on May 12, representing an increase of over 93% in less than five months. It then fell during the second half of 2006 and ended the year at USD 6,290, representing an increase of 39% over the full twelve months. In euro terms, the price of copper rose 25% over 2006 as a whole including the impact of the fall in the US dollar against the euro between the start and end of the year, having nevertheless reached 78% between January and May. This increase generated an additional financing need of some 270 million euros for the Group in 2006.

The Group's main copper commitments

At December 31, 2007 and 2006 the Group's main copper exposures concerned the following:

<i>At December 31, in tonnes</i>	2007	2006
Cash settlement obligations*		
- Purchases	86,499	70,165
- Sales	22,073	38,431
Physical settlement obligations*		
- Purchases**	75,746	92,877
- Sales	139,988	124,138

* Excluding subsidiaries that are not included in the metals reporting system, which represent less than 5% of the Group's copper sales (in tonnes). These figures only include obligations at set prices at the balance sheet date.

** Excluding purchases negotiated as part of Take or Pay contracts whose price was not set at the balance sheet date, but including inventories (apart from core exposure) whose price was set at the balance sheet date.

In accordance with its risk management policy the Group only enters into physically-settled contracts for operational purposes and only uses the cash-settled contracts for hedging purposes. Nexans' main subsidiaries document their hedging relationships in compliance with the requirements of IAS 39 relating to cash flow hedges. If all of the Group's cash-settled positions at December 31, 2007 had been sold on the market they would have generated a loss of 11.2 million euros, compared with a gain of 9.1 million euros for the sale of cash-settled positions at December 31, 2006.

e) Credit risk

Counterparty risk raises on foreign exchange and metals derivatives, in addition to customer risk.

Customer risk

The Group considers that it is not exposed to significant customer credit risk as it has a broad customer base, with no single customer representing more than 5% of Nexans' total outstanding receivables at December 31, 2007.

The Group also applies strict customer selection procedures prior to entering into any commercial relationship, and has set up appropriate insurance policies within its various subsidiaries.

Foreign exchange derivatives

For all subsidiaries that are members of the central cash management system, foreign exchange transactions are carried out with the Group Treasury and Metals Department, which in turn hedges its positions with banks. In order to keep counterparty risk as low as possible, Nexans only authorizes such transactions with banks that have medium and long-term ratings of at least AA- from Standard & Poor's and Aa3 from Moody's. For other subsidiaries, the same criteria apply but exceptions may be made for subsidiaries located in countries with sovereign ratings that are below the specified threshold. In this case, the subsidiaries concerned must carry out transactions involving a counterparty risk with agencies or subsidiaries of banking groups whose parent company satisfies the above risk criteria.

Counterparty risk for local subsidiaries is regularly monitored by the Group Treasury and Metals Department, via a monthly reporting schedule that states the overall volume of external commitments made by each subsidiary in relation to foreign exchange hedges.

For the Group's main subsidiaries that are exposed to foreign exchange risk, at December 31, 2007 and 2006, outstanding forward purchases of foreign currency represented respective notional amounts of 681 million euros and 592 million euros, while unexpired forward sales amounted to 1,321 million euros and 1,122 million euros. In view of the rigorous counterparty selection process described above, the Group does not consider that it is exposed to credit risk on these commitments.

Metal derivatives

Non-ferrous metal hedging transactions give rise to a counterparty risk when they are carried out on commodity exchanges. Nexans carries out transactions on the LME, COMEX and, to a limited extent, on SHFE. Transactions on these organized markets are used to hedge the Group's copper, and to a lesser extent aluminum and lead risks. Substantially all of the transactions are standard buy and sell trades. The risk borne by the Group for these derivatives is restricted to a one-month period as a result of the Group's policy of closing out its transactions with each broker at the end of every month.

f) Market risk sensitivity analysis

Nexans' principal exposure to market risks – including interest rates, copper prices and the US dollar exchange rate – is assessed below by way of a sensitivity analysis relating to the impact that a theoretical change in interest rates and exchange rates or prices would have on consolidated income and equity.

Sensitivity to interest rates

- The Group's long-term debt is at fixed rates (convertible bonds and ordinary bonds redeemable in 2017) and is therefore not affected by changes in interest rates. Only short-term bank borrowings are at variable rates.
- The Group's other financial assets and liabilities are only sensitive to changes in interest rates in exceptional cases as they mostly have short-term maturities. The related impact is therefore deemed to be negligible.
- Changes in interest rates do not directly impact consolidated equity as the Group does not have any significant cash flow hedges in place using interest rate derivatives nor does it have any material hedges of net investments in foreign operations.

A 50 basis-point increase in interest rates (excluding the spread) would have had the following impacts on the Group's annual financial expenses for 2007 and 2006 (data not presented for 2005):

	Weighted average effective interest rate for short-term debt (see Note 23.d)	Average short-term debt assumption (in millions of euros)	Impact on financial expenses of a 50 bp increase in interest rates (in millions of euros)
December 31, 2007			
Euro	4.27%	130	0.65
US dollar	4.61%	34	0.17
December 31, 2006			
Euro	3.89%	500	2.5
US dollar	5.91%	140	0.7

Sensitivity to changes in copper prices

Fluctuations in copper prices can impact both consolidated income and equity as well as working capital requirement².

A rise in copper prices would result in:

- An increase in working capital requirement, and therefore financing needs.
- A rise in the fair value of the Group's portfolio of cash-settled copper derivatives (the Group is generally a net buyer).
- A positive revaluation of the Group's core exposure.

A rise in working capital requirement would increase the Group's financial expenses.

An increase in the fair value of cash-settled copper derivatives would positively affect either consolidated operating income or equity based on the accounting treatment used for these derivative instruments (the derivatives of the Group's main subsidiaries are documented as cash flow hedges within the meaning of IAS 39).

A revaluation of the Group's core exposure would positively affect consolidated operating income.

The simulation below is based on the following assumptions:

- A 10% increase in copper prices.
- All working capital requirement components would be impacted by the increase in copper prices.
- 120,000 and 155,000 tonnes of copper included in working capital requirement at December 31, 2007 and 2006 respectively.
- Short-term interest rate (3-month Euribor) of 4.3% and 3.8% respectively in 2007 and 2006.
- A worst-case scenario, in which the increase in working capital requirement would be constant throughout the year, leading to an annualized increase in financial expense.
- 83,000 and 81,000 tonnes of copper classified as core exposure at December 31, 2007 and 2006 respectively.
- A theoretical income tax rate of 34.43%.

² Sensitivity calculations are based on an increase in copper prices. A fall in copper prices would have the opposite effect.

<i>At December 31, in millions of euros</i>	2007	2006
Impact on operating income	54	38
Impact on net financial expense	(3)	(3)
Net impact on income (after tax)	34	23
Impact on equity* (after tax)	10	11

* Excluding net income for the period

A rise in copper prices could also result in additional impairment losses for certain non-current assets, in accordance with the requirements of IAS 36, which would negatively impact consolidated operating income. However, this impact was not taken into account in the above simulation as it is impossible to identify a direct linear effect. It would be necessary to reestimate all of the related forecast cashflows in order to work out the overall impact on impairment losses.

Sensitivity to the US dollar exchange rate

- The US dollar is the main foreign currency to which the Group is exposed.
- The simulation below is based on a 10% decrease in the US dollar against the world's other major currencies compared with the rates prevailing at December 31, 2007 and 2006, i.e. using USD/EUR exchange rates of 1.62 and 1.45 respectively.
- The main impacts on the consolidated financial statements stem from the revaluation of the Group's portfolio of derivative instruments. The impact on equity related to designated cash flow hedges and the impact on income have been separated out. This revaluation effect is offset by the revaluation of underlying USD positions in the Group's trade receivables and trade payables portfolios as well as net debt.
- The Group's other financial assets and liabilities are rarely subject to foreign exchange risk and have therefore not been included in this simulation.
- Foreign currency translation impacts have not been taken into account in the following calculation for 2007 and 2006. No simulation has been performed for 2005.

Sensitivity at Dec. 31, 2007 <i>(in millions of euros)</i>	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	(7)	N/A
Cash and cash equivalents	(1)	N/A
Trade payables	8	N/A
Gross debt	(3)	N/A
Net position – USD underlyings	(3)	
Portfolio of forward purchases ***	(61)	(17)
Portfolio of forward sales ***	64	29
Net position – USD derivatives	3	12
Net impact on the Group	0	12

* Excluding net income for the period

** Using a theoretical income tax rate of 34.43%

*** Forward purchases and sales that comprise an exposure to USD

Sensitivity at Dec. 31, 2006 <i>(in millions of euros)</i>	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	(8)	N/A
Cash and cash equivalents	(3)	N/A
Trade payables	8	N/A
Gross debt	1	N/A
Net position – USD underlyings	(2)	
Portfolio of forward purchases ***	(58)	(10)
Portfolio of forward sales ***	55	24
Net position – USD derivatives	(3)	14
Net impact on the Group	(5)	14

* Excluding net income for the period

** Using a theoretical income tax rate of 34.43%

*** Forward purchases and sales that comprise an exposure to USD

Sensitivity to the Norwegian krone

- The Norwegian krone (NOK) is an essential counterparty currency used in contracts for high-voltage submarine cables.
- The simulation below is based on similar assumptions to those used for the US dollar (a 10% fall in the Norwegian krone against the world's other major currencies), i.e. using NOK/EUR exchange rates of 8.75 and 9.06 at December 31, 2007 and 2006 respectively.

Sensitivity at Dec. 31, 2007 (in millions of euros)	Impact on income (net after tax**)	Impact on equity* (after tax**)
Trade receivables	3	N/A
Cash and cash equivalents	3	N/A
Trade payables	(1)	N/A
Gross debt	0	N/A
Net position – NOK underlyings	5	
Portfolio of forward purchases ***	(50)	13
Portfolio of forward sales ***	51	(43)
Net position – NOK derivatives	1	(30)
Net impact on the Group	6	(30)

* Excluding net income for the period

** Theoretical income tax rate of 34.43%

*** Forward purchases and sales that comprise an exposure to NOK

Sensitivity at Dec. 31, 2006 (in millions of euros)	Impact on income (net and after tax**)	Impact on equity* (after tax**)
Trade receivables	3	N/A
Cash and cash equivalents	1	N/A
Trade payables	(1)	N/A
Gross debt	0	N/A
Net position – NOK underlyings	3	
Portfolio of forward purchases ***	(29)	5
Portfolio of forward sales ***	32	(28)
Net position – NOK derivatives	3	(23)
Net impact on the Group	6	(23)

* Excluding net income for the period

** Theoretical income tax rate of 34.43%

*** Forward purchases and sales that comprise an exposure to NOK

g) Contractual obligations that may give rise to indemnity payments

Group companies have made commitments to banks and other third parties, in particular financial institutions, which have issued guarantees or performance warranties to customers, and guarantees to secure advances received from customers (423 million euros, 330 million euros and 346 million euros at December 31, 2007, 2006 and 2005 respectively).

Group companies do not generally set up bank guarantees when giving product warranties to customers and sellers' warranties to purchasers of divested businesses. When it is probable that Nexans will be required to make payments under this type of warranty due to factors such as delivery delays or disputes over contract performance, a provision is recorded for the estimated risk (see Note 22). When such a payment is merely possible rather than probable it is disclosed as a contingent liability if the amount concerned is sufficiently material (see Note 30).

Lastly, under the framework agreement signed on November 15, 2007 with Madeco relating to the purchase of the Madeco group's cable operations (see Note 2), Nexans has undertaken to pay Madeco a fixed sum of 21 million US dollars if Madeco terminates the agreement on account of Nexans breaching one of its main contractual obligations. Unless the final sale agreement provides otherwise, this undertaking is expected to remain in force until the acquisition is completed.

Note 26 Derivative instruments

a) Fair value

The fair value of the derivative instruments used by the Group to hedge foreign exchange risk and the risk associated with fluctuations in non-ferrous metal prices is presented in the following table:

<i>At December 31, in millions of euros</i>	2007	2006	2005
Assets			
Foreign exchange derivatives – Cash flow hedges*	21	6	0
Metal derivatives – Cash flow hedges*	2	8	-
Foreign exchange derivatives – Held for trading*	7	1	2
Metal derivatives – Held for trading*	8	12	44
Sub-total – assets	38	27	47
Liabilities			
Foreign exchange derivatives – Cash flow hedges*	1	3	8
Metal derivatives – Cash flow hedges*	15	8	-
Foreign exchange derivatives – Held for trading*	4	2	1
Metal derivatives – Held for trading*	6	0	0
Sub-total – liabilities	26	13	9

* Within the meaning of IAS 32/39

These amounts have been included in "Other current financial assets" and "Other current financial liabilities" on the consolidated balance sheet since January 1, 2005. Derivatives primarily comprise forward purchases and sales.

The above amounts cannot be directly reconciled with amounts recorded in equity under "Changes in fair value and other" as certain positions may be rolled-over while retaining the hedge accounting qualification.

b) Notional amounts

The table below sets out the notional amounts of derivative contracts, broken down by currency. The notional amount of contracts with a positive fair value at December 31, 2007 is included in assets (net of buyer and seller positions) and the notional amount of contracts with a negative fair value at December 31, 2007 is included in liabilities (also net of buyer and seller positions).

At December 31, 2007 in millions of euros	USD	NOK	EUR	Other	Total
Assets**					
Foreign exchange derivatives – Cash flow hedges*	(312)	-	(257)	(38)	(607)
Metal derivatives – Cash flow hedges*	-	-	-	-	-
Foreign exchange derivatives – Held for trading	(126)	21		(135)	(240)
Metal derivatives – Held for trading	68	-	(9)	10	69
Sub-total – assets	(370)	21	(266)	(163)	(778)
Liabilities**					
Foreign exchange derivatives – Cash flow hedges*	101	-	-	-	101
Metal derivatives – Cash flow hedges*	69	-	132	-	202
Foreign exchange derivatives – Held for trading	123	(6)	9	(19)	107
Metal derivatives – Held for trading	55	-	15	(1)	69
Sub-total – liabilities	348	(6)	156	(20)	478

* Within the meaning of IAS 32/39

** Sign convention: Buyer positions are presented as positive amounts and seller positions are presented as negative amounts

Net notional commitments for 2007, 2006 and 2005 are presented below.

At December 31, in millions of euros	2007	2006	2005
Net foreign exchange positions*	(640)	(530)	(176)
Net metal positions*	339	161	248

* Sign convention: Buyer positions are presented as positive amounts and seller positions are presented as negative amounts

c) Breakdown of the income statement impact of derivatives

The following tables provide a breakdown of the income statement impact of derivatives in 2007, 2006 and 2005.

2007 (in millions of euros)	Gains and losses on derivatives held for trading*	Gains and losses on cash flow hedges recycled to income*	Fair value hedges*		Ineffectiveness*	Total income statement impact
			Underlying	Derivative		
Metal derivatives	(7)	(25)	N/A	N/A	0	(32)
Foreign exchange derivatives	18	2	N/A	N/A	(15)	5
Interest rate derivatives	N/A	0	N/A	N/A	N/A	0
Total	11	(23)	-	-	(15)	(27)

* Within the meaning of IAS 32/39

2006 (in millions of euros)	Gains and losses on derivatives held for trading*	Gains and losses on cash flow hedges recycled to income*	Fair value hedges*		Ineffectiveness*	Total income statement impact
			Underlying	Derivative		
Metal derivatives	(7)	N/A	N/A	N/A	0	(7)
Foreign exchange derivatives	(3)	(6)	N/A	N/A	(12)	(21)
Interest rate derivatives	N/A	N/A	N/A	N/A	N/A	N/A
Total	(10)	(6)	-	-	(12)	(28)

* Within the meaning of IAS 32/39

2005 (in millions of euros)	Gains and losses on derivatives held for trading*	Gains and losses on cash flow hedges recycled to income*	Fair value hedges*		Ineffectiveness*	Total income statement impact
			Underlying	Derivative		
Metal derivatives	34	N/A	N/A	N/A	N/A	34
Foreign exchange derivatives	4	5	N/A	N/A	1	10
Interest rate derivatives	N/A	N/A	N/A	N/A	N/A	N/A
Total	38	5	-	-	1	44

* Within the meaning of IAS 32/39

Analysis:

- Metal derivatives: The Group has only the required documentation in place to designate metal derivatives as cash flow hedges since November 1, 2006. Previously, all metal derivatives were classified as financial assets/liabilities held for trading. Gains and losses relating to cash flow hedges for metals have therefore only been recycled to income since January 1, 2007. In 2007, these included a 25.1 million euro loss corresponding to the cumulative loss recognized in equity at December 31, 2006 following the first-time adoption at November 1, 2006 of cash flow hedge accounting for metal derivatives (see Note 1.cc).

All realized gains and losses on metal derivatives including recycled gains and losses on metal cash flow hedges are recorded within operating margin. Unrealized gains and losses on metal derivatives classified as held for trading, as well as the ineffective portion of derivatives accounted for as cash flow hedges, are reported on a specific line of the income statement called "Changes in fair value of non-ferrous metal derivatives".

- Foreign exchange derivatives: Gains and losses on cash flow hedges relating to commercial transactions that are recycled to the income statement are included in operating margin. All other unrealized and realized gains and losses relating to foreign exchange derivatives are recorded as other financial income or expenses.

Foreign exchange derivatives classified as held for trading primarily correspond to economic hedges of assets and liabilities denominated in foreign currencies. Their impact on the income statement is therefore offset by the revaluation of the underlying assets and liabilities at the balance sheet date (see Note 27 b).

The ineffective portion of foreign exchange derivatives primarily corresponds to the forward points, as the cash flows in the hedging relationship are generally calculated only using the spot rate.

- Interest rate derivatives: Interest rate derivatives are not material at Group level as a result of the risk management policy described in Note 25 above. Any impact of these derivatives on the income statement is recorded in "Cost of debt (gross)".

d) Term of derivatives

The following schedule includes all foreign exchange and metal derivatives outstanding at December 31, 2007 and 2006 (based on fair value at December 31, 2007), irrespective of whether they qualified for hedge accounting at the balance sheet date. It was not possible to provide sufficiently accurate information relating to December 31, 2005.

Foreign exchange derivatives

At December 31, in millions of euros	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Within 1 year	21	5	4	4
Current	21	5	4	4
Between 1 and 2 years	6	0	3	1
Between 2 and 3 years	1	0	0	0
Between 3 and 4 years	0	0		
Between 4 and 5 years	0			
Beyond 5 years				
Non-current	7	0	3	1

Metal derivatives

At December 31, in millions of euros	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Within 1 year	10	21	16	0
Current	10	21	16	0
Between 1 and 2 years	0	0	3	8
Between 2 and 3 years		0	1	
Between 3 and 4 years				
Between 4 and 5 years				
Beyond 5 years				
Non-current	0	0	4	8

Note 27 Additional disclosures concerning financial instruments

a) Categories of financial assets and liabilities

The Group has defined the following main categories of financial assets and liabilities:

At December 31, in millions of euros	IAS 39 category	Carrying amount at Dec. 31, 2007	Accounting treatment under IAS 39				Fair value at Dec. 31, 2007
			Carried at amortized cost	Carried at cost	Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	
Assets							
Available-for-sale securities	Available-for-sale financial assets	18	X	✓	X	✓	18
Commercial receivables							
Amounts due from customers on construction contracts	Loans and receivables	163	✓	X	X	X	163
Trade receivables	Loans and receivables	1,092	✓	X	X	X	1,092
Derivatives not designated as hedges	Financial assets at fair value through profit or loss	15	X	X	✓	X	15
Derivatives designated as hedges	N/A	23	X	X	X	✓	23
Other current and non-current financial assets	Loans and receivables	97	✓	X	X	X	97
Cash and cash equivalents	Financial assets at fair value through profit or loss	622	X	X	✓	X	622
Liabilities							
Gross debt							
Convertible bonds	Financial liabilities carried at amortized cost	262	✓	X	X	X	254
Ordinary bonds	Financial liabilities carried at amortized cost	359	✓	X	X	X	312
Other financial liabilities	Financial liabilities carried at amortized cost	292	✓	X	X	X	292
Commercial payables							
Customer deposits and advances	Financial liabilities carried at amortized cost	59	✓	X	X	X	59
Amounts due to customers on construction contracts	Financial liabilities carried at amortized cost	128	✓	X	X	X	128
Trade payables	Financial liabilities carried at amortized cost	817	✓	X	X	X	817
Derivatives not designated as hedges	Financial liabilities at fair value through profit or loss	10	X	X	✓	X	10
Derivatives designated as hedges	N/A	16	X	X	X	✓	16
Other current and non-current financial liabilities	Financial liability carried at amortized cost	287	✓	X	X	X	287

✓ Accounting method applied

- The fair value of other non-current financial assets is the same as their carrying amount.
- Available-for-sale securities include 14 million euros worth of securities measured at cost as no market value was available. In addition, the Group could not determine the fair value of these securities based on a valuation technique as it was neither possible to reliably estimate the present value of future cash flows nor to obtain prices on comparable transactions.
- The fair value of other current financial assets, including commercial receivables, is the same as their carrying amount.
- The Group's fixed rate debt mainly comprises its ordinary bonds as well as the liability component of its OCEANE convertible/exchangeable bonds, whose fair value may differ from the carrying amount in view of the fact that the bonds are carried at amortized cost.

- The fair value of other current and non-current financial liabilities, including commercial payables, is the same as their carrying amount.

The following tables provide a similar breakdown of financial assets and liabilities by category for 2006 and 2005.

At December 31, in millions of euros		IAS 39 category	Carrying amount at Dec. 31, 2006	Accounting treatment under IAS 39				Fair value at Dec. 31, 2006
				Carried at amortized cost	Carried at cost	Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	
Assets								
Available-for-sale securities	Available-for-sale financial assets	16	X	✓	X	✓	16	
Commercial receivables								
Amounts due from customers on construction contracts	Loans and receivables	77	✓	X	X	X	77	
Trade receivables	Loans and receivables	1,272	✓	X	X	X	1,272	
Derivatives not designated as hedges	Financial assets at fair value through profit or loss	13	X	X	✓	X	13	
Derivatives designated as hedges	N/A	14	X	X	X	✓	14	
Other current and non-current financial assets	Loans and receivables	112	✓	X	X	X	112	
Cash and cash equivalents	Financial assets at fair value through profit or loss	287	X	X	✓	X	287	
Liabilities								
Gross debt								
Convertible bonds	Financial liabilities carried at amortized cost	250	✓	X	X	X	251	
Ordinary bonds	Financial liabilities carried at amortized cost	0	✓	X	X	X	0	
Other financial liabilities	Financial liabilities carried at amortized cost	669	✓	X	X	X	669	
Commercial payables								
Customer deposits and advances	Financial liabilities carried at amortized cost	39	✓	X	X	X	39	
Amounts due to customers on construction contracts	Financial liabilities carried at amortized cost	71	✓	X	X	X	71	
Trade payables	Financial liabilities carried at amortized cost	917	✓	X	X	X	917	
Derivatives not designated as hedges	Financial liabilities at fair value through profit or loss	2	X	X	✓	X	2	
Derivatives designated as hedges	N/A	11	X	X	X	✓	11	
Other current and non-current financial liabilities	Financial liabilities carried at amortized cost	278	✓	X	X	X	278	

✓ Accounting method applied

At December 31, in millions of euros	IAS 39 category	Accounting treatment under IAS 39					Fair value at Dec. 31, 2005
		Carrying amount at Dec. 31, 2005	Carried at amortized cost	Carried at cost	Carried at fair value through profit or loss	Carried at fair value with changes recognized in equity	
Assets							
Available-for-sale securities	Available-for-sale financial assets	22	X	✓	X	✓	22
Commercial receivables							
Amounts due from customers on construction contracts	Loans and receivables	47	✓	X	X	X	47
Trade receivables	Loans and receivables	1,105	✓	X	X	X	1,105
Derivatives not designated as hedges	Financial assets at fair value through profit or loss	46	X	X	✓	X	46
Derivatives designated as hedges	N/A	0	X	X	X	✓	0
Other current and non-current financial assets	Loans and receivables	142	✓	X	X	X	142
Cash and cash equivalents	Financial assets fair value through profit or loss	117	X	X	✓	X	117
Liabilities							
Gross debt							
Convertible bonds	Financial liabilities carried at amortized cost	121	✓	X	X	X	123
Ordinary bonds	Financial liabilities carried at amortized cost	0	✓	X	X	X	0
Other financial liabilities	Financial liabilities carried at amortized cost	370	✓	X	X	X	370
Commercial payables							
Customer deposits and advances	Financial liabilities carried at amortized cost	18	✓	X	X	X	18
Amounts due to customers on construction contracts	Financial liabilities carried at amortized cost	70	✓	X	X	X	70
Trade payables	Financial liabilities carried at amortized cost	692	✓	X	X	X	692
Derivatives not designated as hedges	Financial liabilities at fair value through profit or loss	1	X	X	✓	X	1
Derivatives designated as hedges	N/A	8	X	X	X	✓	8
Other current and non-current financial liabilities	Financial liabilities carried at amortized cost	299	✓	X	X	X	299

✓ Accounting method applied

b) Calculations of net gains and losses

The Group was unable to obtain sufficiently accurate information relating to calculations of net gains and losses on financial assets and liabilities for 2005.

2007 <i>(in millions of euros)</i>	Net gains/losses					2007 total
	Interest	On subsequent remeasurement			On disposal	
		Fair value adjustments	Translation adjustments	Impairmen		
Available-for-sale financial assets	0		N/A	0		0
Loans and receivables	0	N/A	(53)	(1)		(54)
Financial assets and liabilities at fair value through profit or loss		10	N/A	N/A	N/A	10
Financial liabilities carried at amortized cost	(57)	N/A	31		N/A	(26)
Total	(57)	10	(22)	(1)	0	(70)

2006 <i>(in millions of euros)</i>	Net gains/losses					2006 total
	Interest	On subsequent remeasurement			On disposal	
		Fair value adjustments	Translation adjustments	Impairmen		
Available-for-sale financial assets		N/A	N/A	0	0	0
Loans and receivables	1	N/A	(1)	(5)	0	(5)
Financial assets and liabilities at fair value through profit or loss	N/A	(11)	N/A	N/A	N/A	(11)
Financial liabilities carried at amortized cost	(45)	N/A	(2)	N/A	N/A	(47)
Total	(44)	(11)	(3)	(5)	0	(63)

- Gains and losses relating to interest are recorded under "Cost of debt" when they relate to aggregates included in consolidated net debt (see Note 23). When they relate to operating payables and receivables they are recorded under operating margin.
- Gains and losses arising from translation adjustments are recorded as other financial income or expenses.
- Impairment of loans and operating receivables is recognized within operating margin.
- The accounting treatment of the income statement impact of changes in fair value of derivatives is described in Note 26 c) above. Other than the impact of foreign exchange derivatives and metal derivatives, gains and losses relating to financial assets and liabilities at fair value through profit or loss include fair value adjustments recognized in cash and cash equivalents in an amount of 13 million euros in 2007 and 12 million euros in 2006. These amounts are calculated taking into account interest received and paid on the instruments concerned, as well as realized and unrealized gains.

Note 28 Operating leases

Future minimum payments under non-cancelable operating leases were as follows at December 31, 2007, 2006 and 2005:

<i>(in millions of euros)</i>	Total	Payments due by maturity		
		Within 1 year	Between 1 and 5 years	Beyond 5 years
At December 31, 2007	60	18	34	8
At December 31, 2006	51	16	33	2
At December 31, 2005	53	27	26	-

Note 29 Related party transactions

Related party transactions primarily concern commercial or financial transactions carried out with associates, non-consolidated companies and Management (whose total compensation is presented in table c below).

The main items affected are as follows:

a) Income statement

<i>(in millions of euros)</i>	2007	2006	2005
Revenue			
- Non-consolidated subsidiaries	22	17	13
- Joint ventures	0	0	0
- Associates	93	176	0
Cost of sales			
- Non-consolidated subsidiaries	(0)	(4)	(4)
- Joint ventures	0	0	0
- Associates	(2)	(4)	0

Revenue from associates mainly corresponds to commercial transactions carried out with Essex Nexans Europe up until June 28, 2007 (see Note 2).

b) Balance sheet

<i>At December 31, in millions of euros</i>	2007	2006	2005
Assets			
- Non-consolidated subsidiaries	3	5	4
- Joint ventures	0	0	0
- Associates	0	16	0
Debt/(financial receivables)			
- Non-consolidated subsidiaries	(2)	(1)	(7)
- Joint ventures	0	0	0
- Associates	0	(11)	(11)
Other liabilities			
- Non-consolidated subsidiaries	0	4	1
- Joint ventures	0	0	0
- Associates	0	1	0

c) Management compensation

Nexans' Directors and members of the Executive Committee

<i>(in millions of euros)</i>	2007	2006	2005
Compensation for corporate officer positions*	3.2	2.2	1.8
Directors' fees	0.4	0.3	0.3
Compensation under employment contracts*	4.8	4.8	4.6
Benefits in kind	0.1	0.0	0.0
Stock options	3.2	1.1	1.5
Termination benefits	0.0	1.9	0.0
Accruals for pension obligations**	3.1	3.1	2.7
Total compensation	14.8	13.4	10.9

* Amounts paid during the year

** This item includes the service cost and interest cost for the year relating to defined benefit schemes

A new corporate officer's position of Chief Operating Officer was created in 2006.

Note 30 Contingent liabilities and disputes

Although certain cases were resolved in 2007, there are still a number of disputes outstanding relating to the Group's operations. Management considers that the provisions recognized in the financial statements are sufficient to cover the related contingencies, and does not believe that the resolution of the disputes concerned will materially impact the Group's results. Depending on the circumstances, this assessment takes into account the Group's insurance coverage and independent evaluations of the probability of judgment being entered against Nexans.

Disputes and proceedings giving rise to the recognition of provisions

- The most significant ongoing dispute for which provisions were recognized involved cables supplied by Nexans for corvettes for the South African navy (the Meko case). The supply of certain of these cables was subcontracted to a South African manufacturer. After the cables were installed on the first two corvettes, it was discovered that the cables supplied by the subcontractor were non-compliant. All the cables already installed were therefore removed and replaced. The customer then claimed damages amounting to approximately 36 million euros, which was contested by Nexans. This dispute was resolved during the second quarter of 2007. Consequently, the 11 million euro provision recorded at December 31, 2006 was reversed (surplus) at June 30, 2007 as it was no longer required.

- When it submits tender offers, the Group may be subject to governmental investigations which require provisions to be set up to cover the potential risk of the Group being ordered to pay fines. In the last quarter of 2007, Nexans paid 9.5 million euros under a settlement agreement entered into in relation to proceedings brought before the French Competition Council (*Conseil de la Concurrence*) in 2003.

Contingent liabilities relating to disputes and proceedings

The Group has not recognized any provisions in relation to the following cases, as the recognition criteria were not satisfied:

- In March 2005, Kvaerner filed a claim against Nexans Norway alleging infringement of a patent involving umbilical cables. Kvaerner is claiming NOK 310 million (approximately 39 million euros) in damages. Nexans believes that the patent concerned is not applicable to its products and manufacturing processes, and has itself launched proceedings in Norway and the Netherlands to invalidate Kvaerner's patent. In 2007, Nexans obtained a favorable court ruling in the Netherlands under which the scope of application of the Kvaerner patent was restricted. Following this judgment, Kvaerner filed an application to amend the disputed patent and clarified its scope of application. Consequently, in early 2008 Nexans withdrew the suit it had filed in Norway. The claim filed by Kvaerner in 2005 is still pending but Nexans considers the residual risk in relation to this case to be very low.
- The Group also has an outstanding dispute relating to cables manufactured by one of the Group's European subsidiaries and sold to a harness manufacturer. This manufacturer then sold the cables to another equipment manufacturer, which in turn sold them to a European automaker. Nexans' subsidiary was not informed of the end customer's technical specifications. The end customer used Nexans' cables along with switches in its wipers systems, and some of the cables allegedly broke. The subsidiary considers that the cables sold met the specifications agreed with its customer, the harness manufacturer. At this stage, Nexans has very little information on any problems identified in vehicles on the road or their causes. Nexans' direct customer has notified the subsidiary that it reserves the right to join the subsidiary as a third party to the case if a claim is made against it by its customer, the automobile equipment manufacturer, but has not specified on what basis Nexans' subsidiary could be held liable. No legal proceedings have yet been taken but the automaker undertook a recall that could affect around 350,000 installed switches in order to replace the faulty parts.

Although it is not yet possible to ascertain the impact of the disputes and proceedings in process, Nexans currently does not consider that they will have a material impact on its consolidated financial position. It is, however, not in a position to exclude any such possibility.

Note 31 Main consolidated companies

The main changes in scope of consolidation in 2007, 2006 and 2005 are presented in Note 2. The table below lists the main entities included in the Group's scope of consolidation at December 31, 2007.

Companies by country	Principal activity	% control	% interest	Consolidation method*
France				
Nexans **	Holding	100%	100%	Parent company
Nexans Participations	Holding	100%	100%	
Nexans France	Energy and Telecom	100%	100%	
Nexans Interface	Telecom	100%	100%	
Eurocable	Energy	100%	100%	
Société Lensoise de Cuivre	Electrical wires	100%	100%	
Société de Coulée Continue du Cuivre	Electrical wires	100%	100%	
Nexans Wires	Electrical wires	100%	100%	
Rips	Energy	100%	100%	
Recycables	Energy	36.50%	36.50%	Equity method
Alsafil	Electrical wires	100%	100%	
Nexans Power Accessories France	Energy	100%	100%	
Belgium				
Nexans Benelux	Energy	100%	100%	
Nexans Harnesses	Energy	100%	100%	
Nexans Cabling Solutions NV	Energy and Telecom	100%	100%	
Opticable SA NV	Telecom	75.00%	75.00%	
Germany				
Nexans Deutschland GmbH	Holding	100%	100%	
Nexans Deutschland Industries GmbH & Co KG	Energy and Telecom	100%	100%	
Kabelmetal Electro GmbH	Energy	100%	100%	
Nexans Superconductors GmbH	Energy	100%	100%	
Metrofunkkabel Union GmbH	Energy	100%	100%	
Nexans Auto Electric GmbH ***	Energy	100%	100%	
GPH Nexans Power Accessories Germany GmbH	Energy	100%	100%	
Northern Europe				
Nexans Nederland BV	Energy	100%	100%	
Nexans Norway A/S	Energy and Telecom	100%	100%	
Nexans Suisse SA	Energy and Telecom	100%	100%	
Confecta AG	Energy	100%	100%	
Tri Wire Ltd	Electrical wires	100%	100%	
Nexans Re****	Holding	100%	100%	
Nexans Logistics Ltd	Energy	100%	100%	
Nexans UK Ltd	Energy and Telecom	100%	100%	
Nexans Ireland Ltd	Energy	100%	100%	
Nexans IKO Sweden AB	Energy and Telecom	100%	100%	
Nexans Jydsk Denmark	Energy and Telecom	100%	100%	
Axjo Kabel AG	Energy	100%	100%	
Matema AB	Energy	100%	100%	

Companies by country	Principal activity	% control	% interest	Consolidation method*
<u>Southern Europe</u>				
Multinacional Trade	Energy	70.00%	70.00%	
Nexans Italia SpA	Energy and Telecom	99.99%	99.99%	
Nexans Wires Italia SpA	Electrical wires	100%	100%	
Cabloswiss	Energy	99.99%	99.99%	
Nexans Iberia SL	Energy and Telecom	100%	100%	
Nexans Hellas SA**	Energy and Telecom	71.75%	71.75%	
Nexans Türkiye İletişim Endüstri ve Ticaret AS	Energy and Telecom	100%	100%	
<u>Eastern Europe</u>				
Nexans Romania	Energy	100%	100%	
Nexans CIS Russia	Energy	100%	100%	
<u>Americas</u>				
Nexans Canada Inc	Energy and Telecom	100%	100%	
Nexans Brasil S/A	Energy and Telecom	99.95%	99.95%	
Nexans USA Inc	Holding	100%	100%	
Nexans Energy USA Inc	Energy	100%	100%	
Nexans Inc	Telecom	100%	100%	
<u>Africa and Middle East</u>				
Liban Câbles SAL	Energy and Telecom	93%	93%	
International Cables Company Ltd	Energy and Telecom	98%	91,02%	
Nexans Maroc**	Energy	83.59%	83.59%	
Sirmel	Energy	83.24%	69.58%	
<u>Asia-Pacific *****</u>				
Nexans (Shanghai) Electrical Materials Co Ltd	Telecom	100%	100%	
Shanghai Nexans Kang Hua Cable Co Ltd	Telecom	100%	100%	
Nexans Shanghai Wire & Cables Co Ltd	Energy	100%	100%	
Nexans Korea Ltd	Energy and Telecom	99.51%	99.51%	
Kukdong Electric Wire Co. Ltd	Energy and Telecom	97.90%	97.90%	
Daeyoung Cable	Energy and Telecom	99.51%	99.51%	
Nexans LIOA Cable Company	Energy	60%	60%	
Nexans Vietnam Power Cable Co	Energy	59.05%	58.76%	
Nanning Huasun Cables Ltd Co	Telecom	100%	99.51%	
Nippon High Voltage Cable Corporation	Energy	66%	66%	
Olex Australia Pty Ltd	Energy and Telecom	100%	100%	
Olex New Zealand Ltd	Energy and Telecom	100%	100%	

* The companies are fully consolidated, unless otherwise specified.

** Listed companies.

*** Nexans Auto Electric GmbH – a company based in Germany – itself consolidates various sub-subsidiaries, including in Romania, the Czech Republic, Slovakia and Mexico.

**** A Luxembourg-based company set up in December 2007 which will be the Group's reinsurance entity as from January 2008.

***** The Vina Deasung Cable Co. joint venture was liquidated in the second half of 2007 as part of a legal reorganization of the Group's operations in Vietnam.

Note 32 **Events after the balance sheet date**

No significant events have occurred since the balance sheet date for which disclosure is required in this report.