

# Consolidated financial statements

## 2002/2001/2000\*

<b>Consolidated income statement</b>	<b>43</b>	
<b>Consolidated balance sheet</b>	<b>44</b>	
<b>Consolidated statement of cash flows</b>	<b>46</b>	
<b>Consolidated statement of changes in shareholders' equity</b>	<b>47</b>	
<b>Notes to consolidated financial statements</b>		
Note 1	Summary of accounting policies	48
Note 2	Changes in the scope of consolidation	50
Note 3	Information by business division and geographical area	51
Note 4	Net Financial income (loss)	54
Note 5	Other revenue(expense)	54
Note 6	Income tax	54
Note 7	Earnings per share	55
Note 8	Goodwill on consolidated subsidiaries, net	56
Note 9	Property, plant and equipment	56
Note 10	Other investments and miscellaneous, net	57
Note 11	Inventories and work in progress	57
Note 12	Trade receivables and related accounts	57
Note 13	Other accounts receivable	58
Note 14	Marketable securities	58
Note 15	Shareholders' equity	58
Note 16	Minority interests	59
Note 17	Pensions and retirement benefits	59
Note 18	Other reserves for liabilities and charges	61
Note 19	Financial debts	62
Note 20	Customer's deposits and advances	63
Note 21	Other payables	63
Note 22	Off-balance sheet commitments	63
Note 23	Market-related exposures	64
Note 24	Payroll and staff	65
Note 25	Related party transactions	66
Note 26	Contingencies	66
Note 27	Main consolidated companies	67
Note 28	Pro forma adjustments to financial statements for 2000	69
Note 29	Post-closing events	71
<b>Auditor's report on consolidated financial statements</b>	<b>72</b>	
<b>2003 outlook and other information</b>	<b>73</b>	

\* Unaudited combined pro forma financial statements for 2000.

# Consolidated income statement

<i>in millions of euros</i>	Notes	2002	2001	2000*
<b>Net sales</b>	(3)	<b>4,302</b>	<b>4,777</b>	<b>4,783</b>
Metal price effect		(206)	(310)	(422)
<b>Net sales at constant metal price</b>	(3)	<b>4,096</b>	<b>4,467</b>	<b>4,361</b>
Cost of sales		(3,571)	(3,833)	(3,714)
<b>Gross profit</b>		<b>525</b>	<b>634</b>	<b>647</b>
Administrative and selling expenses		(421)	(445)	(440)
R&D costs		(48)	(50)	(38)
<b>Income from operations</b>	(3)	<b>56</b>	<b>139</b>	<b>169</b>
Financial income (loss)	(4)	(31)	(33)	(20)
Restructuring costs	(18)	(90)	(36)	(30)
Other revenues (expenses)	(5)	23	3	1
<b>Income before taxes</b>		<b>(43)</b>	<b>73</b>	<b>120</b>
Income tax	(6)	10	(28)	(40)
Share in net income of equity affiliates		-	-	-
<b>Consolidated net income before amortization of goodwill</b>		<b>(33)</b>	<b>45</b>	<b>80</b>
Amortization of goodwill		(2)	(2)	-
Minority interests		(5)	(13)	(5)
<b>Net income (Group share)</b>		<b>(40)</b>	<b>30</b>	<b>75</b>
Earnings per share (in euros)	(7)	(1.78)	1.22	3.00
Diluted earnings per share (in euros)	(7)	(1.74)	1.22	3.00

\* Unaudited combined pro forma financial statements.

# Consolidated balance sheet

<b>ASSETS</b> at December 31, in millions of euros	Notes	2002	2001	2000*
Goodwill, net	(8)	39	38	-
Other intangible assets, net		7	6	5
<b>Intangible assets, net</b>		<b>45</b>	<b>44</b>	<b>5</b>
Property, plant and equipment	(9)	2,870	2,918	2,758
Depreciation	(9)	(2,071)	(1,997)	(1,932)
<b>Property, plant and equipment, net</b>		<b>799</b>	<b>921</b>	<b>826</b>
Share in net assets of equity affiliates		4	10	2
Other investments and miscellaneous, net	(10)	63	65	61
<b>Investments and other non-current assets</b>		<b>67</b>	<b>75</b>	<b>63</b>
<b>TOTAL NON-CURRENT ASSETS, NET</b>		<b>911</b>	<b>1,040</b>	<b>894</b>
<b>Inventories and work in progress, net</b>	(11)	<b>628</b>	<b>637</b>	<b>704</b>
Trade receivables and related accounts, net	(12)	761	861	1,005
Other accounts receivable, net	(13)	133	133	160
<b>Accounts receivable, net</b>		<b>894</b>	<b>994</b>	<b>1,165</b>
Marketable securities, net	(14)	33	87	4
Cash, net		135	190	125
<b>Cash and cash equivalents</b>		<b>167</b>	<b>277</b>	<b>129</b>
<b>TOTAL CURRENT ASSETS</b>		<b>1,689</b>	<b>1,908</b>	<b>1,998</b>
<b>TOTAL ASSETS</b>		<b>2,600</b>	<b>2,948</b>	<b>2,892</b>

\* Unaudited combined pro forma financial statements.

**LIABILITIES AND EQUITY** at December 31, in millions of euros

	Notes	2002	2001	2000*
Capital stock (EUR 1 nominal value; 23,171,472 shares issued at December 31, 2002)		23	25	25
Additional paid-in capital		1,014	1,044	1,044
Retained earnings		(7)	(23)	(78)
Cumulative translation adjustments		26	53	45
Net income		(40)	30	75
Treasury stock		(25)	(33)	-
<b>SHAREHOLDERS' EQUITY</b>	(15)	<b>991</b>	<b>1,096</b>	<b>1,111</b>
<b>MINORITY INTERESTS</b>	(16)	<b>88</b>	<b>104</b>	<b>49</b>
Accrued pension and retirement obligations	(17)	253	257	259
Accrued contract costs and other reserves	(18)	143	157	181
<b>TOTAL RESERVES FOR LIABILITIES AND CHARGES</b>		<b>396</b>	<b>414</b>	<b>440</b>
<b>TOTAL FINANCIAL DEBT</b>	(19)	<b>219</b>	<b>348</b>	<b>205</b>
Customers' deposits and advances	(20)	37	48	32
Trade payables and related accounts		485	530	635
Other payables	(21)	384	408	420
<b>TOTAL OTHER PAYABLES</b>		<b>905</b>	<b>986</b>	<b>1,087</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,600</b>	<b>2,948</b>	<b>2,892</b>

\* Unaudited combined pro forma financial statements.

# Consolidated statement of cash flows

<i>in millions of euros</i>	2002	2001	2000*
Net income	(40)	30	75
Minority interests	6	13	5
Depreciation and amortization	148	143	132
Changes in reserves for pension obligations, net	(3)	(2)	(7)
Changes in other reserves, net	(1)	(11)	(58)
Net (gain) loss on disposal of non-current assets	(23)	(3)	(1)
Share in net income of equity affiliates (net of dividends received)	–	–	–
Other	–	–	–
<b>Cash flow provided by operations</b>	<b>87</b>	<b>170</b>	<b>146</b>
Decrease (increase) in accounts receivable	112	204	(151)
Decrease (increase) in inventories	1	82	(71)
Increase (decrease) in accounts payable and accrued expenses	(60)	(163)	114
Changes in reserves on current assets (including accrued contract costs)	(14)	3	(7)
<b>Net change in current assets and liabilities</b>	<b>39</b>	<b>126</b>	<b>(115)</b>
<b>Net cash provided (used) by operating activities</b>	<b>126</b>	<b>296</b>	<b>31</b>
Proceeds from disposal of fixed assets	12	8	21
Capital expenditure	(96)	(203)	(239)
Decrease (increase) in loans	(1)	(17)	(1)
Cash expenditures for acquisition of consolidated companies, net of cash acquired, and for acquisition of unconsolidated companies**	(64)	(53)	(31)
Cash proceeds from sale of previously consolidated companies, net of cash sold, and from sale of unconsolidated companies	41	–	–
<b>Net cash provided (used) by investing activities</b>	<b>(108)</b>	<b>(265)</b>	<b>(250)</b>
<b>Net cash flow after investment</b>	<b>18</b>	<b>31</b>	<b>(219)</b>
Proceeds from issuance of shares	1	2	2
Dividends paid	(15)	(24)	(25)
<b>Net cash provided (used) by financing activities</b>	<b>(15)</b>	<b>(22)</b>	<b>(23)</b>
Net effect of exchange rate changes	16	(4)	(5)
<b>Net increase (decrease) in net debt/cash</b>	<b>20</b>	<b>5</b>	<b>(247)</b>
<b>Net (debt)/cash at beginning of year</b>	<b>(71)</b>	<b>(76)</b>	<b>171</b>
<b>Net (debt)/cash at end of year</b>	<b>(52)</b>	<b>(71)</b>	<b>(76)</b>

\* Unaudited combined pro forma financial statements.

\*\* Including Treasury Stock: EUR 25 million in 2002 and EUR 33 million in 2001.

# Consolidated statement of changes in shareholders' equity

*in millions of euros*

	Notes	Number of shares outstanding	Capital stock	Additional paid-in capital & retained earnings	Cumulative translation adjustments	Net income	Treasury stock	Shareholders' equity
<b>December 31, 2000</b>								
<b>after appropriation</b>		<b>25,000,000</b>	<b>25</b>	<b>1,021</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>1,091</b>
Net change in treasury stock		(1,990,031)					(33)	(33)
Net change in translation adjustments					8			8
Net income						30		30
<b>December 31, 2001</b>								
<b>before appropriation</b>		<b>23,009,969</b>	<b>25</b>	<b>1,021</b>	<b>53</b>	<b>30</b>	<b>(33)</b>	<b>1,096</b>
Appropriation of net income	(8)			20		(30)		(10)
<b>December 31, 2001</b>								
<b>after appropriation</b>		<b>23,009,969</b>	<b>25</b>	<b>1,041</b>	<b>53</b>	<b>-</b>	<b>(33)</b>	<b>1,086</b>
Net change in treasury stock	(8)	(1,916,510)					(25)	(25)
Cancellation of treasury stock	(8)		(2)	(31)			33	-
Capital increase		111,503		1				1
Other				(4)				(4)
Net change in translation adjustments					(27)			(27)
Net income						(40)		(40)
<b>December 31, 2002</b>								
<b>before appropriation</b>		<b>21,204,962</b>	<b>23</b>	<b>1,007</b>	<b>26</b>	<b>(40)</b>	<b>(25)</b>	<b>991</b>

# Notes to consolidated financial statements

## NOTE 1 Summary of accounting policies

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

The consolidated financial statements of Nexans and its subsidiaries (the "Group") comply with the main accounting principles described hereafter.

The 2000 unaudited combined pro forma financial statements of the Group were drawn up on the basis of the combined financial statements (presented in note 28), which were adjusted retroactively to reflect the impact of the following items on this fiscal year:

- the harmonization of the activities sold, on a comparable basis,
- the projected financial structure of the overall Group as of December 31, 2000,
- the effects of the legal reorganization that led to the incorporation of the Group.

The principles used to draw up the combined pro forma financial statements and the resulting figures are described in note 28.

The Group's consolidated financial statements respect the accounting principles adopted by the "Comité de la Réglementation Comptable":

- CRC 99-02, as of January 1<sup>st</sup>, 1999,
- CRC 00-06 (regulation on liabilities and equity), as of January 1<sup>st</sup>, 2002.

### 1.a Change in accounting method

The implementation on January 1<sup>st</sup>, 2002 of regulation CRC 00-06, pertaining to liabilities and equity, had no significant impact on shareholders' equity at the start of the financial year.

### 1.b Consolidation methods (combination)

Companies over which the Group has exclusive control are fully consolidated (combined). Companies over which the Group has a significant influence ("equity affiliates") are accounted for under the equity method. Significant influence is

generally assumed when the Group interest is between 20% and 50%. The consolidated (combined) financial statements are prepared on the basis of year-end (or interim) financial statements at December 31. All significant intra-group transactions are eliminated.

### 1.c Translation of financial statements denominated in foreign currencies

Excluding Turkey, the balance sheets of foreign consolidated subsidiaries are translated into euros at the year-end rate of exchange, and their income statements and cash flow statements are translated at the average annual rate of exchange. The resulting translation adjustments are included in shareholders' equity under the line item "Cumulative translation adjustments".

Turkey is considered as a hyperinflationary country. As a result, the financial statements of Nexans Turkey (Nexans Türkiye İletişim Endüstri ve Ticaret AS) are prepared using the euro as the working currency. Nexans Turkey's financial statements have been restated in accordance with IAS 29.

### 1.d Translation of foreign currency transactions

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

### 1.e Research and development expenses

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

- software development costs are included in intangible assets, provided they strictly comply with the following criteria:
  - the project is clearly defined and costs are separately identified and reliably measured,
  - the technical feasibility of the software is demonstrated,
  - the software will be sold or used in-house,
  - a potential market exists for the software, or its usefulness, in case of internal use, is demonstrated,
  - adequate resources required for completion of the project are available.

Software development costs that comply with all the above criteria are amortized as follows:

- in case of internal use, over their probable service lifetime,
- in case of external use, according to prospects for sale, rental or other forms of distribution.

The amortization corresponds to the highest of either the cumulative amounts using straight-line amortization, and the cumulative amounts based on the above mentioned criteria.

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

### 1.f Intangible assets

Goodwill is amortized using the straight-line depreciation method. Amortization periods are determined independently for each transaction but never exceed 20 years. Whenever events or changes in the market indicate a risk of reduction in the value of intangible assets and property, plant and equipment, a detailed review is carried out in order to reduce their carrying amount either to their net selling price or to their value in use. The value in use is calculated on the basis of estimated future cash flows, which represent management's best estimation of economic conditions that will exist over the remaining useful life of the asset. The discount rates used reflect market expectations on the rate of return for a comparable investment. When the review indicates that the fair value is lower than the carrying amount, the Group will in addition take into account how alternative business strategies, such as restructuring plans for the relevant company, could possibly affect future cash flow.

If necessary, an exceptional amortization of these intangible assets or property, plant and equipment is accounted for to reduce their carrying amount to the estimated fair value.

### 1.g Property, plant and equipment

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

#### Industrial buildings, plant and equipment:

– buildings for industrial use	20 years
– infrastructure and fixtures	10-20 years
– equipment and tools (excluding small equipment and tools)	5-10 years
– small equipment and tools	3 years

**Buildings for administrative and commercial use** 20-40 years

Depreciation is determined primarily using the straight-line method. Fixed assets acquired through capital lease arrangements or long-term rental arrangements that transfer substantially all of the benefits and risks of ownership to the Group, are capitalized.

When the net selling price or the value in use of an asset falls below its net book value, an exceptional depreciation of this tangible asset is booked to reduce its carrying amount to the estimated fair value.

### 1.h Unconsolidated investments

Investments in unconsolidated companies are stated at the lower of historical cost (excluding revaluations) and fair value (market value for investments in listed companies), assessed investment by investment, based on their value in use for the Group.

### 1.i Long-term contracts

Work in progress on long-term contracts is stated at production cost, excluding administrative and selling expenses and interest expense. Provisions are established to cover all foreseeable losses at completion. Sales and contract revenue are recognized on a percentage-of-completion basis.

### 1.j Inventories and work in progress

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

### 1.k Treasury stock

Treasury stock acquired as part of the share buyback program authorized by the Annual Shareholders' Meetings of Nexans has been deducted from Group shareholders' equity, in accordance with the Notice 2002.D of the "Comité d'urgence du Conseil National de la Comptabilité".

### 1.l Cash and cash equivalents

Cash and cash equivalents comprise receivables from the disposal of assets reaching maturity in less than three months and which are liquid and transferable, as well as cash on hand

and marketable securities. These items are valued at the lower of cost and market value.

### 1.m Pension and retirement obligations

In accordance with the law and practices of each country where Nexans is present, the Group participates in employee benefit plans by offering special termination benefits and gratuity.

For defined contribution pension plans and multi-employer plans, expenses correspond to contributions effectively made. In order to harmonize procedure throughout the Group, from January 1<sup>st</sup>, 1999, pension plans offering defined benefits have been provisioned as follows:

- using the actuarial method, Projected Unit Credit (with projected final salary),
- recognizing, over the expected average remaining working lives of the employees participating in the plan, actuarial gains and losses in excess of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets.

Furthermore, the financial component of the annual employee benefit cost (interest cost after deduction of return on plan assets) is recorded as financial income (loss) (note 4).

### 1.n Reserves for restructuring

Reserves for restructuring costs are fully integrated in the financial year if the restructuring programs have been adopted and the relevant announcements made before the closing of the accounts. Such costs relate primarily to severance payments, early retirement, costs for notice periods not worked, retraining costs of terminated employees, closure of facilities and write-off of fixed assets, inventories and other assets.

As of January 1<sup>st</sup>, 2002, the provision for depreciation relating to assets which are written off as part of a restructuring plan is recorded under the asset side of the balance sheet. The resulting income effect is included under the line item "Restructuring costs".

### 1.o Deferred taxes

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

Provisions are made for taxes on proposed dividends to be distributed by subsidiaries. No provision is made for taxes payable on undistributed retained earnings. Deferred income tax assets are recorded in the consolidated balance sheet when it is more likely than not that the tax benefit will be realized (note 6.c).

### 1.p Net sales

Net sales represent sales and revenues resulting from the main activities of the Group net of value added taxes (VAT).

### 1.q Income from operations

Income from operations includes research and development expenses (note 1.e), pension costs (note 1.m) and employee profit sharing. Income from operations is calculated before financial income (loss) and complies with the practices of many of Nexans' competitors.

### 1.r Financial instruments

The Group uses financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and metal prices. When these contracts are qualified as hedges, gains and losses on such contracts are accounted for in the same period as the item being hedged; otherwise, changes in the fair value of these instruments are recognized in net profit or loss of the period in which they arise (note 23).

## NOTE 2 Changes in the scope of consolidation

The changes in the scope of consolidation in 2002 are as follows:

- the company Daesung Vietnam Power Cable Company (Davipco) was fully consolidated as of January 1<sup>st</sup>, 2002, as Nexans Group took operating control of the company. Prior to this, it was consolidated on an equity basis,
- moreover, on June 19, 2002, Nexans took control of the German group Petri, a specialist in medium and low-voltage accessories for power cable networks, especially in Germany and in the Czech Republic. Petri (renamed GPH GmbH) and its Czech and German subsidiaries were fully consolidated as of July 1<sup>st</sup>, 2002,

- Nexans sold the Swiss company Agro AG, which was deconsolidated on June 1<sup>st</sup>, 2002.

The main changes in the scope of consolidation in 2001 are as follows:

- on March 7, 2001, Nexans acquired 51.5% of the South-Korean company Daesung Cable Co Ltd (now renamed Nexans Korea) mainly by re-capitalization (EUR 40 million). Nexans Korea and its subsidiary, Daeyoung, were fully consolidated from April 1<sup>st</sup>, 2001. Vina Daesung was consolidated on an equity basis at June 30, 2001 and fully consolidated at December 31, 2001. Nexans Tanzania, Nanning Huasun and Speedcom, other subsidiaries of Nexans Korea, have been consolidated on an equity basis since the acquisition of Nexans Korea by the Nexans Group. Davipco was consolidated in 2001 on an equity basis (see above).

## **NOTE 3 Information by business division and by geographical area**

### **3.a Information by business division**

The tables below relate to the following business divisions:

- the “Electrical Wires” division, made up of wire rods, electrical wires and enameled wires,
- the “Energy” division, which includes equipment cables, power cables for networks (low, medium, high voltage and related accessories) and special cables,
- the “Telecom” division, which groups together cables for private telecommunications networks, special cables for electronic applications, junction components for telecommunication network cables, copper cables for public telecommunication networks, and optical fiber cables for public networks,
- the “Distribution” division, made up of retail activities for distribution to installers of electrical equipment (equipment and network cables),
- “Other” represents head office profits and costs not allocated to other activities and eliminations between divisions in trade receivables.

Data related to the divisions respect the same accounting policies used for the Nexans Group consolidated financial statements, as described in the notes to the financial statements. The performance of each division is measured based on income from operations.

<b>2002</b> <i>in millions of euros</i>	<b>Electrical Wires</b>	<b>Energy</b>	<b>Telecom</b>	<b>Distribution</b>	<b>Other</b>	<b>Total Group</b>
Net sales at constant metal price	1,066	2,141	577	312	-	<b>4,096</b>
Income from operations	12	71	(35)	16	(8)	<b>56</b>
Depreciation and amortization*	32	69	33	5	7	<b>146</b>
EBITDA**	44	140	(2)	20	(1)	<b>201</b>
Capital expenditure	17	51	11	7	10	<b>96</b>
Property, plant and equipment, net	186	401	161	40	11	<b>799</b>
Inventories and work in progress, net	178	346	69	37	(2)	<b>628</b>
Trade receivables and related accounts, net	130	496	142	41	(48)	<b>761</b>
Total assets from operations, net	494	1,244	372	118	(40)	<b>2,188</b>
Staff ( <i>number of employees</i> )	2,448	9,262	3,840	736	853	<b>17,139</b>

<b>2001</b> <i>in millions of euros</i>	<b>Electrical Wires</b>	<b>Energy</b>	<b>Telecom</b>	<b>Distribution</b>	<b>Other</b>	<b>Total Group</b>
Net sales at constant metal price	1,102	2,189	836	340	-	<b>4,467</b>
Income from operations	15	80	30	17	(3)	<b>139</b>
Depreciation and amortization*	32	67	34	4	4	<b>141</b>
EBITDA**	47	147	64	21	1	<b>280</b>
Capital expenditure	41	101	40	6	14	<b>202</b>
Property, plant and equipment, net	214	414	222	44	27	<b>921</b>
Inventories and work in progress, net	162	334	101	44	(4)	<b>637</b>
Trade receivables and related accounts, net	142	504	164	56	(5)	<b>861</b>
Total assets from operations, net	518	1,252	487	144	18	<b>2,419</b>
Staff ( <i>number of employees</i> )	2,625	9,266	4,372	831	906	<b>18,000</b>

<b>2000***</b> <i>in millions of euros</i>	<b>Electrical Wires</b>	<b>Energy</b>	<b>Telecom</b>	<b>Distribution</b>	<b>Other</b>	<b>Total Group</b>
Net sales at constant metal price	1,095	2,062	876	327	1	<b>4,361</b>
Income from operations	43	64	46	12	4	<b>169</b>
Depreciation and amortization*	27	67	27	6	5	<b>132</b>
EBITDA**	70	131	73	18	9	<b>301</b>
Capital expenditure	71	80	64	4	20	<b>239</b>
Property, plant and equipment, net	208	332	181	37	68	<b>826</b>
Inventories and work in progress, net	185	354	110	28	27	<b>704</b>
Trade receivables and related accounts, net	179	469	198	26	133	<b>1,005</b>
Total assets from operations, net	572	1,155	489	91	228	<b>2,535</b>
Staff ( <i>number of employees</i> )	2,672	9,026	4,696	904	888	<b>18,186</b>

\* Property, plant and equipment excluding goodwill amortization.

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

\*\*\* Unaudited combined pro forma financial statements.

### 3.b Information by geographical area

<b>2002</b> <i>in millions of euros</i>	<b>France</b>	<b>Germany</b>	<b>Other Europe</b>	<b>North America</b>	<b>Rest of world</b>	<b>Total Group</b>
Net sales:						
- by subsidiary location	1,324	582	1,293	850	253	<b>4,302</b>
- by geographical market	627	555	1,750	864	506	<b>4,302</b>
Income from operations	(26)	20	36	19	7	<b>56</b>
Property, plant and equipment, net	196	140	252	124	87	<b>799</b>
Total assets from operations, net	650	325	760	268	185	<b>2,188</b>
Staff ( <i>number of employees</i> )	4,935	3,027	5,508	1,872	1,797	<b>17,139</b>

<b>2001</b> <i>in millions of euros</i>	<b>France</b>	<b>Germany</b>	<b>Other Europe</b>	<b>North America</b>	<b>Rest of world</b>	<b>Total Group</b>
Net sales:						
- by subsidiary location	1,472	644	1,508	914	239	<b>4,777</b>
- by geographical market	760	597	1,977	931	512	<b>4,777</b>
Income from operations	24	25	63	5	22	<b>139</b>
Property, plant and equipment, net	207	146	271	193	104	<b>921</b>
Total assets from operations, net	664	334	822	379	220	<b>2,419</b>
Staff ( <i>number of employees</i> )	5,281	3,105	5,901	1,940	1,773	<b>18,000</b>

<b>2000</b> <i>in millions of euros</i>	<b>France</b>	<b>Germany</b>	<b>Other Europe</b>	<b>North America</b>	<b>Rest of world</b>	<b>Total Group</b>
Net sales:						
- by subsidiary location	1,461	645	1,456	1,064	157	<b>4,783</b>
- by geographical market	762	584	1,970	1,088	379	<b>4,783</b>
Income from operations	46	23	41	36	23	<b>169</b>
Property, plant and equipment, net	174	144	250	195	63	<b>826</b>
Total assets from operations, net	693	349	924	430	139	<b>2,535</b>
Staff ( <i>number of employees</i> )	5,188	3,243	6,118	2,453	1,184	<b>18,186</b>

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

**NOTE 4 Net financial income (loss)**

<i>in millions of euros</i>	2002	2001	2000*
Net interest (expense) income	(12)	(22)	(2)
Dividends	2	4	1
Reserves	(2)	(2)	(2)
Net exchange gain (loss)	–	2	(2)
Financial component of pension costs	(15)	(10)	(10)
Other financial items (net)	(4)	(5)	(5)
<b>Net financial income (loss)</b>	<b>(31)</b>	<b>(33)</b>	<b>(20)</b>

\* For combined pro forma financial statements purposes, financial expenses of 2000 were subsequently adjusted on the basis of the historical cost of the Alcatel debt plus 50 basis points (note 28).

**NOTE 5 Other revenue (expense)**

<i>in millions of euros</i>	2002	2001	2000
Net capital gains on disposal of fixed assets	5	3	1
Net capital gains on disposal of consolidated investments	18	–	–
Other (net)	–	–	–
<b>Total</b>	<b>23</b>	<b>3</b>	<b>1</b>

**NOTE 6 Income tax****6.a Analysis of income tax charge**

<i>in millions of euros</i>	2002	2001	2000
Current income tax charge	(18)	(18)	(43)
Deferred income tax (charge) credit, net	28	(10)	3
<b>Income tax charge</b>	<b>10</b>	<b>(28)</b>	<b>(40)</b>

**6.b Effective income tax rate**

The effective income tax rate can be analyzed as follows:

<i>in millions of euros</i>	2002	2001	2000
<b>Income before taxes</b>	<b>(43)</b>	<b>73</b>	<b>120</b>
Tax rate applicable in France (in %)	35.43	36.43	37.76
<b>Expected tax</b>	<b>15</b>	<b>(27)</b>	<b>(45)</b>
Impact of:			
- difference in tax rates of foreign countries	1	6	(1)
- change in unrecognized deferred income tax assets	(8)	(10)	(4)
- tax credits	1	3	6
- other permanent differences	1	–	4
<b>Actual income tax charge</b>	<b>10</b>	<b>(28)</b>	<b>(40)</b>
<b>Effective tax rate (in %)</b>	<b>23.4</b>	<b>38.6</b>	<b>33.6</b>

Expected tax is calculated by applying the parent company's tax rate to the consolidated income before tax and amortization of goodwill.

**6.c Deferred tax balances on the consolidated balance sheet**

Deferred tax assets (liabilities) are booked as follows:

<i>in millions of euros</i>	2002	2001	2000
Other accounts receivable			
- current assets	41	28	20
- non-current assets	21	9	11
<b>Total*</b>	<b>62</b>	<b>37</b>	<b>31</b>
Other payables			
- current liabilities	(16)	(7)	(2)
- non-current liabilities**	(54)	(71)	(37)
<b>Total*</b>	<b>(70)</b>	<b>(78)</b>	<b>(39)</b>
<b>Net deferred tax (liabilities) assets</b>	<b>(8)</b>	<b>(41)</b>	<b>(8)</b>

\* See notes 13 and 21.

\*\* As part of the legal reorganization in the United States, Alcatel and Nexans permanently adopted the tax regime "338 (H) (10)" in August 2001. Consequently, the taxable value of the assets of some Nexans US subsidiaries was revised. In accordance with Group accounting policies, this change resulted in a deferred tax liability of EUR 35 million being booked in the financial statements as of December 31, 2001. As this deferred tax liability was a direct consequence of the constitution of the Group, it was allocated to goodwill (see note 8).

Tax assets and liabilities are split as follows:

<i>in millions of euros</i>	Assets		Liabilities	Net	
	Gross	Write-down	Net		
Tax losses carried forward	389	(365)	24	-	24
Temporary differences	61	(23)	38	(70)	(32)
<b>Total</b>	<b>450</b>	<b>(388)</b>	<b>62</b>	<b>(70)</b>	<b>(8)</b>

Deferred tax assets on temporary differences relate primarily to accrued pension and retirement obligations and other non-tax deductible reserves.

Deferred tax assets on losses carried forward are recognized in companies that expect to incur taxable profit in the future. No net deferred tax assets were recognized for tax pooling groups or companies recording recent tax losses, except in Italy, whose tax regime allows long-term reimbursement, independent of company results. Consequently, a net deferred tax asset has been recognized for EUR 8 million, after being discounted at the legal rate. Deferred tax assets that were not recognized because recovery was deemed uncertain, amounted to EUR 388 million, EUR 378 million and EUR 306 million at December 31, 2002, 2001 and 2000 respectively. These deferred tax assets include part of the tax losses carried forward, mentioned in note 6.e.

#### 6.d Tax consolidation

Under the French tax-pooling regime, certain French companies can offset taxable income when calculating their global tax charge. In this case, it is the parent tax-pooling company which is liable to pay the global tax charge. This tax-pooling regime was adopted as of January 1<sup>st</sup>, 2002, by the French companies of Nexans which are in the scope of consolidation and generated a tax saving of EUR 8 million for the period. Other tax consolidation rules in effect in some foreign countries, especially in Germany and in the United States, generated additional tax savings of EUR 7 million.

#### 6.e Tax losses carried forward

Tax losses carried forward and not yet utilized represent a potential tax saving of EUR 389 million at December 31, 2002, EUR 347 million at December 31, 2001 and EUR 287 million at December 31, 2000. The proposed tax reform under consideration in Germany creates uncertainty as to the possibility of recovering of EUR 277 million attributable to German subsidiaries.

Tax losses carried forward expire as follows:

<i>in millions of euros</i>	2002	2001	2000
Year N+1	25	15	12
Year N+2	3	24	9
Year N+3	8	2	4
Year N+4	16	7	2
Year N+5 and thereafter	337	299	260
<b>Total</b>	<b>389</b>	<b>347</b>	<b>287</b>

#### NOTE 7 Earnings per share

At December 31, 2002, the capital stock consisted of 23,121,472 shares. Following a share buyback program for a maximum of 10% of the capital stock (see note 15.b), the weighted average number of outstanding shares for the financial year amounts to 22,730,995 and the number of outstanding shares at December 31, 2002 amounts to 21,204,962.

Net earnings per share are calculated on the basis of the weighted average number of shares issued after deduction of the weighted average number of shares owned by consolidated subsidiaries. Diluted earnings per share take into account the diluting effect of stock options (note 15.c).

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

	2002	2001	2000
<b>Net income (in millions of euros)</b>	<b>(40)</b>	<b>30</b>	<b>75</b>
Number of shares*	22,730,995	24,546,203	25,000,000
Number of stock options*	537,833	88,583	–
Number of diluted shares*	23,268,828	24,634,786	25,000,000
<b>Net earnings per share (in euros)</b>	<b>(1.78)</b>	<b>1.22</b>	<b>3.00</b>
<b>Diluted earnings per share (in euros)</b>	<b>(1.74)</b>	<b>1.22</b>	<b>3.00</b>

\* Weighted average number for the period.

## NOTE 8 Goodwill on consolidated subsidiaries

in millions of euros	2002		
	Gross	Cumulated amortization	Net
Nexans Magnet Wire USA Inc.*	15	(1)	14
Nexans USA Inc.*	7	–	7
Nexans Energy USA Inc.*	7	(1)	6
GPH GmbH (Petri)	8	–	8
Nexans Kanghua	4	–	4
<b>TOTAL</b>	<b>41</b>	<b>(2)</b>	<b>39</b>

\* See note 6.c.

## NOTE 9 Property, plant and equipment

### 9.a Change in property, plant and equipment, gross

in millions of euros	Gross value				
	Land	Buildings	Plant, equipment, and tools	Other	Total
<b>December 31, 2000</b>	<b>51</b>	<b>613</b>	<b>1,756</b>	<b>338</b>	<b>2,758</b>
Additions	2	17	109	74	202
Disposals	(3)	(23)	(73)	(21)	(120)
Other movements	10	26	75	(33)	78
<b>December 31, 2001</b>	<b>60</b>	<b>633</b>	<b>1,867</b>	<b>358</b>	<b>2,918</b>
Additions	2	9	35	50	96
Disposals	(2)	(5)	(36)	(12)	(55)
Other movements	(1)	9	5	(102)	(89)
<b>December 31, 2002</b>	<b>59</b>	<b>646</b>	<b>1,871</b>	<b>294</b>	<b>2,870</b>

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

## 9.b Change in accumulated depreciation of property, plant and equipment

in millions of euros

	Accumulated depreciation				
	Land	Buildings	Plant, equipment, and tools	Other	Total
<b>December 31, 2000</b>	<b>11</b>	<b>404</b>	<b>1,315</b>	<b>203</b>	<b>1,932</b>
Depreciation charge	–	28	93	19	140
Write-offs*	(1)	(22)	(71)	(20)	(114)
Other movements	(2)	(10)	51	(1)	39
<b>December 31, 2001</b>	<b>8</b>	<b>400</b>	<b>1,388</b>	<b>201</b>	<b>1,997</b>
Depreciation charge	–	23	101	20	144
Write-offs*	–	(4)	(33)	(12)	(49)
Other movements	–	16	(39)	2	(21)
<b>December 31, 2002</b>	<b>8</b>	<b>435</b>	<b>1,417</b>	<b>211</b>	<b>2,071</b>

\*Accumulated depreciation of disposed fixed assets.

## NOTE 10 Other investments and miscellaneous, net

in millions of euros

	2002			2001	2000
	Gross value	Provision	Net value	Net value	Net value
Investments in unconsolidated subsidiaries	32	(10)	22	23	21
Loans to unconsolidated subsidiaries	41	(7)	34	29	14
Other investments	10	(3)	7	13	26
<b>Total</b>	<b>83</b>	<b>(20)</b>	<b>63</b>	<b>65</b>	<b>61</b>

## NOTE 11 Inventories and work in progress

in millions of euros

	2002	2001	2000
Raw materials and goods	189	170	201
Industrial work in progress	100	119	141
Work in progress on long-term contracts	25	7	11
Finished products	374	404	415
<b>Gross value</b>	<b>688</b>	<b>700</b>	<b>768</b>
<b>Valuation allowance</b>	<b>(60)</b>	<b>(63)</b>	<b>(64)</b>
<b>Net value</b>	<b>628</b>	<b>637</b>	<b>704</b>

## NOTE 12 Trade receivables and related accounts

in millions of euros

	2002	2001	2000
Receivables on long-term contracts	75	72	83
Other trade receivables	740	840	967
<b>Gross value</b>	<b>815</b>	<b>912</b>	<b>1,050</b>
<b>Valuation allowance</b>	<b>(54)</b>	<b>(51)</b>	<b>(45)</b>
<b>Net value</b>	<b>761</b>	<b>861</b>	<b>1,005</b>

**NOTE 13 Other accounts receivable**

<i>in millions of euros</i>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Advances and progress payments	4	4	7
Prepaid taxes	30	39	45
Deferred tax assets*	62	37	31
Prepaid expenses	5	10	6
Advances made to employees	3	2	7
Other accounts	30	42	65
<b>Gross value</b>	<b>134</b>	<b>134</b>	<b>161</b>
<b>Valuation allowance</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
<b>Net value</b>	<b>133</b>	<b>133</b>	<b>160</b>

\* See note 6.c.

**NOTE 14 Marketable securities**

Marketable securities consist primarily of investments in commercial paper, bonds and other transferable securities.

The market value of these securities, which equals their net book value, stood at EUR 33 million at December 31, 2002 (EUR 87 million at December 31, 2001 and EUR 3.7 million at December 31, 2000).

**NOTE 15 Shareholders' equity****15.a Appropriation of net income**

At the Ordinary Annual Shareholders' Meeting, the distribution of a dividend of EUR 0.20 per share with a tax credit of EUR 0.10 per share for shareholders who can benefit from it, will be proposed. This will carry the total dividend to EUR 0.30 per share and the aggregate amount of dividends distributed to EUR 4,624,294, based on capital stock at December 31, 2002.

Dividends will be paid the week after the Ordinary Annual Shareholders' Meeting, which will examine the Company's financial statements for the year ending December 31, 2002. If Nexans still holds treasury stock after payment of the

dividend, the amount corresponding to unpaid dividends on treasury stock will be recorded under retained earnings.

The Ordinary Annual Shareholders' Meeting held on June 25, 2002, which examined the Company's financial statements for the year ending December 31, 2001, authorized the distribution of a dividend of EUR 0.43 per share without tax credit, paid from July 4, 2002.

The Ordinary Annual Shareholders' Meeting held on April 2, 2001, which examined the Company's financial statements for the year ending December 31, 2000, authorized the distribution of a dividend of EUR 20 million to Alcatel, the sole shareholder at this date.

In 2000, in order to reflect the autonomous functioning of the Group, historical re-capitalizations and dividends were neutralized. A notional dividend payment of EUR 25 million was taken into account.

**15.b Treasury stock**

EUR 33 million in shares that had been acquired at December 31, 2001 were deducted from the capital stock and additional paid-in capital. These shares were cancelled pursuant to a resolution adopted by the Board of Directors held on February 12, 2002. Pursuant to the first share buyback program authorized by the Ordinary Annual Shareholders' Meeting held on April 2, 2001, and decided by the Board of Directors on September 26, 2001, Nexans holds 6,774 of its own shares.

In compliance with the authorization given by the Ordinary Annual Shareholders' Meeting held on June 25, 2002, and the Notice registered by the COB under N° 06-692, Nexans launched a new share buyback program pursuant to clause L.225-209 of the Code de Commerce, pursuant to a resolution adopted by the Board of Directors held on June 25, 2002. Consequently, Nexans purchased 1,909,736 shares at an average price of EUR 12.88 per share for a total of EUR 24.6 million. 1,500,000 of these shares were acquired from Alcatel, thereby reducing its stake in Nexans to 15.04%. At December 31, 2002, Nexans held 1,916,510 of its own shares totaling EUR 24.8 million. These shares were deducted from shareholders' equity at the closing date.

## 15.c Stock options

At December 31, 2002, 537,500 options or 2.32% of the capital stock, reserved for employees, had not been exercised.

Board Meeting creating the plan	Number of options	Exercise price (EUR)	Exercise period
November 16, 2001	527,500	17.45	From November 15, 2002 (vested 25% by year) to November 15, 2009
January 18, 2002	2,000	16.70	From January 17, 2003 (vested 25% by year) to January 17, 2010
March 13, 2002	8,000	19.94	From March 12, 2003 (vested 25% by year) to March 12, 2010

## NOTE 16 Minority interests

*in millions of euros*

December 31, 2000	49
Minority interests in 2001 income	13
Dividends paid	(3)
Changes in the scope of consolidation*	45
Other changes (translation adjustments, etc.)	–
December 31, 2001	104
Minority interests in 2002 income	5
Dividends paid	(5)
Changes in the scope of consolidation**	(8)
Other changes (translation adjustments, etc.)	(8)
December 31, 2002	88

\*In 2001, acquisition of Nexans Daesung and its subsidiaries.

\*\*In 2002, acquisition of the minority interests in Nexans Magnet Wire Inc. (USA), Nexans Portugal and Nexans Morocco, and full integration of Davipco (Vietnam).

## NOTE 17 Pensions and retirement benefits

The Group sponsors various defined benefit pension plans. In France, all of its employees have opted to benefit from the retirement bonus scheme. In other countries, pension schemes are subject to local regulations and to the business and the historical practices of the relevant subsidiary.

In order to harmonize procedure throughout the Group, from 1<sup>st</sup> January 1999, pension plans offering defined benefits have been calculated in accordance with the accounting principle described in note 1.m.

The discrepancy on January 1<sup>st</sup>, 1999 between the reserves calculated in accordance with the new accounting principle and the reserves calculated according to local accounting standards was accounted for in the 1999 income statement under "other revenue (expense)" for EUR 10 million.

For pension plans offering defined benefits, requiring actuarial calculations, actuaries made their estimates on a country-by-country basis and, for specific assumptions (turnover of staff, salary increases), company by company. Assumptions for 2002, 2001 and 2000 are as follows:

	2002	2001	2000
Discount rate	3.75-7%	5-7%	5-7%
Future salary increases	1-5%	2-5%	1-8%
Expected long-term return on plan assets	4.5-8%	5-8%	5-8%
Average expected remaining working life	15-25 years	15-27 years	15-27 years
Amortization period of transition obligation	15 years	15 years	15 years

<i>in millions of euros</i>	2002	2001	2000
<b>CHANGE IN BENEFIT OBLIGATION</b>			
<b>Benefit obligation at beginning of year</b>	<b>741</b>	<b>721</b>	<b>703</b>
Service cost	19	17	17
Interest cost	38	37	37
Contributions of plan's participants	3	3	3
Amendments	3	(4)	20
Acquisitions	6	6	1
Disposals	(1)	–	–
Curtailments	–	(4)	(2)
Settlements	(1)	–	(1)
Staff reductions	(2)	–	–
Actuarial (gains)/losses	(5)	3	(37)
Benefits paid	(43)	(46)	(41)
Reclassifications	–	–	5
Other (translation adjustments)	(1)	8	16
<b>Benefit obligation at end of year</b>	<b>757</b>	<b>741</b>	<b>721</b>
<b>CHANGE IN PLAN ASSETS</b>			
<b>Fair value of plan's assets at beginning of year</b>	<b>427</b>	<b>469</b>	<b>412</b>
Actual return on plan assets	(41)	(41)	41
Employers' contribution	16	10	13
Contributions of plan's participants	3	3	3
Acquisitions	2	4	–
Disposals	–	–	–
Curtailments	–	(4)	–
Settlements	–	–	1
Staff reductions	–	–	–
Benefits paid	(21)	(24)	(20)
Other (translation adjustments)	(1)	10	19
<b>Fair value of plan assets at end of year</b>	<b>385</b>	<b>427</b>	<b>469</b>
<b>FUNDED STATUS</b>			
<b>Benefit obligations net of plan asset</b>	<b>372</b>	<b>314</b>	<b>252</b>
Unrecognized actuarial gains/(losses)	(93)	(32)	38
Unrecognized transition obligation	(3)	(3)	(4)
Unrecognized prior service cost	(23)	(22)	(27)
<b>Net amount recognized, reserve/(prepaid asset)</b>	<b>253</b>	<b>257</b>	<b>259</b>
<b>EMPLOYEE RETIREMENT OBLIGATION COSTS FOR THE PERIOD</b>			
Service cost	(19)	(17)	(17)
Interest cost	(38)	(37)	(37)
Expected return on plan assets	23	28	28
Amortization of transition obligation	–	(1)	(1)
Amortization of prior service cost	(2)	(2)	(2)
Amortization of actuarial gains/(losses)	(1)	–	–
Effect of curtailments	–	–	–
Effect of settlements	–	–	–
Effect of staff reductions	2	–	–
<b>Net cost for the period</b>	<b>(35)</b>	<b>(29)</b>	<b>(29)</b>

The pension funds are mostly invested in public and private bonds (about 51%) and in equity interests (about 35%).

## NOTE 18 Accrued contract costs and other reserves

### 18.a Analysis by nature

<i>in millions of euros</i>	2002	2001	2000
Accrued contract costs	65	77	72
Reserves for restructuring	41	38	57
Other reserves	37	42	52
<b>Total</b>	<b>143</b>	<b>157</b>	<b>181</b>

Changes in these reserves are as follows:

<i>in millions of euros</i>	TOTAL	Accrued contract costs	Reserves for restructuring	Other reserves	Income effect (net of incurred expenses)		
					Operational	Financial	Extraordinary
<b>31/12/00</b>	<b>181</b>	<b>72</b>	<b>57</b>	<b>52</b>			
Increases	80	41	36	3	(44)	-	(36)
Write-backs (used reserves)	(66)	(11)	(51)	(4)			
Write-backs (unused reserves)	(40)	(26)	-	(14)	40	-	-
Change in accounting method	-	-	-	-			
Change in the scope of consolidation	9	4	-	5			
Others	(7)	(3)	(4)	-			
<b>31/12/01</b>	<b>157</b>	<b>77</b>	<b>38</b>	<b>42</b>	<b>(4)</b>	<b>-</b>	<b>(36)</b>
Increases	115	23	90	2	(25)	-	(90)
Write-backs (used reserves)	(105)	(12)	(88)	(5)			
Write-backs (unused reserves)	(29)	(25)	-	(4)	29	-	-
Change in accounting method	-	-	-	-			
Change in the scope of consolidation	1	-	-	1			
Others	4	2	1	1			
<b>31/12/02</b>	<b>143</b>	<b>65</b>	<b>41</b>	<b>37</b>	<b>4</b>	<b>-</b>	<b>(90)</b>

Accrued contract costs relate primarily to reserves established in accordance with accounting standards relating to the Group's contractual responsibilities, and in particular, warranties, contract losses and penalties relating to commercial contracts.

Write-backs of unused reserves are due to risks and obligations that no longer exist or that have been settled for an amount less than estimated based on the information available at the previous closing period (including reserves for expired warranties).

## 18.b Analysis of restructuring costs

<i>in millions of euros</i>	2002	2001	2000
<b>Reserves at the beginning of the year</b>	<b>38</b>	<b>57</b>	<b>115</b>
Expenses of the period	(56)	(39)	(79)
Depreciations and write-offs of assets	(32)	(12)	(13)
New plans and adjustments to prior estimates	90	36	30
Translation adjustments and other movements	1	(4)	4
<b>Reserves at the end of the year</b>	<b>41</b>	<b>38</b>	<b>57</b>

The restructuring costs incurred during 2002 relate mainly to the reorganization of distribution activities in Norway and severance costs, notably in Spain (Telecom), France (Telecom and Energy), Belgium (Telecom and Energy) and Italy (Energy). Provisions for restructuring at December 31, 2002 mainly concern the restructuring plan of the Fumay factory in France (LAN cables and Datacom), the closing of the Mexico (Missouri) factory in the United States (enameled wires) and ongoing reorganization in Germany (enameled and special cables).

Consequently, asset depreciations and write-offs amounted to EUR 32 million.

Restructuring costs incurred during 2001 related primarily to continued rationalization in Germany, in particular, on the Hanover, Moenchengladbach and Nuremberg sites, and from the reorganization of Distribution activities in Norway, severance costs in Data cable activities in the United States and Energy activities in Italy.

The allowance for restructuring reserves booked in 2001 relates mainly to Distribution activities in Norway, Electrical Wires activities in France and Germany, Data cable activities in the United States and Energy activities in Italy.

In 2000, besides the continuation of the closure of the Hamburg and Stadthagen sites in Germany, the restructuring costs arose mainly from rationalization in the Energy division at the Calais and Lens sites in France, Charleroi in Belgium, Latina in Italy and Cortaillod in Switzerland.

In 2000, provisions for restructuring were booked mainly for the high voltage activity in Switzerland and the Energy business in Italy.

## NOTE 19 Financial debts

## 19.a Analysis by nature

<i>in millions of euros</i>	2002	2001
Short-term borrowings and bank overdrafts	218	345
Finance lease obligations	–	1
Accrued interest	1	2
<b>Total</b>	<b>219</b>	<b>348</b>

A breakdown of financial debts by date of maturity is presented in the off-balance sheet commitments table (note 22).

## 19.b Short-term debt

Analysis by currency and interest rate

	Weighted average rate (%)		In millions of euros	
	2002	2001	2002	2001
Euro	3.66	3.78	182	295
US dollar	3.32	6.21	9	18
Italian lira	–	6.25	–	3
Other	9.93	9.06	19	20
<b>Total</b>	<b>4.23</b>	<b>4.24</b>	<b>210</b>	<b>336</b>

## 19.c Long-term debt

Analysis by currency and interest rate

	Weighted average rate (%)		In millions of euros	
	2002	2001	2002	2001
Euro	3.99	3.83	8	8
Deutsche mark	–	6.87	–	2
US dollar	–	–	–	–
Other	5.91	6.29	1	2
<b>Total</b>	<b>4.13</b>	<b>4.39</b>	<b>9</b>	<b>12</b>

## 19.d Other information

At December 31, 2002, Nexans and its subsidiaries had unused confirmed credit lines amounting to EUR 510 million with 11 banks, the purpose of which is to support the Group's

commercial paper issue program. If used, these credit lines would provide funding at an average spread of 27 basis points above the reference floating rate. Additionally, these credit lines are subject to several covenants (negative pledge, pari passu, cross default). They are also subject to commitments in terms of financial ratios. If not respected, unused credit lines could become unavailable within 0 to 30 days, and the current credit line terminated, depending on their nature:

- the financial ratio of net consolidated debt on consolidated equity (< 0.8 or 1 depending on the banks),
- the financial ratio of net consolidated debt on consolidated cash flow provided by operations (< 3) or on other aggregates like EBITDA (<3).

### 19.e Pro forma debt

For the purpose of establishing pro forma combined financial statements, theoretical debt as at January 1<sup>st</sup>, 2000 was applied retroactively, taking into account cash flow generated by operational activities, and a notional dividend payment amounting to EUR 25 million (see note 28).

## NOTE 20 Customer's deposits and advances

<i>in millions of euros</i>	2002	2001	2000
Advance payments received on long term contracts	19	24	21
Other deposit advances received from customers	18	24	11
<b>Total customer's deposits and advances</b>	<b>37</b>	<b>48</b>	<b>32</b>

## NOTE 21 Other payables

<i>in millions of euros</i>	2002	2001	2000
Accrued payables and others	129	146	168
Social payables	134	124	140
Accrued taxes	46	54	67
Deferred tax liabilities *	70	78	39
Dividends to be paid	–	–	–
Grants	5	6	6
<b>Total</b>	<b>384</b>	<b>408</b>	<b>420</b>

\* See note 6.c.

## NOTE 22 Off-balance sheet commitments

### 22.a Comparative information

<i>in millions of euros</i>	2002	2001	2000
Guarantees given on contracts	313	257	256
Discounted notes receivable with recourse	1	3	3
Sales of receivables without recourse*	93	118	90**
Secured borrowings	24	26	33
Commitments to buy or sell forward raw materials or goods	76	57	53
Commitments to purchase fixed assets	3	10	33
Other commitments	25	8	23
<b>Total</b>	<b>534</b>	<b>479</b>	<b>436</b>

\*The insolvency risk of receivables sold is taken by the transferee bank, only the technical risk and the risk of commercial dispute remain to the transferor.

\*\*Amount at June 30, 2001, the first figure available after Nexans IPO and the separation from Alcatel Central Treasury.

Guarantees given on contracts relate to performance bonds issued to clients by financial institutions, and bank guarantees given to secure advance payments received from clients. If events arise such as delay in delivery or customer claims under the contract which create a risk of the guarantees being enforced against Nexans, the estimated risk is provisioned (see note 18 "Accrued contract costs and other reserves"). The increase in the number of guarantees given on contracts is linked essentially to the development of High Voltage activities, especially in the field of umbilical cables.

## 22.b Schedule of maturity for contractual obligations and off-balance sheet commitments

## • Contractual obligations

<i>in millions of euros</i>	Total	Due payments by maturity		
	2002	Less than 1 year	1 to 5 years	Over 5 years
Long-term debt	9	–	9	–
Finance leases	3	1	1	1
Operating leases	58	22	36	–
Commitments to buy or sell forward raw materials or goods	76	76	–	–
Commitments to purchase fixed assets	3	3	–	–
Other long-term obligations	–	–	–	–
<b>Total</b>	<b>149</b>	<b>102</b>	<b>46</b>	<b>1</b>

## • Other commitments

<i>in millions of euros</i>	Total	Commitments by maturity		
	2002	Less than 1 year	1 to 5 years	Over 5 years
Credit lines (received)	510	170	340	–
Guarantees given on contracts	313	142	136	36
Discounted notes receivable with recourse	1	1	–	–
Sales of receivables without recourse*	93	93	–	–
Secured borrowings	24	4	6	14
Other commitments	25	21	–	4

\* The insolvency risk of receivables sold is taken by the transferee bank, only the technical risk and the risk of commercial dispute remain to the transferor.

To the knowledge of the Management, this presentation does not omit any significant off-balance sheet commitments, according to accounting standards in force.

**NOTE 23 Market-related exposures**

The Group decided to centralize treasury management in order to minimize its exposure to market risks, such as foreign exchange risk, interest rate risk and credit risk.

## 23.a Currency risk

Financial instruments held at December 31, 2002 are hedges for exchange risks arising from payables or receivables, either commercial or financial. At December 31, 2002, off-balance sheet financial instruments held to manage currency risks were as follows:

<i>in millions of euros</i>	Buy/lend		Sell/borrow	
	Principal amount	Fair value	Principal amount	Fair value
Forward exchange contracts	21	1	152	12
Short-term exchange rate swaps	94	2	160	5

Earliest/latest maturity dates for financial instruments off-balance sheet are:

	Maturity date	
	Earliest	Latest
Forward exchange contracts	January 2003	December 2003
Short-term exchange rate swaps	January 2003	August 2003

Principal amounts represent the face value of financial instruments. Principal amounts expressed in foreign currency are translated into euros at the year-end rate of exchange. Fair value is estimated based on interest rates and exchange rates prevailing at December 31, 2002.

### 23.b Metal price risk

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

At December 31, 2002, 2001 and 2000, the copper and aluminum net positions on futures contracts were as follows:

	2002		2001		2000	
	Tons	Millions of euros	Tons	Millions of euros	Tons	Millions of euros
Open position (long) at purchase cost	47,901	76	29,425	49	17,150	36
At market value	47,901	70	29,425	48	17,150	32
<b>Profit/(loss)</b>		<b>(6)</b>		<b>(1)</b>		<b>(4)</b>

These profit (loss) are offset by loss (profit) on firm positions, resulting in a net loss of EUR 3 million at December 31, 2002 (net profit of EUR 1 million at December 31, 2001, and of EUR 8 million at December 31, 2000).

## NOTE 24 Payroll and staff

<i>in millions of euros and number of staff</i>	2002	2001	2000
Wages and salaries (including social security/pension costs)	822	852	831
<i>of which remuneration of executive officers of the Group</i>	3	3	2
Employee profit sharing	–	1	4
Staff of consolidated companies at year end	17,139	18,000	18,186

## NOTE 25 Related party transactions

Related party transactions relate to equity affiliates and unconsolidated subsidiaries. Transactions are recorded primarily in the following accounts:

### 25.a Income statement

<i>in millions of euros</i>	2002	2001*
Net sales	4	88
Cost of sales	(32)	(63)
Interest expenses	–	(5)
Interest income	1	5

\* In 2001, transactions with Alcatel were included.

### 25.b Balance sheet

<i>in millions of euros</i>	2002	2001*
Trade receivables and related accounts	–	25
Other accounts receivable	–	–
Trade payables and related accounts	8	14
Other payables	–	–

\* In 2001, transactions with Alcatel were included.

## NOTE 26 Contingencies

Certain claims arise in the ordinary course of business which the Group considers will not give rise to significant costs, given the Group's policy for making provisions, availability of insurance cover, the probability of judgment being entered against Nexans and the amount of the claims.

However, three specific claims should be mentioned, for which either it has been decided not to make any provisions or in respect of which the information available does not allow any reasonable evaluation to be made of the probability of the risk nor the amounts of eventual costs. Nevertheless there is a risk that these claims may have an impact on the accounts in the future.

### 26.a Nexans Norway

In April 2001, the Norwegian Competition Authority announced that it had transmitted a file to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, relating to a Norwegian subsidiary of Nexans, five other Norwegian wholesalers and

an industry association. The Competition Authority is of the opinion that through their participation in the industry association, the wholesalers violated Norwegian law by illegally agreeing to fix gross prices, and to a certain extent, discounts and net prices during the 1990s. The Competition Authority also indicated that sales in the relevant distribution market for the relevant period were NOK 25 billion (Norwegian kroner) or approximately EUR 3.1 billion. The Norwegian subsidiary of Nexans recorded sales of about NOK 6 billion (approximately EUR 750 million) in the relevant market during the 1990s. Although the Competition Authority indicated that losses suffered by consumers were probably significant, it admitted that it was difficult to calculate precisely the amount of such losses.

At this stage of the investigation, and in accordance with Group accounting procedures, Nexans does not consider that it is necessary to make a provision. However, in view of the limited information available relating to the investigation, Nexans is unable to predict with any certainty how this matter may evolve or what its impact may be on Nexans' operations or income.

### 26.b Nexans Canada

Legal proceedings were started by a factory owner against Nexans and other cable manufacturers in the Canadian courts, claiming damages following a fire. The factory owner dropped the case against Nexans Canada during the first half of 2001. However, Nexans Canada was subsequently sued by a cable reseller, who had himself been sued by the factory owner, to claim a contribution from Nexans in the event the claim against the reseller succeeded.

### 26.c Corvettes – South Africa

Nexans supplied cables for four corvettes for the South African navy. Part of the supplies was sub-contracted to a South African manufacturer.

After installation of the cables on the first two corvettes, it was found that the cables supplied by the sub-contractor were non-compliant. All the cables already installed must be removed and re-installed. Nexans will supply the replacement cables and has booked the necessary provisions, but the allocation of removal and re-installation costs amongst Nexans, its client, the insurers and the sub-contractor has not yet been determined. Although it is not currently possible to determine the consequences of these claims, Nexans does not consider that their outcome will have a significant effect on its consolidated financial position.

The Group is not aware of any other extraordinary facts or claims that could significantly affect its financial situation or its income.

## NOTE 27 Main consolidated companies

Companies by country	Principal activities	Percentage of control	Percentage of interest	Consolidation method*
<b>France</b>				
<b>Nexans **</b>	<b>Holding</b>	<b>100%</b>	<b>100%</b>	<b>Consolidating</b>
Nexans Participations	Holding	100%	100%	
Nexans France	Energy and Telecom	100%	100%	
Nexans Interface	Telecom	100%	100%	
Eurocable	Energy	100%	100%	
G.I.R.M.	Trading Copper	97.62%	97.62%	
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%	
Tréfileries Laminoirs de la Méditerranée	Electrical Wires	100%	100%	
Alsafile	Electrical Wires	100%	100%	
<b>Belgium</b>				
Nexans Benelux	Energy	100%	100%	
Nexans Harnesses	Energy	100%	100%	
Nexans Cabling Solutions NV	Telecom	100%	100%	
Euromold NV	Energy	50.10%	50.10%	
Opticable SA NV	Telecom	75.00%	75.00%	
<b>Germany</b>				
Nexans Deutschland GmbH	Holding	100%	100%	
Nexans Deutschland Industries GmbH & Co KG	Energy and Telecom	100%	99.65%	
Lacroix & Kress GmbH	Electrical Wires	100%	99.65%	
Kabelmetal Electro GmbH	Energy	99.50%	99.50%	
Nexans Superconductors GmbH	Energy	100%	99.65%	
Metrofunkabel Union GmbH	Distribution	100%	99.65%	
Nexans Auto Electric GmbH	Energy	100%	99.65%	
GPH GmbH	Energy	100%	99.65%	

\* The companies are fully consolidated except if specified.

\*\* Companies listed on a stock exchange.

Companies by country	Principal activities	Percentage of control	Percentage of interest	Consolidation method*
<b>North Europe</b>				
Nexans Nederland BV	Energy	100%	100%	
Nexans Norway A/S	Energy and Telecom	100%	100%	
Nexans Distribusjon A/S	Distribution	100%	100%	
Nexans Suisse SA	Energy and Telecom	100%	100%	
Electro-Materiel SA	Energy	100%	100%	
Hi Wire Ltd	Electrical Wires	100%	100%	
Tri Wire Ltd	Electrical Wires	100%	100%	
Kelverdeck 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%	
Norcable A/S	Energy	50%	50%	Equity basis
<b>South Europe</b>				
Nexans Italia SpA	Energy and Telecom	99.99%	99.99%	
Nexans Wires Italia SpA	Electrical Wires	100%	99.99%	
Nexans Portugal Fios Esmaltados	Electrical Wires	100%	100%	
Nexans Iberia SL	Telecom	100%	100%	
Nexans Hellas SA**	Energy and Telecom	71.75%	71.75%	
Nexans Turkiye Iletisim Endustri ve Ticaret AS	Energy and Telecom	100%	100%	
<b>America</b>				
Nexans Canada, Inc.	Energy and Telecom	100%	100%	
Nexans Brasil S/A	Energy	99.85%	99.85%	
Nexans USA, Inc	Holding	100%	100%	
Nexans Magnet Wire USA, Inc.	Electrical Wires	100%	100%	
Nexans Energy USA, Inc.	Energy	100%	100%	
Nexans, Inc.	Telecom	100%	100%	
Speedcom, Inc.	Telecom	65%	33.53%	Equity basis
<b>Africa</b>				
Nexans Maroc**	Energy	60.88%	60.88%	
Tanzania Daesung Cable Co	Energy	51%	26.30%	Equity basis
<b>Asia</b>				
Nexans (Shanghai) Electrical Materials Co Ltd	Telecom	100%	100%	
Nexans Tianjin Magnet Wires & Cables Co Ltd	Electrical Wires	60%	60%	
Shanghai Nexans Kanghua Cable Co Ltd	Telecom	70%	70%	
Nexans Korea Ltd**	Energy and Telecom	51.58%	51.58%	
Daeyoung Cable	Energy and Telecom	51.58%	51.58%	
Daesung Vietnam Power Cable Co	Energy	59.05%	30.46%	
Vina Daesung Cable Co	Telecom	54.80%	28.26%	
Nanning Huasun Cables Ltd Co	Telecom	36%	18.57%	Equity basis

\*The companies are fully consolidated except if specified.

\*\* Companies listed on a stock exchange.

## **NOTE 28 Pro forma adjustments on the financial income statement for 2000**

The pro forma combined financial statements for financial year 2000 do not necessarily reflect Nexans' financial position, results of operations and cash flow as they would have been if Nexans had been formed on January 1<sup>st</sup>, 2000 and had operated autonomously before December 31, 2000. Moreover, these financial statements may not reflect the Group's future financial position, results and net cash position. The pro forma combined financial statements were established in accordance with Alcatel's accounting principles and on assumptions considered reasonable by Nexans' management. These financial statements are mainly based on pertinent historical information extracted from Alcatel's consolidated financial statements for the relevant fiscal years, and include all the significant restatements considered necessary. The main assumptions used for the establishment of the pro forma combined financial statements are described below.

There are no notes to the historical combined financial statements as it has been considered more appropriate to prepare notes to the pro forma combined financial statements, which better reflect the future structure of Nexans' business.

### **28.a The new operating scope**

The operating scope of the Group differs from its legal and historical scope. Indeed, the operational carve out of the activities resulted, in some cases, in legal separation through partial business transfers and in other cases, in the signing of

an operator/user Alcatel/Nexans contract. This carve out mainly related to the following activities:

- optical fiber and optical fiber cable activities in France, Spain and Germany,
- radio Frequency System activity in Germany,
- taking into account the effects of the signing of an operator/user contract in Switzerland and in Brazil in order to reflect respectively the manufacture of fibers by preform molding for Alcatel and the manufacture of copper telecommunications cables by Alcatel for Nexans,
- Alcatel STK's real estate assets and pension fund assets, held by the Alcatel group,
- restatement of the remaining restructuring reserves at December 31 2000, related to Nexans sites and financed by Alcatel.

### **28.b The Group's new financial structure**

For the purpose of establishing pro forma combined financial statements, theoretical debt as at January 1<sup>st</sup>, 2000 was applied retroactively, taking into account:

- cash flow generated by operating activities,
- notional dividend of EUR 25 million.

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

### **28.c Effect of the legal reorganization for the creation of the Group**

The transfer of securities for the creation of the new Group was carried out based on the principle of value in use, estimated by Alcatel at EUR 1,200 million, excluding debt. The purpose of this adjustment is to reflect this valuation.

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

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

*in millions of euros*

	<b>Combined net assets</b>	<b>Pro forma adjustment</b>	<b>Combined pro forma net assets</b>
<b>COMBINED STATEMENT OF CHANGE IN NET ASSETS</b>			
<b>December 31, 1999</b>	<b>1,222</b>	<b>(209)</b>	<b>1,013</b>
Appropriation of net income and dividend	(54)	29	(25)
Translation adjustments	52	(5)	47
Net income	232	(157)	75
Other	(181)	181	–
<b>December 31, 2000</b>	<b>1,271</b>	<b>(160)</b>	<b>1,111</b>

## **NOTE 29** Post-closing events

None.

# Auditors' report

on consolidated financial statements, year ended December 31, 2002

(Free translation from the original French report)

To the Shareholders of the Company Nexans,

In compliance with the assignment entrusted to us by your Shareholders' Annual General Meeting, we hereby report to you, for the year ended December 31, 2002, on the audit of the accompanying consolidated financial statements of the Company Nexans reported in euro currency.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position and of its assets and liabilities as of December 31, 2002, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without calling into question our above expressed opinion, we draw your attention to the note 1.a to the financial statements that discloses the change in accounting method corresponding to the first application, from January 1<sup>st</sup>, 2002, of the "règlement CRC n°2000-06" on liabilities.

We also performed the verification of the information given in the management report of the Board of Directors. We have no comment as to its fair presentation and its conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris, February 20, 2003

The Statutory Auditors

Barbier Frinault & Autres  
Alain Gouverneyre

Ernst & Young Audit  
Jean-Claude Lomberget

# 2003 outlook and other information

## INFORMATION ON CONSOLIDATED NET SALES OF THE 2003 FIRST QUARTER

### First quarter 2003 net sales

<i>in millions of euros</i>	1 <sup>st</sup> quarter 2003	1 <sup>st</sup> quarter 2002
<b>Net sales (at current metal prices and exchange rates)</b>	<b>978</b>	<b>1,081</b>
<b>Net sales (at constant metal prices and exchange rates)</b>	<b>945</b>	<b>981</b>
Energy	490	503
Telecom	133	134
Electrical Wires	248	267
Distribution and other	74	77

At constant non-ferrous metal prices, Group sales totaled 945 million euros, compared with 1,018 million euros for the first quarter of 2002.

The decline in sales at constant non-ferrous metal prices primarily reflects the impact of exchange rate fluctuations. At constant exchange rates, sales for the first quarter 2003 were down 3.7% from the first quarter of 2002, reflecting lower sales of low-voltage power cables for the general market and sluggish demand in the Electrical Wires division.

### Net sales by sector (at constant metal prices and exchange rates)

<i>in millions of euros</i>	1 <sup>st</sup> quarter 2003	1 <sup>st</sup> quarter 2002
<b>Energy (main activities)</b>		
Infrastructure	194	186
Building	172	188
Industry	107	111
<b>Telecom</b>		
Infrastructure	51	53
Private local area networks (LAN)	49	49
Industry	33	32
<b>Electrical Wires</b>		
Wirerod	126	135
Bare wires	29	34
Winding wires	93	98

### Outlook and objectives for 2003

The Group will pursue the following objectives for the financial year 2003...

- despite the uncertain economic and geo-political environment:
  - the operating margin should increase compared to 2002 (and in particular, it is hoped that the Telecom division will get as close as possible to breakeven assuming a level of sales similar to 2002),
  - net income should be at breakeven;
- in any case, generation of cash after restructuring:
  - capital expenditure limited at 100 million euros,
  - tight control on working capital, as in 2002.

### CONSOLIDATED INCOME STATEMENT FOR THE 2002, 2001 AND 2000 PERIODS PRESENTED UNDER THE FRENCH INTERMEDIATE BALANCE FORMAT

<i>in millions of euros</i>	2002	2001	2000
<b>Net sales</b>	<b>4,302</b>	<b>4,777</b>	<b>4,783</b>
<b>Gross current earnings</b>	<b>209</b>	<b>293</b>	<b>319</b>
Net amortization charges and increase in reserves	(153)	(154)	(150)
<b>Income from operations</b>	<b>56</b>	<b>139</b>	<b>169</b>
Financial income (loss)	(31)	(33)	(20)
<b>Current income before taxes</b>	<b>25</b>	<b>106</b>	<b>149</b>
Restructuring costs	(90)	(36)	(30)
Other revenues (expenses)	23	3	1
<b>Non-recurring income</b>	<b>(67)</b>	<b>(33)</b>	<b>(29)</b>
Income tax	10	(28)	(40)
Amortization of goodwill	(2)	(2)	0
Minority interests	(5)	(13)	(5)
<b>Net income (Group share)</b>	<b>(40)</b>	<b>30</b>	<b>75</b>