**Our results in 2004**

**2004 ANNUAL REPORT**

Nexans

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This Annual Report – Reference document is a Free translation from the original French version.

**NB :** the folios and page numbers referred to in this text version (.doc) of the Annual Report – English version correspond to the final folios and page numbers which will exist in the printed version of this document (to be released by Nexans at the end of June 2005).

## PROFILE

As the global expert in cables and cabling systems, Nexans offers the most extensive range of copper and fiber solutions to its international customers operating in the infrastructure, industry and building markets.

Nexans products are part of the daily lives of millions of people throughout the world, and cover diverse sectors ranging from energy and telecommunications networks to medical applications, special cables and systems for aerospace, shipbuilding, the automotive sector, railways, etc.

Drawing on more than 100 years of experience, Nexans has production plants in 29 countries and commercial presence in 65. The Group employs 20,000 people worldwide.
In its 10 research and development centers in Europe, Asia and North America, the Group is continuously inventing new processes and developing innovative products and services.

When adapting the most advanced technologies to the needs of its customers, Nexans also ensures that its products comply with the highest quality and environmental standards. The comfort and safety of people and equipment are at the heart of the Group's concerns.

With its shares listed on Euronext Paris, Nexans reported sales of 4.9 billion euros and saw its share price rise by 9.13% in 2004.

Sales of **4.9 billion euros** in 2004 (at current metal prices)
**20,000 employees** worldwide at the beginning of 2005
Share price up 9.13 % in 2004

## INTERVIEW WITH THE CHAIRMAN

"I am confident in our Group's ability to build sustainable profitability by developing its market and investing in countries that will lead the way for the Group's growth"
Gérard Hauser, Chairman and CEO

**How would you sum up 2004?**

Despite a difficult economic climate, marked by sharp increases in raw materials costs, 2004 was a good year for Nexans. Sales totaled 4.159 billion euros at constant non-ferrous metal prices, which represents a 7.8% increase compared with 2003 at constant exchange rates on a 2004 basis. Our income from operations rose by 48%. Today, all of our product lines and geographical areas are profitable.

**What are the primary reasons for this success?**

We are benefiting from the growth in current energy infrastructure needs throughout the world. This success is also the result of the disciplined management we have implemented since our listing on the stock market, as well as, of the restructuring policies we introduced in Europe and the United States. Our new organization by geographical areas, effective since July 1, 2003, has improved our responsiveness and proximity to our customers.

**What about your capital expenditures during the year?**

In 2004, we continued to modernize our plants, notably in Europe and France. We also invested in rapidly developing countries where we want to accelerate sales and strengthen our presence, such as in China, Korea, Egypt and Lebanon. We continued to build our portfolio of high value-added products. One example of this is the acquisition of the Italian company, Cabloswiss, which has broadened our expertise in special cables for robotics.

**What were your results in Nexans' various market segments?**

Sales increased in all of our geographical areas, and I am particularly pleased with the performance and profitability reported in North America, Norway and Switzerland. In terms of business activity, several sectors also reported remarkable results for the year. This was the case in automotive cables, energy and telecommunications accessories, and cables for private Local Area Networks (LANs) in North America. I am also quite pleased with the profitability of our high-voltage activities.

### How have Nexans' shares performed?

Nexans shares performed well in 2004. The share price rose by 9.13%, thus surpassing the CAC 40 and SBF 120 indices. We must also recognize the growing share of our capital that is held in significant positions by long-term investment funds. These signs are evidence of our share's attractiveness. The encouraging income results achieved last year led our Board of Directors to propose an increase in our dividend at our Annual Shareholders' Meeting, up to fifty cents per share, or more than twice the amount paid in 2004.

## What are your goals for the next few years?

The strategic priorities that we set for 2007 should further support our goal of achieving an average growth of 15% in sales over three years and generating an operating margin of 5% in an equivalent economic environment. I am confident in our Group's ability to build sustainable profitability by developing its markets and investing in countries that will lead the way for the Group's growth. We are also counting on growth in our sales teams and on a dynamic human resources policy to provide us with the means to better serve our customers.

Gérard Hauser, Chairman and CEO

## STRATEGIC PRIORITIES FOR 2007

Nexans has implemented tools to analyze its markets and is working on methods to reinforce and ensure its durable leadership. The Group will take advantage of every possible sectorial- and geographical- growth opportunity.

A vision for the future

The relevance of the new organization established in July 2003 quickly became apparent in 2004. We assigned the countries (now reorganized into large geographical areas) the role of driving force, which allows Nexans to better pinpoint its customers' expectations and to anticipate trends in our markets. The creation of the Strategic Operations Department, which is comprised of several Nexans' functional departments, has strengthened the Group's marketing acumen, improved the internal exchange of best industrial practices, and allowed us to define strategic orientations and priorities.

Three well-defined strategic priorities

In 2004, Nexans defined the three strategic priorities on which the Group intends to focus its actions and develop its corporate culture for the medium term. These three directions are as follows:

**1 – Build sustainable profitability**, by reducing focal points of recurring loss, bringing weak activities back to break-even or, in certain cases, defining a future for them outside of the Group.
To achieve this priority, we will also seek to reduce operational and fixed costs. Further, we will invest in solutions and services for our customers that offer increased value-added for our customers and that allow us to differentiate ourselves from our competitors.

**2 – Develop growth engines**, by concentrating our efforts and developing investments to target market segments and countries with strong growth potential. A well-mapped plan of market segments categorized according to this potential, rapidity of development, and projected profitability has allowed Nexans to select 19 priority markets. The Group will concentrate its efforts on these markets, promote investments in these areas, and strengthen its capacity for innovation. By doing so, Nexans will focus on markets in which the Group is already strongly positioned, for example, high-voltage cables, accessories or LAN cables, and markets in which the group has certain advantages to grow more rapidly than its competitors (for example, safety cables or railway infrastructure cables).

With regard to the geographical areas, Nexans is targeting countries and regions with high growth potential, such as China, the ASEAN, the Middle East, Central Europe, Russia and Brazil.

**3 – Make Nexans more attractive** for its customers by improving our sales forces and for its employees through training activities and by actively managing human resources and skills.

Priority functional areas starting in 2005

Several priority functional areas were identified in order to support each of the strategic priorities:

**Nexans will continue to modernize its industrial equipment,** and actions to reduce costs will be intensified, notably with regard to fixed costs.

**A savings program** of approximately fifty million euros will be initiated through optimizing our purchases.

**The Group will accelerate its development** in countries and market segments that represent the strongest growth potential. Targeted acquisitions transactions will strengthen our activities in our most profitable businesses. However, the Group may be required to terminate certain activities that do not contribute to our medium-term objectives.

**Research and development programs** will be continued in a way that adapts to our marketing and strategic priorities.

**A significant focus will be made on improving our sales forces.** The program, launched at the beginning of 2005 and named "Sales +" will target the development of best practices within our sales teams, much like our "Program +" continuous improvement program in the industrial area. "Sales +" will promote exchange and strengthen our focus on customer needs.

**Finally, a Human resources program** that encompasses a dozen "key actions" was proposed to our country managers to be adapted within each of the entities. These key actions are intended to improve skills, anticipate retraining needs where necessary, and respond to the Group's strategic requirements (for example, development in Asia).

Improving our response to our customers' needs

In parallel to our reorganization by geographical areas, a number of cross-organizational improvements were implemented to enhance our ability to respond to our customers' needs, to cover buoyant market segments, and to better anticipate future changes in our products.

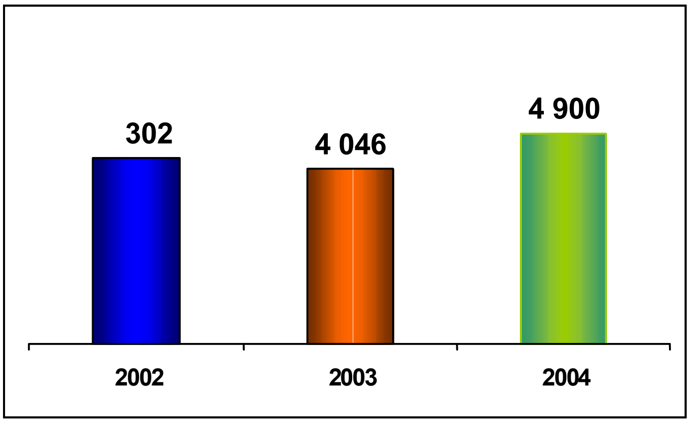
Twelve "**Key Account Managers" (KAMs)** were appointed in 2003. These individuals are high-level managers responsible for establishing partnerships with a few of the Group's largest customers worldwide. They offer these customers a single point of contact within the Nexans Group capable of identifying all of the clients' needs everywhere in the world and make the Group's entire product offering available to them. Key Account Managers are Nexans' global response to customers who are themselves becoming more and more global.

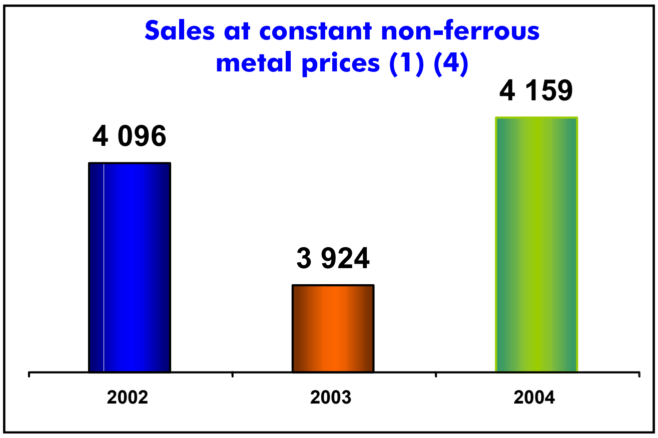
**"Global Product Managers" (GPMs)** are responsible for overseeing and ensuring the worldwide consistency of Nexans' policies for a given family of products. At the Group level, Global Product Managers steer the positioning of this family of products on Nexans' various markets, oversee technical changes, pinpoint the most promising segments and opportunities, and thereby complement the Group's central Marketing Team.

**"Clubs"** are virtual networks created for a given market (for example, oil and gas and petrochemicals) within which Nexans' experts and salespeople share both information and action plans. These clubs fully utilize all of the exchange opportunities and collaborative work tools offered by the Group's Intranet.

## KEY FIGURES

In 2004, Nexans reaped the fruits of its three-year effort to restructure its organization, re-orient its portfolio of businesses, and develop buoyant markets. The growth in total sales, coupled with satisfactory growth in the Group's profitability, reflects improvement in all Nexans' businesses and significant progress in all of the geographical areas in which the Group operates.

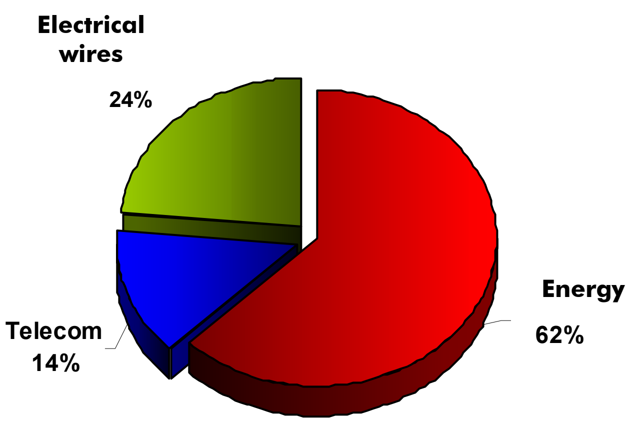



1) In millions of euros
2) On the basis of sales at constant copper price
3) On the basis of sales at current copper prices
4) To neutralize the effect of fluctuations in non-ferrous metal prices and thus to measure the actual change in its business activity, Nexans also publishes its sales results at constant copper and aluminum prices.

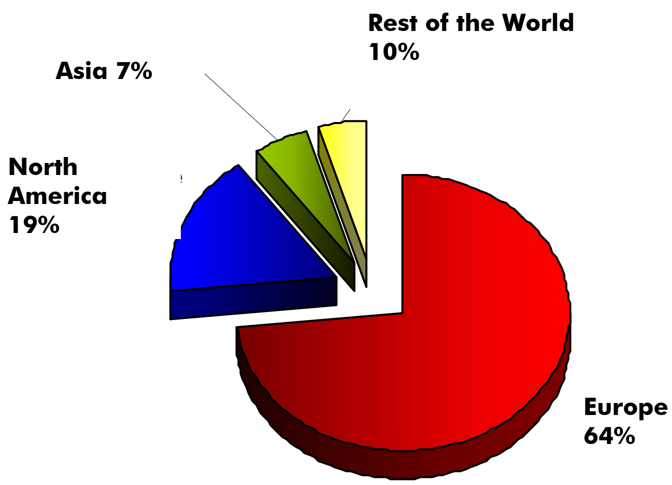
Sales at constant copper prices rose by 7.8%. This represents a +6.6% increase at a comparable scope of consolidation. The evolution in 2004 highlights the acceleration in the second half of the year (+7.7% at comparable scope of consolidation). Overall, the year showed organic growth of 18 % in Asia, 22 % in the Rest of the world area, 14.1 % in North America, 1 % in France and 4.9 % in the Rest of Europe.

**Sales by activities (2)(4)**



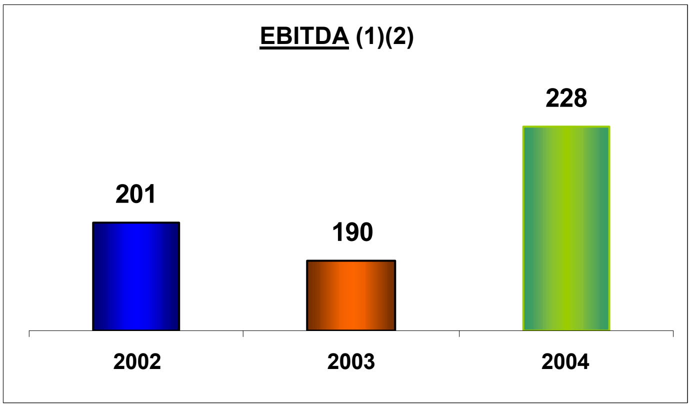

* (2) On the basis of sales at constant copper price
(4) To neutralize the effect of fluctuations in non-ferrous metal prices and thus to measure the actual change in its business activity, Nexans also publishes its sales results at constant copper and aluminum prices

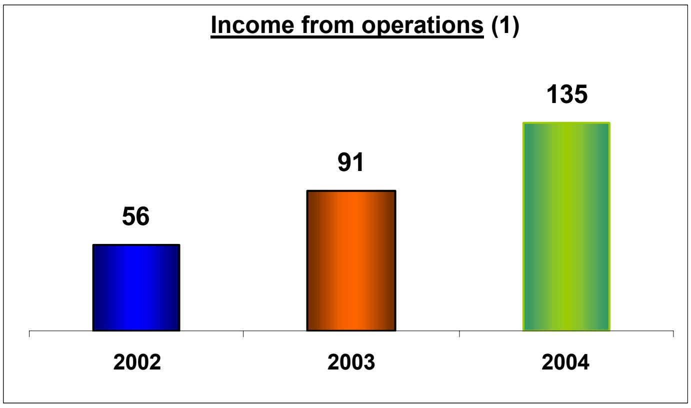
**Sales by geographic market (3)**




* (3) On the basis of sales at current copper price

## EBITDA + Income from operations



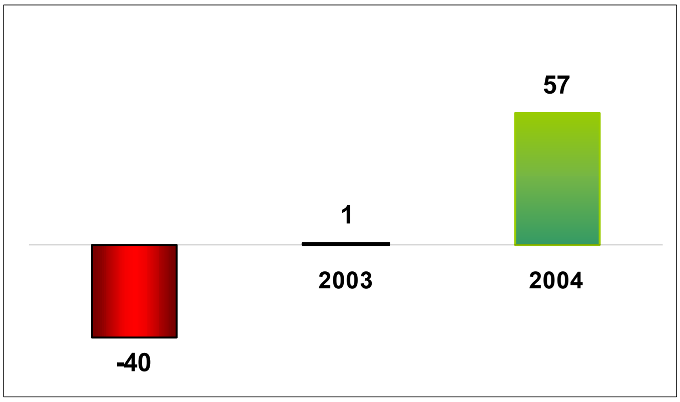

**NB: Income from operations 2002: before the application of CRC regulation 2002-10**

Income from operations rose by 48% compared with the prior financial year. Similarly, EBITDA rose in absolute value and in relation to sales** (accounting for 5.5% of sales in 2004 versus 4.8% in 2003). The very favorable change in these two aggregate numbers is due to the increase in activity and to the effects of efforts over the last three years to reduce indirect costs, thereby increasing the Group's financial flexibility.

** sales at constant copper price

(1) : in millions of euros
(2) : EBITDA is defined as income from operations, excluding depreciation and amortization

## Net Income (1)



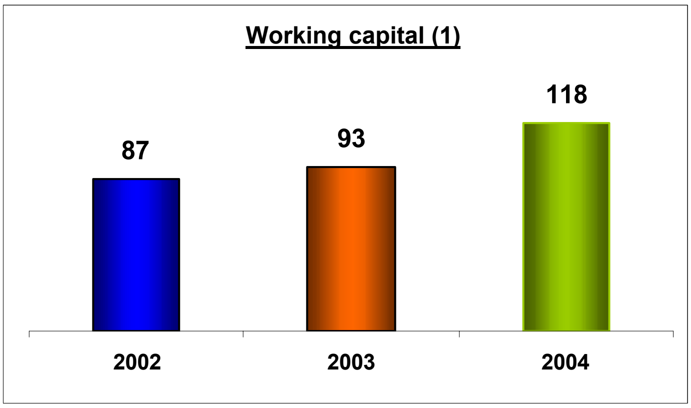
(1): in millions of euros
**NB: 2002 net income (-40 million): before the application of CRC regulation 2002-10**

The increase in net income is clearly related to the improvement in income from operations, but it also includes some non-recurring items (capital gains on real estate, recoveries on provisions, etc.) totaling 21 million euros. Thus, excluding non-recurring items, the Net income Group's share totaled 36 million euros for the 2004 financial year.

## Working capital (1)

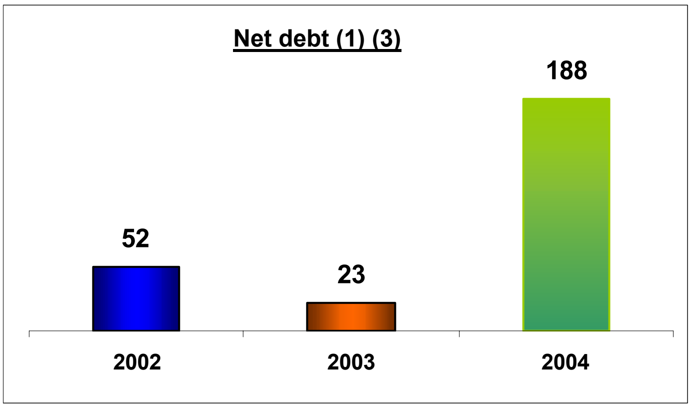
The increase in the level of activity as well as the actions undertaken to improve profitability (capital expenditures, working capital needs) led to a 26.9% increase in operating cash flow despite unfavorable exchange rate fluctuations.

(1): in millions of euros



## Net Debt (1) (3)

In 2004, consolidated debt rose by 166 million euros mainly due to 96 million euros in acquisitions net of disposals during the period, as well as the increase in copper prices, which had an effect on working capital needs estimated at 80 million euros.



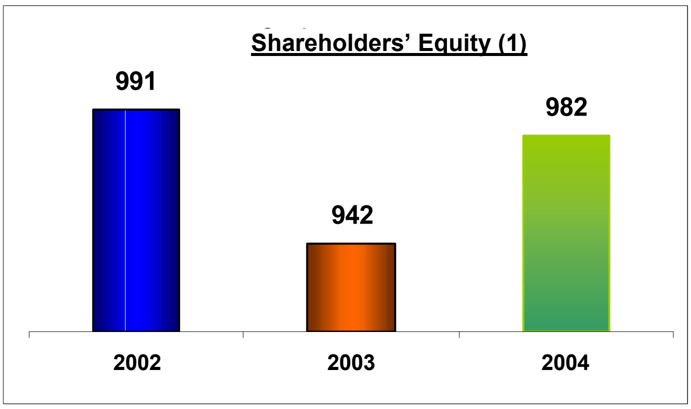

(1): in millions of euros

(3): Net debt corresponds to financial debt, less cash and investments

## 2004 Shareholders' Equity (1)

Significant shareholders' equity coupled with debt levels that remain contained will provide stability for the future.

(1): in millions of euros



## CORPORATE GOVERNANCE

Since its listing on the stock exchange, Nexans has adopted a number of rules relating to corporate governance with a view to ensuring transparency of information with respect to both its directors and its shareholders.

Members of the Board of Directors (as of April 15, 2005)

**Gérard Hauser**, 63 years old, Chairman and Chief Executive Officer of Nexans

16 rue de Monceau 75008 Paris - France

Number of Nexans shares held: 46,118 *(as of March 31, 2005)*

Date of appointment and term expiration : October 17, 2000 (date of first appointment) /General Shareholders' meeting 2007 (1)

Other directorships: Member of the Board of Directors of Alstom, Faurecia, Aplix and Electro-Banque.

**Gianpaolo Caccini**, 66 years old, Chairman of Assovetro, Association of Italian Glass Manufacturers

Via Caradosso n°17, 20123 Milan - Italy

Number of Nexans shares held: 100

Date of appointment and term expiration: June 15, 2001 /General Shareholders' meeting 2007 (1)

Other directorships: Member of the Board of Directors of Saint-Gobain, Saint Gobain Corporation (USA), and JM Huber Corporation (USA).

**Georges Chodron de Courcel**, 54 years old, Chief Operating Officer of BNP Paribas, Member of the BNP Paribas Executive Committee

3 rue d'Antin, 75002 Paris - France

Number of Nexans shares held: 29

Date of appointment and term expiration: June 15, 2001 /General Shareholders' meeting 2007 (1)

Other directorships: Chairman of Financière BNP Paribas SAS, Compagnie d'Investissement de Paris SAS, BNP Paribas Emergis SAS and BNP Paribas (Suisse) SAS (All subsidiaries of BNP Paribas) ; Member of the Board of Directors of Bouygues SA, FFP (Société Foncière Financière et de Participations), Alstom, Verner Investissements SAS, and Erbé SA (Belgium). Member of the Supervisory Board of Lagardère SA, and Observer of Scor, Scor Vie and Sacem.

**Jacques Garaïalde**, 48 years old, Managing Director of KKR (Kohlberg Kravis Roberts & Co. Ltd.) in charge of LBO Business Development, Southern Europe
Stirling Square, 7 Carlton Gardens, London SW1Y 5AD, United Kingdom
Number of Nexans shares held: 500
Date of appointment and term expiration: June 15, 2001 /General Shareholders' meeting 2007 (1)

Other directorships: Member of the Board of Directors of Legrand.

**Patrick Puy**, 49 years old, Senior Advisor of Alvarez & Marsal France
163 avenue Charles de Gaulle, 92400 Neuilly sur Seine - France
Number of Nexans shares held: 61
Date of appointment and term expiration: June 15, 2001 /General Shareholders' meeting 2007 (1)

Other directorships: Member of the Board of Directors of Souvigel.

**Ervin Rosenberg**, 69 years old, Advisor to the President of Compagnie Financière Edmond de Rothschild Banque
47 rue du Faubourg Saint Honoré, 75008 Paris - France
Number of Nexans shares held: 110
Date of appointment and term expiration: June 15, 2001 /General Shareholders' meeting 2007 (1)

Other directorships: Chairman and CEO of Compagnie Financière Savoisienne, Member of the Supervisory Board of Compagnie Financière Edmond de Rothschild Banque, LCF Rothschild Financial Services and Mobility Benefits.

**Jean-Louis Vinciguerra**, 61 years old, President of Innofin, a strategic financial advisory firm and financial advisor to AKFED (Aga Khan Fund For Economic Development)
Address: 23, boulevard Lannes, 75016 Paris - France
Number of Nexans shares held: 50
Date of appointment and term expiration: June 15, 2001 /General Shareholders' meeting 2007 (1)

**Jean-Marie Chevalier**, 63 years old, Professor of Economics at the University of Paris IX-Dauphine

Place du Maréchal de Lattre de Tassigny, 75116 Paris - France
Number of Nexans shares held: 20
Date of appointment and term expiration: October 23, 2003 /General Shareholders' meeting 2007 (1)

Other directorships: Director of the Paris office of Cambridge Energy Research Associates (CERA), a U.S. strategic advisory firm consulting company in energy markets.

**Colette Lewiner**, 59 years old, Vice President, Sector Leader Energy and Utilities and Global Marketing Leader at Cap Gemini
Tour Europlazza – La Défense 4, 20 avenue André Prothin, 92927 la Défense Cedex – France

Number of Nexans shares held: 46
Date of appointment and term expiration: June 3, 2004 /General Shareholders' meeting 2008 (2)

Other directorships: Member of the *Conseil stratégique des technologies de l'information* (France's Strategic Board for Information Technology and Member of the *Académie des Technologies* (Technology Academy)

**Yves Lyon-Caen**, 55 years old, Chief Executive Officer of Béri 21 (holding company of Bénéteau SA) and director of Bénéteau SA

91 ter, rue du Cherche Midi, 75006 Paris - France

Number of Nexans shares held: 10

Date of appointment and term expiration: June 3, 2004 /General Shareholders' meeting 2008 (2)

Other directorships: Chairman of the Supervisory Board of Sucres & Denrées.

(1) at the close of the General Shareholders' Meeting convened to consider the financial statements for the financial year ending December 31, 2006
(2) at the close of the General Shareholders' Meeting convened to consider the financial statements for the financial year ending December 31, 2007

The Board of Directors is made up of ten members. They come from diverse backgrounds and were selected for their expertise and experience in industry, banking, or consultancy, enabling them to give informed opinions and advice in the best interests of the Company.

None of the members in office is an employee, company officer or member of the management team of the Company or of any Group company, save for Gérard Hauser who is Chairman and Chief Executive Officer. None of them has been in office for more than twelve years.

No category of shareholder is represented on the Board of Directors, and no director is elected by the employees.

Once again this year, the Board of Directors has followed the recommendations of the Combined Viénot-Bouton Report of June 2003 and, at its March 9, 2005 meeting, based on the report issued by its Appointments & Compensation Committee, reviewed the situation of each of its members with regard to the criteria governing independence defined in the Report as reflected in the Company's Internal Regulations. The latter specifies in particular that in the Group's relations with businesses and banks in which any of its directors have an interest, independence will be determined according to the level of sales made to such companies, which is fixed at 10 %, or in respect of investment banks and financial share of business given to them. The aim is to determine whether these relationships are of an importance and nature such that they could affect the independence and freedom of judgement of the directors concerned.

Based on these criteria, the Board of Directors determined that Gianpaolo Caccini, Jean-Marie Chevalier, Jacques Garaïalde, Colette Lewiner, Yves Lyon-Caen, Patrick Puy, Ervin Rosenberg and Jean-Louis Vinciguerra should be considered as to be independent directors.

The Board of Directors determined that the other directors were not independent: Gérard Hauser, in view of his position as Chairman & CEO of the Company, and Georges Chodron de Courcel, owing to his position within BNP Paribas, which is one of the banks the Group uses for everyday banking transactions, as well as financial transactions.

Eight out of the ten directors are therefore independent, representing more than half of the Board members, a proportion in accordance with the recommendations of the Viénot-Bouton Report.

**Executive Management**

Pursuant to the French law of May 15, 2001 relating to new economic regulations, the Nexans Board of Directors decided on June 25, 2002, not to separate the roles of Chairman of the Board and Chief Executive Officer of the Company. Nexans has an Executive Committee made up of senior executives in charge of the different geographical zones and clearly defined functions (see page 17).

**Appraisal of the Board of Directors**

The Board of Directors undertook its annual appraisal of its method of operation, to ensure that important matters are properly reported, dealt with, and debated during meetings. The appraisal was based on a detailed questionnaire sent to all directors. The questionnaire was amended to incorporate the comments made following the first appraisal made the previous year. The aim of the questionnaire is to assess the composition of the Board, the frequency of meetings, the relevance and quality of the information provided to it, the support provided to it by the Committees, and the level of debate provided on the items on the agenda.

The evaluation of 2004 confirmed that the functioning of the Borad is highly satisfactory. No proposals for changes were made although some limited interventions were suggested, such as a presentation on competition.

Two specialized committees were created by The Board of Directors on July 4, 2001: the Accounts Committee and the Appointments and Compensation Committee (see details of the composition and functioning of these committees in the Chairman's Report, on pages 112 to 120 of the reference document). Their method of operation and objectives were determined by the Board.

**Report of the activities of the Accounts Committee in 2004**

The Accounts Committee met twice during the 2004 financial year.

During 2004, the Accounts Committee examined the consolidated financial statements, and the progress report on the internal audit plan was presented to it.

**Report of the activities of the Appointments & Compensation Committee in 2004**

The Appointments & Compensation Committee met three times in 2004. It gave its opinion on the following issues:
the rules for calculating the variable portion of the Chairman and CEO's compensation for 2003 and the determination of his objectives for 2004,
the proposal to appoint two new directors,
the adoption of a new stock option plan and the beneficiaries of the options granted.
For information relating to the report of the activities of the Board of Directors during the 2004 financial year, see the Chairman's Report on pages 112 to 120 of the reference document).

## Directors' interests and compensation

The amount of annual Directors' fees awarded as well as the rules for allocating these fees effective from the financial year beginning January 1, 2003 were determined at the Combined General Shareholders' Meeting on June 5, 2003.

Directors' fees fixed and allocated by the Board of Directors includes a fixed portion and a variable portion, based on the director's individual Board meeting attendance and participation in committees.

Directors' fees for 2004 are allocated as follows:

- all directors, including the Chairman, receive a fixed payment of 15,000 euros;
- all directors, including the Chairman, receive an additional 2,000 euros for each Board meeting they attend, up to a maximum of 10,000 euros per director;
- the members of the Accounts Committee receive 3,000 euros per meeting, up to a maximum of 6,000 euros per annum;
- the members of the Appointments & Compensation Committee receive 4,000 euros per annum for their services. This amount will be brought to 6,000 euros in 2005, in order to take into account the number of meetings and line up both committees.

Directors' fees for the 2004 financial year amounted to 262,500 euros payable as follows: Ervin Rosenberg received 32,000 euros, Georges Chodron de Courcel and Jean -Louis Vinciguerra each received 31,000 euros; Gianpaolo Caccini and Patrick Puy received each 29,000 euros; Gérard Hauser, Jean-Marie Chevalier and Jacques Garaïalde each received 25,000 euros; Colette Lewiner received 18,750 euros and Yves Lyon-Caen received 16,750 euros. Directors' fees were paid to the Board members in 2005.

## Chairman and Chief Executive Officer's Compensation

In 2004, the Chairman and CEO's total gross compensation, before tax and including benefits in kind and directors' fees, amounted to 1,365,527 euros (DADS basis).

The evolution of his compensation is as follows:

| | **2002** | **2003** | **2004** |
|---|---|---|---|
| Reference salary | 686,000 euros | 750,000 euros (1) | 750,000 euros* |
| Variable compensation (2) | 411,600 euros | 562,500 euros* | 695,000 euros |
| Directors' fees | 20,000 euros | 25,000 euros* | 25,000 euros |
| Benefits in kind | 44,671 euros | 47,139 euros | 28,027 euros* |

(1) The reference salary was increased to 750,000 euros, effective March 1, 2003.
(2) for the given financial year
* the total of these amounts corresponds to the total gross compensation, before tax (DADS basis), indicated above.

For the 2004 financial year, 60% of the Chairman and CEO's variable compensation was based on quantitative objectives measured by operating income, sales, and working capital. The remaining 40% was determined on the basis of a qualitative assessment.
The Chairman and CEO benefits from the complementary retirement plan set up for the Group's senior executives.

8 directors out of 10 are considered to be independent
Attendance to the Board of Directors : 90%

## EXECUTIVE COMMITTEE

Gérard Hauser, Chairman and Chief Executive Officer
Michel Lemaire, Executive Vice-President, North America/Asia Area
Yvon Raak, Executive Vice-President, Europe area
Bruno Thomas, Executive Vice-President, Rest of the World area
Véronique Guillot-Pelpel, Senior Corporate Vice-President, Communications
Pascal Portevin, Executive Vice-President, Strategic Operations
François Saint-Dizier, Senior Corporate Vice-President, Human Resources
Frédéric Vincent, Chief Financial Officer

## OUR RESPONSIBILITIES

### We are conducting concrete actions for sustainable development

As the world's leader in the cable industry, our Group is committed to sustainable and responsible economic development on a daily basis. Whether with regard to economic, social or environmental concerns, Nexans has implemented several concrete, clear and efficient actions to serve its customers, its shareholders, its employees and the environment.

Owing to its dynamic marketing, the optimization of its purchases, and a policy of targeted acquisitions and divestments, our Group is building long-term profitability for its shareholders.

Nexans supports its customers throughout their medium- and long-term projects with customized solutions; the Group anticipates their needs and conducts research and development that correspond to changes in technologies and markets.

Our Group monitors the skills development of its employees, encourages their creativity, and motivates their sales performance while strengthening their commitment to the Company.

Finally, Nexans participates in community interests and in efforts to show respect for and to protect the environment. Our expertise includes environmental safety and efforts to reduce the impact of our manufacturing activities as well as saving energy and recycling. Thanks to a regular and effective environmental auditing system, our Group meets the most advanced quality standards throughout the world.

With regard to our shareholders and customers

**Objective:** Build sustainable profitability. **Actions:** Promising acquisitions, sustained investments.
**Objective:** Develop engines for growth. **Actions:** Value-added products and services, R&D in line with customers' needs.
**Objective:** Respond better to customers' needs. **Actions:** Customized solutions, long-term and valued relationships.

**With regard to our employees**

**Objective:** Strengthen the company's attractiveness. **Actions:** An attractive remuneration policy, recognition for performance.
**Objective:** Promote social dialogue. **Actions:** Clear and transparent information, the NEWCO - European Work Council.
**Objective:** Develop skills. **Actions:** More frequent and specialized training programs, sharing "best practices."

**With regard to our environment**

**Objective:** Environmentally friendly manufacturing and recycling. **Actions:** Regular environmental audits, a subsidiary specializing in waste reclamation.
**Objective:** Measure and certify. **Actions:** Monitoring the impacts of our manufacturing activities, an internal EHP quality label.
**Objective:** Environmentally friendly R&D. **Actions:** Improved flame-resistant and flame-retardant cables, elimination of toxic substances in cable components, etc

## WITH REGARD TO OUR SHAREHOLDERS

In 2004, Nexans' share price rose by 9.13 % whereas the SBF 120 index increased 8.16 %. Nexans' share price thus significantly outperformed its reference index.

### A balanced shareholder base

Following the sale of Alcatel shares on March 16, 2005, institutional investors hold 80 % of the share capital. Half of them represent French institutional investors. The percentage of individual shareholders (8%) declined following the share price's increase above its introductory price, yet it remains at a very satisfactory level.
Through employee profit sharing and corporate savings plans, Nexans employees collectively hold 1 % of the share capital, ranking them among the Group's top thirty shareholders.

### An increasing dividend

Confident in its prospects and financial stability, Nexans wishes to encourage the shareholders supporting its growth. In line with this, at the Ordinary General Shareholders' Meeting on June 2, 2005, the Board of Directors will propose the payment of a 0.50 euro dividend per share, more than two times the dividend paid in 2003 (0.20 euro).

### Sustained communication

Providing regular, transparent and rigorous information remains a Nexans priority for Nexans. To this end, a series of tools adapted to the needs of each category of investor was made available in 2004:

- Briefings for all market players upon the publication of the half-year and year-end results and meetings with the Group's executive management,
- Information meetings and presentations for individual shareholders,
- Shareholders' Newsletters. Two issues were published in May and November 2004,
- Availability of all Group financial information on the corporate Web site: www.nexans.com.

**Key sharehoder information**

| | ***2004*** | ***2003*** | ***2002*** |
|---|---|---|---|
| Number of shares issued (at December 31) | 23,189,947 | 23,128,972 | 23,121,472 |
| Net earnings per share | 2.71 euros | 0.06 euro | (I.78 euros) |
| Net assets per share | 46.83 euros | 45.01 euros | 46.73 euros |
| Global dividend: | 11.9 million euros | 4.6 millions euros | 4.6 millions euros |
| Share price: | | | |
| - *Highest* | 34.60 euros | 27.09 euros | 24.30 euros |
| - *Lowest* | 25.09 euros | 10.27 euros | 9.50 euros |
| - *Period end* | 28.93 euros | 26.51 euros | 15.22 euros |

**2005 FINANCIAL CALENDAR – KEY DATES**:

| | |
|---|---|
| June 2, 2005: | Annual Shareholders' Meeting |
| June 16, 2005: | Individual shareholders' information meeting inToulon, (France) |
| July 21, 2005: | Publication of 2005 first-half sales |
| October 18, 2005: | Publication of 2005 third-quarter sales |
| November 14, 2005: | Individual shareholders' information meeting in Grenoble, (France) |
| December 5, 2005: | Individual shareholders' information meeting in Lille, (France) |

**Ownership structure (estimated % of share capital holdings at march 31, 2005)**

| | |
|---|---|
| French institutional shareholders: | 33.5% |
| USA institutional shareholders: | 29.6% |
| Europe institutional shareholders: (excluding France) | 17.2% |
| Individual shareholders and employees: | 7.8% |
| Treasury stock: | 9.5% |
| Non-identified shareholders: | 2.4% |

**Nexans' share price** (from January 1, 2004 to March 31, 2005)

## CONTACT

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The Annual Report is also available on the Group's Web site: www.nexans.com.

## WITH REGARD TO OUR CUSTOMERS

### Anticipating customers' needs for tomorrow

Owing to research and development that is in touch with our customers' needs and that integrates the marketing priorities defined by the Strategic Operations Department, Nexans strives to develop innovative solutions, thereby continuously adapting to changes in its markets. Likewise, every day the Group improves the quality of its products and processes.

### R&D geared towards our customers

Innovation is a key factor of success. After identifying the most promising market segments and sectors, Nexans restructured its R&D in 2004 to align it more with the Group's marketing priorities. The goal of the new organization is to shorten development lead-time and facilitate the transition from research on materials to product applications. By always listening to the customer and attentively observing the manufacturing processes and customers' uses of Nexans products, we are able to develop more value-added solutions. Working in synergy with Nexans' Global Product Managers and Key Account Managers, who know the ins and outs of Nexans' product offering and, above all, their customers' plans and expectations, is critical. This strategy allows the Group to identify technological needs and define the developments that should have priority.

### A well-performing, global organization

Nexans' R&D organization consists of several different levels. First and foremost, the Nexans Research Center (NRC) employs fundamental research advances and essentially works on researching and improving cable components (sheath, conductor and insulation). In 2004, the addition of materials research teams based in Lyon and Nuremberg to the NRC strengthened this area. By bringing together the skills and expertise of NRC's researchers (60 employees), Nexans is equipped with a unique tool and strengthened expertise in the areas of polymer research and notably thermoplastic materials. The second level of Nexans' R&D involves applied research. The Group's nine Competence Centers conduct applied research globally and are specialized by key products or technologies. Furthermore, Nexans is working to reinforce its research and development teams in areas outside of Europe, and notably in Asia.

## State-of-the-art technology programs to meet new expectations

The R&D programs implemented involve all of Nexans' activities. In the area of energy, efforts are focused particularly on high-temperature superconductivity and further innovation in submarine cables. In telecommunications, the priority area of development remains high speed rates for data transmission and modifying cable structures: micro blown fiber cables, combined copper and fiber-optic networks, high-bandwidth data cables for local area networks (LANs), and plastic optical Fiber-To-The-Home applications. Improved performance and ease of installation are areas of particular interest. However, governmental and consumer requirements in environmental and safety matters represent another set of large-scale challenges for Nexans. Our research thus involves not only the performance of cables in the event of fire and adapting to more stringent standards particularly in Europe, but also focuses on eliminating toxic compounds in cable components and recycling cables at the end of their useful lives.

## Sharing knowledge and exchanging "best practices"

Because knowledge of the R&D programs and advanced technologies are critical to driving innovation and guaranteeing that identical quality standards are disseminated throughout the Group, Nexans strongly encourages communication and information exchanges. All Competence Center managers regularly attend technical conventions. The exchange of "best practices" is organized through Nexans' dedicated Intranet network, and technical information newsletters are distributed throughout the Group. Finally, constant contacts with the Global Product Managers and the marketing network enable Nexans to adapt the R&D programs underway at any time to changes in customers' expectations and needs.

## Research partners and participating in standardization committees

Fundamental research partners link Nexans with the world's most prestigious universities and research centers in areas such as superconductor research and research in materials and plastic optical fibers in particular. With regard to standardization, the Group plays a major role in the cable and cabling systems industry and participates in international standardization meetings in all of the sectors and activities in which it is involved.  As an example, Nexans actively participated in 2004 in the efforts of committees working to develop the EC Construction Products Directive.

**Key figures**

R&D budget (in millions of euros) :
2002 : 48
2003 : 47
2004 : 47

Number of patents registered :
2002 : 53
2003 : 51
2004 : 63

**450** researchers, engineers and technicians
**10** research centers

## WITH REGARD TO OUR PERSONNEL

### We promote a dynamic human resources management

Recognizing performance, developing assessment, career management, professional growth… Nexans is working to mobilize its personnel, to diversify and to develop skills. In an especially competitive market, the Group's value-added depends first and foremost on dynamic human resources management.

### The success of the reorganization

The Group's new organization, launched in 2003, was handled and accompanied by the Human Resources Department. Along with the training sessions that were implemented in 2003 and that continued in 2004, a new information collection system was developed to equip Nexans with a more complete set of data on its personnel. New indicators were developed with regard to the employee structure, training, safety and work conditions, etc. As a complement to the annual "Organization & People" review, which draws up a country-by-country report on the available skills, this tool will enable the Group to measure in particular the impact of training and growth programs that will be launched in 2005.

### Managed growth in personnel

In 2004, Nexans' restructuring programs were continued in Europe and North America essentially. These reorganizations, necessary to adapt the Company to its markets, were conducted according to local restructuring plans. For example, in France, owing to the efforts of grade-adjustment cells, out of the 279 jobs affected, only a dozen people are still waiting for a solution. In the United States, the sale of the winding wire activities led to the closing of the production plant in Lagrange. Nexans' consolidated growth in its workforce, which increased from 17,000 in 2003 to 20,000 at January 1, 2005, is related to the acquisition of Liban Câbles in the Middle East (Lebanon), Cabloswiss in Italy, and the consolidation of the personnel in the Autoelectric subsidiaries, entities specialized in automotive cables and harnesses in Germany, Eastern European countries and Mexico.

### Making Nexans still more attractive

Remuneration, training and career management are the primary tools for motivating personnel and constitute important concerns for skills development within the Company. With regard to salaries, Nexans aligns its pay with other large international corporations.

Based on the objective evaluation of each employee's results, remuneration is broken down into a fixed portion and an individual bonus, calculated on the basis of collective and individual criteria. In addition, commercial team members also enjoy profit sharing and bonuses tied to their entity's results.

With regard to training, several programs aimed at improving performance were implemented for each category of personnel. In addition to the individual, technical-marketing, or sales training offered by the countries, ongoing cross-organizational improvement programs for industrial performance, such as "Program +," aim to develop know-how and exchange of best practices within the Group. For some fifteen senior executives of different nationalities, the second session of "Nexans Executive Training," spearheaded by the European School of Management, ESCP-EAP, and various Group executives, was also organized in 2004. Finally, an important training program intended to improve sales methodologies for Nexans salespeople, "Sales +", was conceived and is currently being implemented.

**An open company dialogue**

Through NEWCO, Nexans European Work Council, Nexans maintains a constructive and open dialogue between labor and management based on sharing information and the presentation of the Group's plans and strategic options. In 2004, this Council continued to meet twice a year.

**Developing better people management**

Nexans' Strategic Plan includes an important "human resources" component. The objective is to ensure that the Group has the skills available that it needs today as well as those that it requires to attain its objectives. This policy relies on a strong commitment by the Country Managers and a specific action plan implemented at the Group level. It calls for the widespread and systematic use of tools already existing within the Group. Each employee has the right to an annual "career review" with his or her manager. From this, the Country Manager draws up a balance sheet of the skills available and training required to fulfill the entity's objectives. Succession plans will be systematized in every country. New methods will be developed: a "career committee" will be established and adapted for each country based on the career review regularly conducted by the local human resource managers; Internet job exchanges will be developed; and emphasis will be placed on recruiting candidates who wish to work abroad in order to encourage mobility. These actions will be subject to an annual review by the Executive Committee, which will assess their implementation and organize follow-up actions.

**Key figures**

**224,000 hours** of training (internal or external in technical areas, languages or management)
**4.58%** average absenteeism (due essentially to sickness: 54.2%; maternity leave: 14.1%; leave without pay: 13.8%; and accidents at or on the way to work: 12%)
**26.7** workplace accidents with stoppages (per million work hours)
**0.92** days lost (per thousand work hours)

Employees :

2002 : 17,150
2003 : 17,000
2004 : 17,700

**16%** women
**84%** men

Average age :

| | |
|---|---|
| Less than 20 | 2.45% |
| Between 20 and 30 | 23.79% |
| Between 30 and 40 | 31.67% |
| Between 40 and 50 | 28.76% |
| Between 50 and 60 | 12.78% |
| More than 60 | 0.56% |

## WITH REGARD TO THE ENVIRONMENT

### We control our production processes and the impact of our activities

Today, managing the environmental impacts of their activities has become an imperative for most industrial companies. Nexans' investments in optimizing its energy consumption, innovation, and recycling have enabled the Group to plan its growth in a transparent and environmentally friendly way.

### Rigorous organization and management

The Group's environmental policy and action are managed by Nexans' Corporate Industrial Management, which reports directly to the Strategic Operations Department. The role of corporate Industrial Management is to define and oversee industrial strategy, the investment budget, the engineering aspect of major industrial projects. The department also manages the Group's machinery. The environmental guidelines and objectives laid down by Corporate Industrial Management apply to the entire company worldwide, including the Group's subsidiaries abroad. Nexans voluntarily implemented this environmental management system based on a structured approach and clearly defined principles set out in a Charter entitled *"Maîtrise des risques"* (Managing Risks) and, as of 2004, in a Group Environmental Manual. The initial objective of this system, as defined in the Charter signed by the Chairman, is the continuous improvement of our production facilities through safety and environmental audits and assessment of the risks associated with our products and manufacturing techniques. The Group Environmental Manual describes in detail all of the policies and systems in place as well as the tools available to the production facilities.

Better measurement and management of the impacts of our activities
Cables are not pollutants in themselves. Their production, however, consumes energy and raw materials and thus has an impact on the environment. To better measure and manage this impact, Nexans has relied for more than ten years on the "Environment Questionnaire." This questionnaire, sent to the safety and environmental managers of every one of the Group's industrial sites, reviews all of the key points of good environmental management.
Among others, it assesses the degree to which the entities comply with legal regulations; consume raw materials, water and energy; manage industrial waste, volatile components and noise emissions; and the level of protection of the soil and groundwater. The questionnaire also allows the Group to account for investments made by the production facility in each of

these areas. The Group's Environmental Management Department scores each production facility on a scale of 1 (excellent) to 4 (corrective action immediately required) on each question, according to a scoring key that is updated annually. In 2004, additional points were added relating to recycling and waste reuse, as well as questions relating to the identification of major environmental risks (accompanied by specific crisis management plans) and the storage of hazardous liquids.

**A consistent and efficient audit system**

As a complement to the Environment Questionnaire, in 2003 Nexans implemented an environmental audit program and developed an internal label, EHP (Highly Protected Environment), denoting compliance with the highest environmental standards. This audit program is intended to disseminate proper environmental management practices within the Nexans Group. At a pace of 25 sites audited per year by an outside, specialized company, the goal is to award the EHP label to 80% of Nexans' industrial sites in the next three years. At the end of 2005, nearly all of Nexans' factories will have been subject to an audit. Nonetheless, the intensive and consistent pace of these audits will continue in order to measure the implementation of the recommendations made. It is worthy to note that, to date, approximately twenty Nexans sites have obtained ISO 14001 certification.

**Specific investments in 2004**

Nexans' production facilities undertook numerous environmental investments in 2004. One action focused notably on eliminating transformers insulated with askarel (PCB), mainly in France (5 sites involved in 2004). Particular attention was also devoted to the protection of stored liquid: several improvements (dedicated zones, building construction, purchases of cabinets, etc.) were made, for example, in Nuremberg (Germany) to store softening agents, and in Weyburn (Canada), with the purchase of liners for fuel oil tanks, for example. Similar efforts will continue in the coming years. The Group is particularly vigilant in phasing out single-wall underground storage tanks. With regard to power consumption, the production sites are systematically encouraged to adopt cleaner, more economical natural gas heaters, as was done in the Fergus (Canada) factory in 2004. The treatment and disposal of wastewater are among Nexans' major concerns and accounted for numerous investments, such as in Buizingen and Charleroi (Belgium), Chauny and Fumay (France), New Holland (USA) and Monchengladbach (Germany). Effort and investment were devoted to retaining water for fire extiinction in Paillart, Mehun (France), Neunburg and Arolsen (Germany).

In total, specific investment programs launched in 2004 for the environment amounted to 2.33 million euros (versus 1.8 million in 2003). In addition, the Group dedicated investment to design and offer new environmentally-friendly products on the market, such as the Alsecure program launched in six European countries, superconductor links in the U.S. , cables for wind turbines in Norway, etc.

**R&D that anticipates environmental impacts and community expectations**

Nexans perfected its use of EIME calculation software to evaluate the environmental impact of a product from its conception and throughout its life cycle. The indicators concerned involve the acidity and toxicity of cables, energy and water leakage, impacts on the ozone layer, etc. Nexans' Research and Development considers these indicators in the design and development of new products. In 2004, the Group developed processes that consume less energy and worked to develop new products for wind turbines, to replace lead stabilizers in cables, to reduce solvents in varnishes for winding wires and more generally, to develop new, cleaner, halogen-free and fire-resistant/flame-retardant materials.

**Recycling and waste recovery**

The Nexans Group has for many years been very involved in recycling its manufacturing waste. Its RIPS subsidiary recycled 18,700 tons of cable waste in 2004 (versus 16,420 in 2003) originating from all of the Group's European production facilities. RIPS serves producers of manufacturing waste (cable factories) and also handles discarded cables, which the entity collects and recycles by grinding the material for reuse.

Furthermore, Nexans systematically sorts waste in its factories, allowing for the reuse or recycling of discarded wood, paper, cardboard, ferrous metals and oils. Nexans made specific investments in this area in 2004, including the integration of color-coded waste bins to optimize sorting efforts in Charleroi (Belgium, the purchase of a bin loader in Chauny (France), etc.

**The Environmental Manual, a reference text for every Nexans production site manager**

The Group's Environmental Manual, published in 2004 after approval by Nexans' Executive Committee, was widely distributed to all Country and production site managers in the Group. The Manual provides a comprehensive and detailed description of all Nexans' Group objectives, procedures, tools and environmental policies: samples of the Environment Questionnaire, examples of the scoring key, audit procedures, and procedures for obtaining the EHP label… With this tool, Nexans has equipped itself with an environmental "Bible" and a corporate reference guide for proper environmental management that is shared among all its factories.

**2004 Indicators:**

| | **2004** | **2003** | **2002** |
|---|---|---|---|
| Energy consumption (1)<br><br>including electricity | 1 850 722 MWh<br><br>951 712 MWh | 1 876 470 MWh<br><br>981 470 MWh | 1 980 000 MWh<br><br>1 018 000 MWh |
| Waste tonnage (1)<br><br>including special waste | 98 931 t<br><br>10 790 t | 101 400 t<br><br>11 100 t | 103 000 t<br><br>10 900 t |
| Number of sites monitored (1) | 88 | 88 | 86 |
| Water consumption (1) | 5 096 566 $m^3$ | 5 100 000 $m^3$ | 5 500 000 $m^3$ |
| Consumption of solvents (1) | 9 890 t*<br><br>*including Meyzieu, + 1800 t | 8 150 t | NA |
| Copper consumption (1) | 830 000 t | 760 000 t | 800 000 t |
| Aluminum consumption (1) | 130 000 t *<br><br>*including integration of Lorena in Brazil (+ 25,000 tons) | 90 000 t | 90 000 t |

(1) These figures should be considered in a context of a sharp increase in activity, since sales rose by 7.8% at constant parameters.

**Main impact of Nexans' activities**

- **Copper and aluminum metallurgy:**

  The main resources consumed are energy (natural gas) for metal casting and water for steam and cooling

- 95% of the consumed water is recycled.

Several countries made specific investments in 2004 relating to water consumption and treatment of used water.

- Efforts to reduce the amount of copper dust released into the atmosphere

- **Copper power and telecom cables:**

  Conductor manufacturing consumes electrical power for annealing and oily water for drawing lubrication.

- Wastewater is filtered, treated, and recycled. In 2004, Nexans invested 60,000 euros for filtration of drawing lubrication, notably in Lens (France).

Cooling water

- Recycled water. In 2004, specific investments were made in Buizingen and Charleroi (Belgium), Fumay (France), New Holland (USA) and Monchengladbach (Germany).

Low air emissions

- Treated by filtered vacuum cleaners

Consumption of solvents is very low compared with the volume of cables manufactured (mainly for marking inks)

- Handled specifically: small storage cabinets or fume hoods.

- **Winding wires:**

Compared with other products manufactured by Nexans, the manufacture of winding wires requires more solvents (4,900 tons in 2004) for making varnishes and energy for varnish baking

- Specific investments are made to reduce the release of solvent vapors into the air: in Chauny (France) in 2004, 75,000 euros were spent on varnish-laying techniques to meet the requirements of new European legislation on emissions.

Cooling water

- Low consumption

Enameling varnish

- Manufactured at a single Nexans site classified Seveso 2 (low level), which meets all requirements of the legislation, more specifically with regard to a crisis plan in the event of accident or pollution.

## OUR ACTIVITIES*

*For the purposes of comparability, the figures given in this section have been calculated at constant metal prices, exchange rates and accounting methods.

# WE PROVIDE A COMPLETE OFFER, WORLDWIDE

### The cable and cabling systems market today and tomorrow

### Improving market conditions

2004 marked a turnaround in market trends in the cable and cabling systems industry after several years characterized by the burst of the telecommunications bubble and the slowdown in the global economy. This movement should continue over the next three financial years, bolstered by the economic recovery, the progressive turnaround in the telecommunications industry and, above all, the increase in global energy requirements. The development of standards and regulations for increasingly well-performing products that are safer and more environmentally friendly is also contributing to the revitalization of the cable and cable systems market. In 2007, our market should generate 72 billion dollars globally*, or an increase of 14% compared with 2003.

### Varied situations depending on geographical areas

Growth in developing countries has risen sharply, notably in China, India, Latin America and the Middle East. Two-thirds of Nexans' activity is still derived from Europe, which experienced a less favorable economic climate combining price erosion and volume stagnation. North America, which widely restructured its industry, benefits from more favorable market and growth conditions.

### Cost of raw materials, competitive pressure and price erosion

The considerable increases in raw materials and energy costs were main characteristics of 2004. Nexans relayed the cost of the increases in copper prices to its customers, and thanks to the quality of its relationships with its suppliers, the Group was able to successfully negotiate during this difficult financial year, thereby preserving and maintaining its margins.

In a highly competitive market, cost reductions and the capacity for innovation remain the two main keys to success and to achieving the Group's priorities.

**With a capacity to anticipate restructuring changes, and with clearly defined growth priorities in the markets and countries with the greatest potential, Nexans is well equipped to profit from growth opportunities and consolidate its leadership.**

* 2004 CRU report

## RESULTS BY BUSINESS

### Energy: 62% of the Group's activities

2004 RESULTS

Energy (including distribution activities) generated sales of 2,604 million euros, representing organic growth of 6.8% compared with 2003. Infrastructure projects (high-voltage and umbilicals) grew 24%, and the Group won several major export contracts. Nexans reported satisfactory performance overall in cables for the building industry owing notably to the strength of the North American market. Finally, cables for industry experienced a significant turnaround that varied according to country.

STRENGTHS

Nexans maintains excellent market positions, notably in the energy infrastructure market in Europe and on the east coast of North America. This excellent positioning also benefits its cable and accessories activities. Furthermore, Nexans is a leading player in several industrial sectors (shipbuilding, petrochemicals, and railway equipment, among others).

OUTLOOK

In an environment marked by increasing energy infrastructure needs throughout the world, Nexans is well equipped to meet the demand of operators since the Group offers a full and particularly well-performing range of cables and accessories and already offers solutions for tomorrow such as superconductor cables. In the field of special cables for industry, Nexans also offers advanced technical solutions for the automotive, shipbuilding, automation, and materials handling industries, among others. Likewise, with improved flame-resistant and flame-retardant cables, Nexans offers products and solutions to the construction sector that allow the Group to take advantage of new opportunities and to anticipate changes in European standards.

### Telecom: 14% of the Group's activities

2004 RESULTS

The telecom activity represented 570 million euros in sales, a 6.7% increase compared with 2003 at constant exchange rates and scope of consolidation. Income from operations increased significantly to 17 million euros.  Nexans saw significant growth in infrastructure cables in Europe, as the development of ADSL technology requires the maintenance of copper networks and represents powerful potential for growth in demand. The Group profited from the volume effect and from an effective marketing policy in cables for private LAN networks, as sales continued to focus on strong value-added products.

STRENGTHS

Nexans' positions have historically been strong in Europe, particularly in cables for industry as well as in the United States, where Nexans is very well known in the LAN cable sector. In addition, the Group is developing its positions and sales in Asia, for example in Korea (network cables) and in Vietnam, where Nexans is a leader in the local telecom markets.

OUTLOOK

Nexans offers particularly well-performing products and solutions in the areas of high-bandwidth transmission and connectivity and is particularly well positioned in the local loop market and in ADSL and xDSL technologies. After several difficult years, 2004 results confirmed the recovery in the telecommunications sector that was started in 2003. The rollout of ADSL, growth in our “FTTX” offering for urban networks, strong trends in private telecommunications networks and in category 6 cables and connectors should continue to sustain performance in this activity. The special cables and data transmission markets remain strong in the building, industry and transportation sectors in particular.

## **Electrical Wires: 24% of the Group's activities**

2004 RESULTS

Electrical wires generated sales of 985 million euros, representing significant growth compared with 2003 (+5.6% at a constant scope of consolidation). Improvement in the Electrical Wire activity's operating profitability offset price erosion reported in the wirerod activity in North America, which was related notably to the unfavorable change in parity between the Canadian and US dollars.

STRENGTHS

Nexans holds the leadership position in the wirerod sector. It benefits from control of the basic component, copper, a full range of conductors, and a worldwide presence. Nexans' metal casting plants offer a competitive advantage as well as guarantee of quality and control over the processing of its raw materials.

## OUTLOOK

Bare wires represent the cable industry's basic product and are used in telecom and energy as well as in the industrial sector. The wirerod markets, which are strongly dependent on economic conditions in industry, should profit from a sustained level of demand originating first and foremost from the Group's various entities that use electrical wires from the metallurgy entities to produce their own cables. With regard to the enamel-coated winding wire activity in Europe and China, Nexans announced on February 3, 2005 that the Group signed a preliminary agreement to transfer control of these businesses.

## Results by geographical area

### EUROPE

Increasing results and profitability

*"We have all the means to maintain strong industrial activity in Europe provided we continue to develop strong value-added products and supply exemplary quality service to our customers. This, of course, along with reducing our direct and indirect costs." Yvon Raak – Executive Vice-President, Europe area*

With 73% of the Group's total sales and the largest portion of activity and personnel in Europe, this area is Nexans primary "reservoir" of technology and know-how. Europe's 2004 sales totaled 3,048 million euros resulting in a considerably higher operating profit of 84 million euros (+56%). Far from being in a defensive position with regard to other geographical areas, Nexans made significant industrial and modernization investments in Europe in 2004. The profitability turnaround was coupled with strong growth in exports and numerous synergies with the other continents.

### Increasing activity and results

In 2004, Nexans reported growth in total sales of 3.6% compared to 2003 in Europe. This favorable performance was achieved in a period of economic recovery marked by unfavorable parity with the dollar and a very sharp increase in raw materials and energy costs. The area benefited from the results of restructuring plans conducted notably in France, Spain, and Italy, which significantly contributed to the area's spectacular growth in profitability.

### Varied growth according to activities

The Group's activities benefited from excellent performance in high-voltage cables and accessories. In the building market, the situation was particularly varied. While the weakness in industrial investment penalized construction somewhat everywhere in Europe, certain countries such as France and Spain experienced a high level of residential investment, while the Germany market remained very stagnant. Among the numerous segments in the industry, the machine tools market was particularly buoyant in Germany, where automotive harnesses also showed excellent performance. Finally, in the infrastructure sector, all telecommunications equipment related to subscriber access and xDSL technologies experienced strong growth, while a large number of energy providers continued to invest in securing their networks.

## Varied market conditions according to country

Nexans' performance by country was varied. The Group's situation in France and Spain was markedly improved in 2004. This turnaround was not only due to the strong performance in domestic markets, but also to efforts made to modernize industrial equipment and the concerted effort of local teams. In Spain, growth in the energy activity benefited from synergies developed with other countries in the area. Activity in telecom cables was slightly better, while the Santander production facility largely exported its production, notably to Asia. Finally, investments in the areas of signaling cables for railroads began to bear their fruit. In Germany, automotive cable and harness manufacturing showed excellent results, while sales of special cables manufactured in Nuremberg were satisfactory. Nexans' activity in Norway flourished, notably owing to excellent performance in the areas of umbilical cables and high-voltage cables. While the local market still provides vast opportunities in these areas, Norwegian exports continued to grow throughout the world. In Italy and Greece, results are still falling short of expectations, but the restructurations in progress are expected to pay off in the next few years. Generally across Europe, accessories were at a very good activity level, notably in telecommunications, where growth is strong. The acquisition of the company GPH in Germany contributed to this activity's positive results. Finally, the enamel-coated winding wire activity experienced a turnaround compared to results in 2003.

## Developing synergies to promote long-lasting growth

Subject to very varied conditions depending on the country and the various markets, Nexans was able to mitigate the gaps in market conditions thanks to the scope of its product offering and the synergies it is developing. The Group profited from all opportunities in the sectors and strengthened its responsiveness. A number of facilities saw their production become more diversified to better profit from strong segments: the Nuremburg factory (Germany), for example, focused on the automobile, robotics, and high temperature cable markets. This redeployment will continue in 2005.

## Significant investments in modernization

The restructuring of a number of sites, finalized in 2004, enabled the Group to redefine the specialization of its factories. As such, significant investments were made in France, notably to modernize facilities in Lyon and Mehun, in order to enable these sites to concentrate their efforts on priority segments. The metallurgy activities in Lens focused on the Noyelle site. In Germany, the redeployment and modernization of the Monchengladbach factory should enable the Company to quickly break-even again. Similarly, in Italy, restructuring plans are in progress, notably in the energy cable sector, with a similar objective. In Greece, the administrative site in Athens was closed, and its teams were relocated to the factory and to the Group's logistics center.

## Growing profitability and developing sales

The reduction in fixed and operating costs coupled with the concentration of factories on Nexans' strongest segments bolstered the Group's performance. The promotion of a marketing culture that listens more to customers' needs is a source of added value and competitive differentiation. One of Nexans' priority objectives is to develop sales. The implementation in 2003 of the new organization by country began to bear fruit in this area. It revitalized commercial activity, promoting improved responsiveness and proximity to customers, thereby encouraging sales development across segments. With the support of the new Strategic Operations Department, a number of market segments and growth engines were identified in Europe: oil and gas and petrochemicals, the automotive industry, railway infrastructure and equipment, aerospace and defense, automation, ADSL, access networks, etc. Nevertheless, no activity was neglected in favor of these buoyant markets. Nexans continued to consolidate its positions in the low- and medium-voltage sectors and in equipment cables, for example.

## State-of-the-art technology

Europe remains an area of considerable innovation. In 2004, Nexans produced the electrical harnesses for Europe's most ambitious space program: the comet probe Rosetta. The Group also supplied the largest portion of the cabling for the Airbus giant A380. In the area of renewable energy, Nexans designed and produced a high-voltage/fiber-optic hybrid cable for the Smola wind turbine project in Norway. By coordinating the European project on second-generation superconducting cable, the Group strengthened its progress in the area of high-performance energy cables. In 2004, Nexans also joined the "FTTH Council Europe," which was conceived to promote advanced telecommunications solutions. Another example, the acquisition of the Italian company Cabloswiss, specialized in high value-added cables (notably robotics) confirms Nexans' intention to position itself in highly technological segments.

### Great success in all activity sectors

In 2004, Nexans continued to win prestigious contracts in the areas of building, infrastructure, and industry. In the oil and gas market, Nexans will equip the world's largest offshore field. At a value of 47 million euros, the signed contract calls for Nexans to supply an umbilical system for the production units of the Ormen Lange natural gas field (Norway). In another contract, this time in the railway sector, Nexans was chosen as the cable and cable solutions supplier for the new lines of Spain's high-speed railway system. In the infrastructure market, the most significant contracts in 2004 were to supply several high-voltage transmission links for Libya (100 million euros) and the agreement signed with Telefonica (Spain) to deliver 2 million kilometers of cables over the next two years.

### Key figures

Sales of **3,048 million euros**

Income from operations: **84 million euros**

15,000 employees

Plants in 17 countries

## Results by geographical areas

### NORTH AMERICA

Sustained growth in all activities

*"All of our indicators increased in this area, whether we are talking about sales or performance in terms of profitability. Since the sale of our winding wire activity, all of our businesses in North America are now showing profit." Michel Lemaire – Executive Vice-President, North America/Asia area*

North America represents 17% of Nexans' total sales. This is a strongly growing area with a sales figure of 697 million euros, up almost 12% compared with 2003, and income from operations of 33 million, a 50% increase. In Canada, we reported growth in all businesses; while in the United States, the LAN, special cables and telecommunications sectors largely benefited from the general increase in consumption and service activities.

### Sustained growth

Carried by the recovery in exports and the increase in raw materials prices, the Canadian economy shifted into full force in 2004. This vitality bolstered Nexans' activities in all sectors, including cables for infrastructure, building, and industry. In the United States, the situation was more varied: industrial investment continued at an advanced pace, stimulated by the weak dollar and exports. Growth in consumption and service activities furthermore benefited the housing, automotive, information systems, and telecommunications sectors. In this last area, Nexans recorded an excellent performance in 2004 in terms of sales and income. The Group fully benefit from sustained growth in the LAN market with the enhancement of its product offering (category 6 cables). Its fiber-optic cable activity, although reduced, returned to profitability in 2004. Nexans is expecting a resurgence in sales in this area in the coming years. On the energy markets, grid equipment remained extremely buoyant and profitable even though several large urban grid renovation projects are taking time to materialize. The great success of testing on the LIPA superconductor cable in Long Island is positioning Nexans as a technological leader for tomorrow's urban infrastructure programs. Building cables also experienced strong results in 2004. Finally, thanks to the restructuring efforts and the sale of the winding wire activities in North America all of the Group's businesses in the area got off to a healthy start.

## Promoting value-added products and seizing opportunities

Regardless of the market considered, Nexans takes great care to develop products with significant added value to better meet the needs of its customers. The Nexans teams in Canada and the United States possess valuable know-how in the marketing and technical field.  The development of marketing tools combined with a favorable economic climate, enabled them to fully benefit from the opportunities in their markets and to generate satisfactory cash flow. Aside from local production, the efforts of the marketing teams were particularly focused on cross-company sales. Imports originating from the European entities of the Group were maintained at a high level, as were exports of wirerod products from Montreal to Asia. This success in "cross-company" sales exceeded all expectations and demonstrates the relevance of the Group's strategic options in North America and the trust that Nexans' customers and distributors have in the quality of our product offering. For the future, Nexans fully intends to maintain its level of performance in this geographical area.

## Performance in telecommunications…and Martian robots:

In parallel to its excellent performance in the energy and telecommunications sectors, Nexans reported great success in the area of special cables in 2004. Whether with its large automotive customers or naval shipbuilding yards, the collaboration was rewarding. Furthermore, in its Elm City (United States) factory, Nexans manufactured almost all of the wires and cables on board the Martian robots Spirit and Opportunity. These energy, control and data cables were designed in collaboration with engineers from NASA's Jet Propulsion Laboratory (JPL). They use state-of-the-art materials that can withstand extreme temperatures and the harshest environments.

## Key figures

Sales of **697 million euros**

Income from operations: **33 million euros**

1,650 employees

## Results by geographical area

### ASIA

Strengthened positions and cross-sales development

*"Beyond the cables and cabling systems themselves that we manufacture in the Asian countries, cross-company sales and synergies with the Group's other geographical areas have been particularly strong this year. In a high-growth area, this is a very encouraging factor for reinforcing our position." Michel Lemaire – Executive Vice-President, North America/Asia area*

With growth rates of approximately 10% in certain countries like China and Vietnam, Asia represents one of Nexans' most favored development areas. The Group posted sales in 2004 of 214 million euros versus 163 million the previous year, for an income from operations of 10 million euros. The turnaround in the Japanese economy and Nexans' solid base in Korea complement each other and give the Group the competitive advantage to seize opportunities that arise in the region, whether these consist of large projects, commercial expansion, or external growth.

### Industrial units in full development in a growing country

Given its influence in the world economy, China represents an indispensable growth opportunity for Nexans, as for most large industrial corporations. The Group has solid industrial sites in the country. Its Kang Hua entity, specializing in telecommunications, reported excellent results in 2004. This entity increased its product range and its customer base. The Tianjin factory, which produces cables for transformers, also benefited from the energetic market growth in China. As a supplier to several joint ventures located in the region, it also developed export sales throughout Asia, and mainly in Japan, where Nexans entered into significant contracts with Toshiba, Japan's leader in transformer manufacturing. The Group's third site in the area has been launched in April 2005 in Pudong. It will produce special cables, notably for shipyards. Using "XLPE" technology, which complements the offering from the Korean factory of Kukdong, this new entity will focus on the Chinese market as a priority.

### Solid positioning in Korea

Nexans' activity in Korea, concentrated in buoyant markets, did not suffer too badly from the economic stagnation that affected almost the entire country in 2004. The Kukdong factory continued to supply special cables to shipyards in the northeast region of Asia, while Nexans' Korean teams obtained very good results in the automotive sector and notably the materials handling sector. Confronted with a sharp slowdown in its other markets (power networks, medium-voltage cables, cables for the building sector, fiber-optic cables, etc.), one of Nexans' objectives in Korea is to develop and diversify its special cable activity for industry. Nexans Korea also contributes to supplying shipbuilding and automotive cables to the other countries in the area and in particular Oceany, ASEAN, as well as the East of Russia.

### Ambitious goals in the rest of the area

In 2004, Nexans continued to develop its activities in Vietnam, where economic growth is extremely strong. The two subsidiaries of the Group located in this country reported good results and remained very profitable. The goal is to serve the domestic market, but also to export in the ASEAN, Malaysia, Thailand, Laos and Cambodia. In India, the economic recovery also offers attractive growth opportunities for Nexans.

### An array of achievements and reference projects

2004 marked a year of diversification in Nexans' activities throughout the area. In China, for example, significant contracts were signed with the largest multinational corporations located in the country, such as Toshiba, the leader in the area of transformers, and Alcatel, Siemens and Nokia in the area of telecommunications. In Vietnam, the Davidco entity, specializing in power cables, began to export its products in the ASEAN countries and is well positioned to benefit from land-use projects in greater Mekong, which aim at interconnecting six Southeast Asian countries.

### Key figures

Sales of **214 million euros**
Income from operations: **10 million euros**
**1,100 employees**

## Results by Geographical areas

### REST OF THE WORLD

Diversification and strong development

*"One of the important points for us is to position ourselves in rapidly developing countries, but ones which have sufficient resources and population to sustain economic activity and to ensure that their needs are met." Bruno Thomas – Executive Vice-President, Rest of the World area*

The Rest of the World area includes Africa, the Middle East, Latin America, Russia, and the former Soviet republics. With total sales of 200 million euros in 2004 versus 129 million in 2003 and income from operations that grew 300%, this group is experiencing an exceptionally strong rate of growth. However, situations remain extremely varied according to the country. While taking into account the exposure to political and economic risk in certain regions, Nexans chose to diversify its activities in the area and to capitalize on all available opportunities.

### Very strong opportunities

The Rest of the World area offers strong growth potential for Nexans. While Brazil and Turkey are currently overcoming their financial crises and are strengthening their rankings as new regional economic powers, sustained development is continuing in Morocco, Lebanon, Egypt and Nigeria. In all of these countries, Nexans is extremely active and participates in all emerging projects, notably in the area of energy infrastructure. The persistent weakness in the telecommunications sector weighs down the results in certain entities, thereby requiring diversification. Therefore, the conversion of telecommunications factories in Morocco and Turkey were launched in 2004. The same effort will be led in Brazil, Lebanon and Egypt in 2005.

### Making factories more flexible

Diversifying activities is a priority in most of the countries in the area. Such diversification is more difficult in some countries and entities than in others; nonetheless, its goal is to reduce dependence on large operators. This policy is leading Nexans to turn more toward the industrial or residential building markets and to strengthen its positions in buoyant segments such as special cables for the petroleum, chemicals, railways or automotive industries. Personnel training programs have been implemented to accelerate these diversifications, in particular in Brazil. The objective is also to make sales teams more multi-purpose. To combat "dumping" practices conducted by certain specialized competitors, Nexans is relying on the scope and quality of its global product offering. In direct response to this qualitative and selective policy, Nexans is choosing to establish new sites in countries that have sufficient population and resources to develop diversified local demand.

**Several industrial investments**

The economic turnaround in a number of countries in the area gave rise to the development of projects in the energy, infrastructure, and building sectors. To capitalize these opportunities, Nexans launched a vast renovation and expansion program in its entities. The Brazilian factory in Lorena will be expanded in order to develop its activities in power cables. Our factory in Egypt will also see its production capacity increase very soon, and we plan to renovate and modernize our production facilities in Lagos (Nigeria). Finally, our factories in Turkey and Morocco should be diversified by also producing flexible cables and automotive cables.

**A policy of targeted sites and acquisitions**

The vitality of the countries in the area led Nexans to question the best methods to locate its sites or develop its activities and sales there. In certain countries such as Russia, difficulty in establishing local partnerships leads Nexans to establish "turnkey" factories. In other countries such as Iran and Senegal, the acquisition of existing companies may be planned. In Algeria, Lebanon, and Venezuela, business development occurs via dynamic technical and commercial partnerships. Under this target policy, Nexans significantly increased its investment share in the capital in Liban Câbles (up to 94%). This acquisition supplies the Group with a solid base to develop itself in the Persian Gulf, Egypt, and the new East African customs union, which brings together countries such as Kenya, Sudan and Ethiopia.

**Key figures**

Sales of **200 million euros**

Income from operations: **9 million euros**

2,100 employees

**MANAGEMENT STATEMENT PRESENTED BY THEBOARD OF DIRECTORS TO THE ANNUAL SHAREHOLDERS' MEETING***

**(for the year ended December 31, 2004)**

***free translation from the original French version**

The purpose of this report is to present the income and activity of the Nexans Group and its parent Company during the year ended December 31, 2004. It is based on the parent Company's financial statements and consolidated financial statements for the year ended December 31, 2004.

## 1 - Operations during 2004

### 1-1 Nexans (Group parent company)

Nexans' shares are traded on Compartment B of Euronext Paris and are included in the SBF 120 index. Ownership of its share capital, estimated by shareholder category, breaks down as follows: Alcatel (15.04%), institutional investors (approximately 67%), private investors (approximately 8%) and treasury stock (9.60%).

In addition to its role as the Group's holding company, Nexans also fulfils financing and centralized cash management functions for the Group.

Nexans also plays a central role in collecting intra-Group royalty payments to cover R&D costs, which it then redistributes among its subsidiaries based on their participation in R&D programs of value to the Group as a whole.

### 1-2 Income and activity of Nexans, its subsidiaries and controlled companies by branch

#### 1.2.1 Income of Nexans

Income from operations for the financial year ended December 31, 2004 amounted to 10,265,016 euros, and was derived mainly from services invoiced to Group subsidiaries.

A net loss of 12,231,435 euros was recorded (compared to a profit of 7,769,866 euros the previous year). Due to losses made by its direct subsidiaries in 2003, Nexans France and Nexans Participations, Nexans did not receive a dividend in 2004 whereas it did in 2003. However, a 168,750 euro corporate income tax charge was recorded for the period. Shareholders' equity totaled 1,112,801,843 euros as compared to 1,129,972,703 euros for the previous year.

### 1.2.2 Consolidated income of Nexans Group

1.2.2.1 Change in income

Sales for 2004 totaled 4,900 million euros, compared to 4,046 million euros in 2003.

At constant non-ferrous metal prices, sales totaled 4,159 million euros compared to 3,924 million euros in 2003. At constant non-ferrous metal prices and constant exchange rates, sales for 2004 rose by 7.8% (6.6% on a comparable scope of consolidation), as compared to 2003 sales calculated at 2004 exchange rates (3,859 million euros).

Income from operations was 135 million euros and net income was 57 million euros, representing a significant improvement compared to 2003 in which year income from operations was 91 million euros and net income 1 million euros. In an economic climate marked by sustained demand and significant increases in raw material prices, Nexans continued to grow and managed to increase its product prices and cut its operating costs, resulting in improved profitability.

Financial income is down slightly to 30 million euros compared to 31 million euros in 2003 despite an increase in debt, as a result of the reversal of a provision for financial risk in an amount of 8 million euros. Restructuring charges amounted to 36 million euros compared to 41 million euros in 2003 and relate mainly to capacity reduction at the sites in Moenchengladbach (Germany) and Santander (Spain), as well as the closure of the site in Lagrange (United States) following the sale of the business to Superior Essex. Other revenue of 9 million euros was generated largely by gains on the disposal of assets, in particular in Korea. Consolidated income before tax rose from 18 million euros in 2003 to 78 million euros in 2004.

In view of the improved performance of several subsidiaries and the recognition of a deferred tax asset for subsidiaries still loss making but whose outlook is positive, the corporate income tax charge amounted to 20 million euros compared to a tax benefit of 8 million euros in 2003. A gain of 4 million euros was recorded under depreciation and amortization as a result of the recognition of negative goodwill arising on the acquisition of shares in the Korean subsidiaries at a price below their net asset value. An impairment of goodwill in an amount of 14 million euros was recognized in 2003, 13 million euros of which related to the goodwill of Nexans Magnet Wire US, as part of an adjustment to realizable value. There was a reduction in minority interests following the purchase of part of them in Korea, Belgium and Morocco.

1.2.2.2 Change in debt

Debt, net of cash and cash equivalents, increased by 166 million euros largely as a result of four factors:

- - improved cash flow, which rose 26% to 118 million euros,
- - the negative impact on working capital of the 37% rise in copper prices, estimated at 80 million euros,
- acquisitions net of disposals of 97 million euros (the acquisitions have had an accretive
- - impact on net income since 2004),

-capital expenditure net of disposals of 78 million euros.

In order to finance its debt and its planned acquisitions, Nexans launched an OCEANE (convertible bond) issue in July 2004 (AMF approval no. 04-652) for 135 million euros. The debt issuance is comprised of 3,552,632 bonds with a nominal value and a conversion / exchange price of 38 euros each representing a 30% premium over the reference stock price on the date of the issuance. The bonds bear interest at an annual rate of 3.125% and are redeemable at par on January 1, 2010 unless previously converted or exchanged.

1.2.2.3 Change in accounting method

The provisions of CNC opinion 04-05 of the "Conseil National de la Comptabilité" has been applied by Nexans since January 1, 2004, which requires provision to be made, from 2004, for long-service bonuses (bonuses awarded to employees on the basis of their length of service), independently of provisions for pension commitments. The impact of this change in method on the Group's shareholders' equity amounted to 8 million euros at January 1, 2004. This provision is recorded in other provisions for risks and expenses.

### 1.2.3 Application of IFRS (International Financial Reporting Standards)

Pursuant to European regulation No. 1606/2002, the consolidated financial statements of Nexans Group for the year ended December 31, 2005 will be presented in accordance with the

International Financial Reporting Standards, which will be in force as of December 31, 2005, with comparative financial statements for the 2004 financial year being prepared in accordance with the same standards.

To publish this comparative information, Nexans will have to prepare an opening balance sheet as of January 1st, 2004, which is the starting date for applying IFRS and at which date the impact of the transition will be calculated and recorded directly in shareholders' equity.

In view of these changes, the Nexans Group began the process of converting to IFRS in early 2003, with the aim of identifying the main differences in accounting methods, studying elections to be made by Group management, evaluating the impact of the differences, preparing the opening balance sheet as of January 1, 2004 in accordance with the standards applicable in 2005, restating the 2004 financial statements in accordance with these same standards, and identifying the changes to be made to the group's IT systems.

### a- Details of the project and progress made

Due to the uniform nature of the Group's activities and to ensure that accounting practices are standardized throughout the Group, the IFRS conversion project is being managed by a central team which is coordinating the project for the whole Group.

The following actions were achieved in 2004:

- the completion of the "diagnostic" phase of the project, aimed at identifying and determining the differences between the new standards and the practices currently used within the Group;
- the choice of elections to be made, in particular for the opening balance sheet at January 1, 2004 (pursuant to IFRS 1 "First Time Adoption of IFRS");
- the training of the finance teams in all consolidated subsidiaries;
- the adaptation of IT systems, in particular thanks to the new reporting and consolidation tool that has been operational since September 2004.

The updating of accounting and financial procedures to take account of these changes and the elections made is in the process of being completed.

The project team's analysis was presented to the Auditors for approval at regular intervals as the project advanced.

The preferred methods already used by Nexans in the preparation of its consolidated financial statements, as recommended by French accounting regulations, are very similar to IFRS standards. In particular, the implementation in 2003 of CRC Regulation 2002-10 relating to fixed assets meant that the Nexans Group was already largely in compliance with IAS 16 "Property, plant and equipment" and IAS 36 "Impairment of assets." The other differences between French accounting methods and IAS 16 and 36 will not require Nexans to make any additional restatements.

### b- Description of the elections made and the main differences identified

IFRS 1 relating to the First Time Adoption of IFRS as an accounting regime contains specific provisions for the transition to IFRS. The main elections made by the Group in this regard are as follows:

- given the practical difficulty of calculating pension commitments as if the Group had applied IAS 19 "Employee Benefits" since the plans were introduced, IFRS 1 allows actuarial gains or losses which are currently spread over time in accordance with IAS 19, to be recorded in shareholders' equity from January 1, 2004, which will result in an increase of the provisions for employee benefits;
- translation differences will be eliminated through reclassification in consolidation reserves, another line item in shareholders' equity;
- business combinations prior to January 1, 2004 will not be restated;

- finally, IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement" will be applied from January 1, 2005, without restating the 2004 financial statements, in view of the delay in publication of these standards.

The main differences between the accounting principles and methods currently applied by the Group and the valuation and presentation methods defined by IFRS are as follows:

- Presentation of the financial statements:

  The presentation of the consolidated income statement will need to be amended significantly, in particular by eliminating non-operating revenue and expenses. Pursuant to Recommendation 2004-R.02 of the "Conseil National de la Comptabilité" (CNC), the Group will add an intermediate line which it is expected will be called "Income from operations before impairment, restructuring and copper trading" to reflect the Group's operating performance.

  The presentation of the balance sheet will be changed to separate short-term and long-term items.

- Scope of consolidation: pursuant to IAS 27 "Consolidated and separate financial statements," certain companies (subcontractors) that are currently not consolidated will be brought within the Group's scope of consolidation. This change will have no effect on sales or income and will have a limited impact on the consolidated balance sheet, but will significantly increase headcount.

- Employee benefits (pensions, retirement benefits, post-employment benefits, etc.): In addition to the election made to eliminate actuarial gains or losses pursuant to IFRS 1 (see above), the financial and demographic assumptions used to evaluate employee benefits will be reviewed.

- Stock options: pursuant to IFRS 2 "Share-based payments," the fair value of stock options granted to employees, measured using the Black-Scholes method, will be recognized in operating expenses.

- Inventories: Pursuant to IAS 2 "Inventories," the LIFO method for valuing inventories of copper and other non-ferrous metals will be will be abandoned in favor of the Weighted Average Unit Cost (WAUC) method. Similarly, the portion of non-ferrous metal inventories, referred to as base stock, corresponding to the quantities of metal owned by Nexans itself (which is not sold) required for the proper functioning of its plants will be reclassified as property, plant and equipment.

- Financial instruments (hedging of non-ferrous metals: mainly copper and aluminum): the systematic hedging of risks associated with the fluctuation of non-ferrous metal prices is considered to be macro hedging for the purposes of IAS 39 (hedging net positions, part of which includes estimated flows). Accordingly, changes in the fair value of derivatives (forward purchases and sales of metal on the LME) should be recorded in 2005, independently of the underlying commercial contracts, in order to calculate pre-tax operating income.

- Financial instruments (other differences relating to the application of IAS 32 and 39):

  - hedging transactions to limit the Group's exposure to fluctuations in currency rates will be recorded in 2005 using the Cash Flow Hedge method;

- the convertible bond (OCEANE) issued in July 2004 will be allocated to its financial liability and equity components (corresponding to the value of the option) in 2005. The interest cost recorded will be calculated on the basis of a legal interest rate excluding the option;
- sales of receivables without recourse carried out as of January 1, 2005 will be included in the balance sheet, which will result in an increase in the Group's debt and trade receivables.

In view of the progress made on the project, the Group was able to announce on February 3, 2005 what the main effects of the application of IFRS would have on the opening balance sheet.

Full details will be provided in a separate document to be annexed to the annual report after reviewby Nexans' auditors.

### 1.2.4. Income of Nexans, its subsidiaries and controlled companies

#### 1.2.4.1 Business by business

**Energy:**

Energy division sales (in which the distribution business is now included) amounted to 2,604 million euros at constant non-ferrous metal prices (up 7.5% on 2003 and 6.8% on a comparable scope of consolidation and at constant exchange rates).

In the cable infrastructure sector, growth was particularly high (up 15% at constant non-ferrous metal prices and exchange rates, 11.5% of which was organic growth). With the exception of France, where EDF's investment programs hit a new low, Nexans benefited from sustained demand in Europe and North America as a result of continued investment in the modernization, improvement and extension of low and medium voltage networks. Business for high voltage cables was particularly strong, driven by the growth in orders for land-based energy networks particularly in North Africa where Nexans won several new contracts, and also by the completion of major projects. Similarly, the umbilical cables market continued to grow in a climate of heightened competition and projects were completed under satisfactory conditions.

Sales of low voltage cables for the building sector grew by 2.9% at constant non-ferrous metal prices and exchange rates and on a comparable scope of consolidation. After a particularly difficult 2003 in terms of prices, 2004 was marked by a sharp rise in the price of copper followed, during the year, by increases in the prices of polyethylene and PVC. However, the rise in selling prices that began in the second quarter helped to improve results in this segment. Demand was very strong in the residential sector whereas the situation in the industrial sector deteriorated further. Volumes grew significantly in Spain, Scandinavia and the United States. Combined with the early impact of the restructuring plans implemented during the year, this increase led to the return to profitability of this business.

Sales in distribution totaled 297 million euros at constant non-ferrous metal prices (up 9.2% compared to 2003 at constant exchange rates) with income from operations of 16 million euros compared to 13 million in 2003. This performance comes on the back of the implementation of cost cutting measures, particularly in Norway, and higher sales.

The growth in sales in cables for industry (up 6.1% at constant non-ferrous metal prices and constant exchange rates and on a comparable consolidated scope) masked very mixed results depending on the industrial application.
Thanks to the strengthening of its position in the shipbuilding cable market with Kukdong, the Group is benefiting from growing demand in Asia but has to face increasingly strong competition. The harnesses sector continues to benefit from the success of the German high-end automotive industry, the growth of the components business for active and passive automotive safety systems and increased demand for truck harnesses in the United States. The recovery in demand for cables for the oil industry, for safety and high-temperature industrial applications, compensated for weak demand in the other sectors. This is above all the result of low levels of investment in France and Germany.

Finally, income from operations in this segment was affected by a provision for the risk relating to non-compliant cables installed in South African navy corvettes.

Income from Energy operations amounted to 116 million euros at December 31, 2004 compared to 91 million in 2003. This sharp rise is largely the result of the recovery in the building sector cables business.

**Telecom:**

Sales in the Telecom business totaled 570 million euros at constant non-ferrous metal prices (up 4.4% compared to 2003, and up 6.7 % at constant exchange rates and on a comparable scope of consolidation). In a low growth market, Nexans benefited from the growing demand for data transfers (ADSL technologies, high-speed LAN cables) building on its restructured industrial capacity.

The public network cables business grew by 6% compared to the previous year at constant non-ferrous metal prices and exchange rates, on a comparable scope of consolidation. Despite the absence of major export projects, business was driven by network maintenance made necessary by the development of ADSL (copper telephone cables and accessories), and investments in long-distance copper cables for railway networks.

In the private networks sector, Nexans saw a sharp rise in sales in the United States for both copper LAN cables and optical fiber cables on the back of modest market growth and the development of the product mix towards high value-added products. Volumes were stable in Europe, with improved results being generated by a reduction in the cost of products and resources employed. Nexans is building on its advance in the high-speed copper cables sector, as a result of its GG45 connector to promote 10 Gbit systems.

In cables for industry, demand is currently driven mainly by the growth in high-speed Internet access and thus in ADSL cables, both in Europe and in China, where sales growth was strong. Business in the aeronautic sector was maintained at a satisfactory level, as were sales in the oil, gas and seismic research sectors.

Income from operations recovered sharply, going from a 1 million euro loss in 2003 to a 17 million euros profit in 2004. This improvement is largely due to the strong growth in volumes combined with cost controls.

**Electrical wires:**

Sales in the Electrical Wires business in 2004 totaled 985 million euros at constant non-ferrous metal prices, an increase of 3% compared to 2003, or of 5.6% at constant exchange rates, on a comparable scope of consolidation. This improvement is largely due to higher demand in the wire rod sector in North America.

The winding wires business saw an improvement in Europe largely in wires for the automotive sector and for multimedia applications. Higher volumes and lower costs made it possible to return to profitability despite continued downward pressures on prices.
In North America the business benefited from the cutting of losses as a result of the sale of the business in the United States in September 2004, as well as significant demand for wires for transformers.

In the wire rod sector, business was affected by a shortage of cathodes in the market. As a result of its supply contracts, Nexans was able to meet both internal and external demand. Production units in France and Canada reached new delivery records with 448,000 and 260,000 metric tons respectively. External sales increased sharply in North America with volumes stable in Europe. This situation enabled Nexans to maintain profitability at a satisfactory level.

After years of decline in the bare wire segment, sales improved noticeably (up 3.9%). The fall in demand for standard conductors in the automotive sector, resulting from the relocation of customers, was offset by good sales in specialty products and a slight recovery in products for communication cables.

Income from operations showed a profit of 14 million euros compared to 10 million euros in 2003, all segments being profitable. This performance is largely due to the recovery of the winding wires business.

#### *1.2.4.2 By geographical area*

**Europe:**

Sales in Europe in 2004 totaled 3,048 million euros at constant non-ferrous metal prices, up 3% on 2003. This region faces major challenges, as it has the lowest operating profitability and the most difficult economic conditions.

In Telecom cables, the restructuring measures undertaken in France and Spain yielded a significant improvement in profitability, especially in cables for equipment suppliers and telecom operators (driven by the growth of ADSL) and in cables for private networks.

Energy continues to be a key contributor with operating profitability of 3.7%, sharply up thanks to recovery in low voltage cables for the building sector, despite continued difficult market conditions, in particular in Germany, Benelux and France. Weak economic growth in France and Germany and a lack of industrial investment have weighed heavily on the industrial applications cables business. Only a few segments, such as harnesses for the German high-end automotive sector and safety cables, saw significant growth.

In low and medium voltage cables for energy networks, growth in export sales made it possible to offset the fall in EDF orders in France. In other countries, demand was generally stable. Orders and deliveries of high-voltage cables and umbilical cables, largely for export to the Middle East and the Americas, were up significantly in 2004 in a market with a large number of projects and where Nexans is one of the leaders.

In the electrical wires segment, wire rod maintained volumes at 2003 levels largely thanks to intra-Group deliveries. External sales shrank slightly in a more competitive market, which resulted in lower profitability. Driven by favorable market conditions and benefiting from the cost reductions undertaken in 2003 and 2004, the winding wires business recovered in 2004.

**North America:**

In North America, Nexans recorded sales in 2004 of 697 million euros at constant non-ferrous metal prices, an increase of 5.8% (or of 13.9% at constant exchange rates and on a comparable scope of consolidation) compared to 2003.

In the Telecom sector, in a stable market environment, sales of copper LAN cables grew by 14% as a result of a market movement towards higher value-added products (category 6) and the growth of Nexans' market share. Similarly, sales of optical fiber LAN cables rose by 22%, largely as a result of growth in new markets. The major sales drive undertaken in cables for aerospace and shipbuilding has resulted in a significant increase in sales although conditions were more difficult than expected.

Business in the energy cables sector was driven by continued high demand in Canada and by higher demand in the United States, in particular for cables for residential buildings and for energy networks. Despite the negative impact of the drop in the US dollar, which makes products manufactured in Canadian plants less competitive, Nexans sales in the United States grew by 18% in 2004.

In the electrical wires segment, the wire rod business, with an increase in  external sales at standard copperof over 25%, maintained satisfactory profitability. The situation was somewhat different in the winding wires business in the United States where difficulties at the Lagrange plant (Kentucky) led to the sale of the business to Superior Essex and the closure of the site. In wires for transformers, manufactured at the Simcoe plant (Canada), demand remained strong and increased productivity resulted in a significant improvement in the profitability of this unit.

**Asia**

In Asia, sales rose from 175 million euros in 2003 to 214 million euros in 2004, representing an increase of 22% or 18% at constant exchange rates, on a comparable scope of consolidation. The Nexans Group generated sales of around 350 million in this area in 2004.

In Korea, sales rose by 33.7%, or 18.2% on a comparable scope of consolidation (takeover of the Korean company Kukdong in May 2003). This performance is largely due to the energy sector.

Nexans Korea's sales of cables for the building sector increased sharply due to its dynamic sales policy, as did its sales of cables for the automotive sector, a sector driven by the growth in Korean exports. Kukdong, a leader in the shipbuilding cables sector, benefited from the heavy workload at Korean and Japanese shipyards to grow sales by 19%. However, this performance was not accompanied by an improvement in the operating margin, which suffered from the delay in passing on higher raw material prices to its customers.

In Vietnam, sales (up 21%) were driven by the strength of economic growth and investments in telecommunication infrastructures.

In China, sales grew sharply thanks to sales of locally manufactured ADSL cables and the high demand for LAN cables. However, the rise in raw material prices and increased competition impacted margins resulting in a fall in profitability.

The construction of the shipbuilding cable production plant in Pudong continues on schedule and within budget. It is expected that the first cables will be manufactured at the start of Q2 2005.

**Rest of the world**

Sales in this area grew sharply: 200 million in 2004 at constant non-ferrous metal prices compared to 131 million in 2003. This increase is due to a change in the scope of consolidation resulting from the acquisition in March 2003 of Furukawa's energy cable business in Brazil and the takeover in July 2004 of the Liban Câbles Group. Sales grew by 22% on a comparable scope of consolidation.

This performance is the result of an excellent performance in Morocco in low and medium voltage cables as part of the multi-year countryside electrification program, the success of Nexans Turkey in its domestic market and the export of cables for the building sector as well as of very significant growth in overhead power cables in Brazil.

The takeover of the Liban Câbles Group makes Nexans a major player in the Middle Eastern cable market and puts it in a position to grow in a region where there are a large number of investment projects.

## 2 - Progress made and difficulties encountered

Progress was made in the development and implementation of major projects launched in previous years.

In the industrial sector, continued improvements in performance contributed significantly in 2004 to increased productivity (up 4% compared to 2003), and reduction of the level of waste by 0.5 points, i.e. a reduction of around 10%.

The network for sharing and exchanging methods and best practices between industrial entities is a key component of the Program+ performance improvement program. Its rollout continued on several production sites thanks in particular to the contribution made by the P+ training program: in addition to the training of 50 Program+ Developer specialists across 40 sites, the Group is also focusing on the training of department heads and supervisory staff.

As part of the 2004-2007 strategic plan, the IT department continued to reduce costsn which were down to 1.4% of sales (at standard copper) in 2004, demonstrating that 1.2% can be achieved in 2007, compared to 1.7% in 2002.

This improvement has resulted from organizational changes and amendments to existing contracts, whilst renewal of hardware and software has been maintained where necessary, as well as improvements in productivity and the development of services.

The largest contracts (data network, application hosting) were renegotiated in order to generate savings of between 20% to 30%. In terms of applications, the Group switched several units to SAP, including those located in Germany and in Greece.

Moreover, significant efforts were made to support development in newly acquired companies (Korea, Brazil) or new production units (China).

In the realm of new technologies, and in order to meet the dual goal of improving performance and cutting costs, all Internet, Intranet and e-Service platforms were migrated to Open Source. Business intelligence systems were also developed in order to closely monitor market segments and key customers, a goal of the Group's strategic plan.

A new consolidation and reporting system was implemented, further improving the quality of financial information and making it possible to fully comply with the new standards (IAS – IFRS).

2004 also saw an unprecedented increase in IT-related security problems. A series of preventive and corrective measures, together with the implementation of action plans, procedures and audits made it possible to effectively combat phenomena such as viruses, spam, intrusion, etc.

The difficulties encountered by Nexans were related to increases in the price of its supplies and its ability to pass them on in its sales prices. For products with catalogue prices, it was not possible to pass on the dramatic rise in the copper price in Q1 2004 (up 35% in 3 months) straightaway, which significantly reduced the profitability of these products at the start of the year. The rise in the oil price was accompanied by a very significant increase in by-products or related services: the price of polyethylene, PVC and plasticizers increased on average by 15%. These increases were largely passed on to the market.

The absence of a recovery in industrial investment, in particular in Germany, weighed on demand for special cables. This caused a significant decline in the workload at certain plants, in particular in Moenchengladbach (Germany), and led to the implementation of a plan to reduce capacity in Q4 2004. In the United States, the closure of the winding wires production plant in Lagrange (Kentucky) was finalised in August 2004, following the sale of the business to Superior Essex.

## 3 - Research and Development

Nexans' R&D program is designed to maintain and improve its position in the market, by developing new products and improving the quality of the production processes through increased efficiency.

In 2004, Research and Development programs accounted for 47 million euros, i.e. slightly more than 1% of sales at standard copper prices.

In this domain, Nexans' capability consisting of approximately 450 people relying on high-performance equipment was dedicated to long-term projects (understanding mechanisms, development of innovative insulation and sheathing materials) as well as to short and medium-term R&D projects, such as the design and testing of new products and systems or the reduction of costs for existing products.

63 patents were registered for different areas of activity within Nexans, reflecting the quality of its specialist teams and of their work.

One of the highlights of 2004 was the grouping together, within the Nexans Research Center (NRC), of the teams in Lyon (France) and Nuremberg (Germany), who are specialists in the field of polymeric materials and processes for wires and cables. This multi-site group of some 60 personnel was, for example, involved this year in the development of Nexans product offering for cables with improved fire resistance properties.

In addition, nine competence centers are responsible for developing Nexans' technology. Their excellence was recognized both:

- by the awarded of the contract to develop industrial prototypes such as current limiters (a type of fuse for electrical networks) built in superconductive material (devices designed for 35 kV and 138 kV in the United States and for 110 KV in Germany); and
- by the accelerated development of new products such as high-speed data cables (10 Gigabit), LANmark-7 and cables for the automotive sector where specifications vary from vehicle manufacturer to vehicle manufacturer and from country to country.

## 4 - Priorities

After three years during which Nexans saw sales and profits fall in most of its businesses, 2004 marks a significant turnaround. This turnaround is the result both of an improvement in the economic climate in certain markets but also considerable efforts made to improve the Group's competitiveness through a series of reorganizations and restructurings.

In 2004, all teams worked on defining Nexans' priorities and on drawing up a market plan for the next three years.

The restructuring and reorganization phase must now be followed by a redeployment phase centered around three priorities:

- building long-term profitability,
- developing growth drivers,
- increasing the Group’s attractiveness for its customers and employees.

## 4-1 Building long-term profitability.

Building long-term profitability involves strengthening core operating income and making it less sensitive to the vagaries of the economic climate.

Growth potential, which is strong in developing countries, in Asia and in Eastern Europe in particular, continues to be more limited in Europe where 60% of the Group’s sales are generated.

In an increasingly global and open economy, the European units must improve productivity, cut costs to improve their competitiveness, particularly in export markets. Despite the efforts that have already been made, the Group must continue over the coming three years to:

- specialize plants and increase exchanges between units and countries,
- improve industrial performance through an investment policy axed on modernizing capability and by strengthening performance improvement programs such as “Program+”. Investments in this area, which have been less than depreciation for the past two years, will increase in 2005,
- cut indirect costs: the efforts made over the past two years have generated a 10% reduction. However, further reorganization will be necessary in certain countries in order to significantly reduce fixed costs.

In view of the above, the Group will invest around forty million euros per annum over the next three years.

Long-term profitability also depends on the Group’s capacity to benefit from its leadership position in its market and its purchasing power.

Purchasing is a potent means of improving competitiveness. By making better use of volumes that account for 2.8 billion euros in annual purchases, Nexans can in return gain long-term competitive advantages and enable new production units its acquires to benefit from them. Moreover, by building on its research, the Group aims to develop its business by the creation of added value around the cable product.

## 4-2 Developing growth drivers

Nexans operates in a very competitive environment with limited growth potential in the markets for its traditional commodity products, in particular in Europe where pressure on prices is unrelenting and differentiation is limited. In such a climate, improvement in performance depends on the search for excellence.

The Group's marketing teams have analyzed all cable markets and their potential, looking at the strengths and weaknesses, opportunities and benefits.

In certain high growth markets where Nexans has a strong position, the goal is to protect its leadership position and profitability.

The analysis also identified nineteen priority markets because of their potential and their size, with a view to increasing sales to these markets.

The following three segmentsfall into this group:

- superconductivity: accelerate the marketing of cables with electricity transmission capacity several times above that of traditional cables.
  Nexans is involved in the United States in the construction of the longest superconductor line in the world.
- fire resistance: Nexans is developing a range of products with improved fire resistance properties. These cables, currently marketed in Spain, will be made available throughout Europe with the launch of these cables in 2005 under the ALSECURE trademark.
- automotive cables: there is a growing need in this sector for cables that can operate at temperatures of 125°, which has led to PVC being replaced by halogen-free materials. Nexans has developed products meeting this requirement and is in the process of developing partnerships with harness manufacturers.

In addition, geographic areas were selected for the priority development of the Group's market share. In Asia, the Middle East and in Eastern Europe, the Group's goal is to significantly strengthen its presence by increasing sales, broadening the range of products on offer, signing partnership agreements and making acquisitions and developing production capacity.

The takeover of the Liban Câbles Group in the Middle East and the construction of the new special cables plant in Pudong on the outskirts of Shanghai are the most obvious examples. Further expansion projects should occur in 2005 with the aim of strengthening the Group's presence in these areas.

**4-3 Increasing the Group's attractiveness for its customers and employees**

Nexans needs to change its culture to make it more customer-oriented.

Programs to improve the efficiency of sales teams were launched throughout the Group. The sales organization was strengthened by the appointment of Global Product Managers, responsible for monitoring major markets and ensuring the development of the priority areas indicated above, and of Key Account Managers to better serve global customers with the help of global databases.

The implementation of these initiatives, undertaken in 2004, will be completed in 2005. All teams have been given incentives to meet these goals by the putting in place of attractive compensation programs.

In addition to launching training programs to improve sales force efficiency, human resources is focused on renewing skills and improving the management of resources.

### 4-4 Goals

Assuming raw material and energy costs stabilize, Nexans is confident in its ability to pursue its growth strategy to build long-term profitability, to develop the growth drivers it has identified and thereby increase its attractiveness. The encouraging results in 2004 make it possible to target growth of between 3% and 4% in 2005 at constant non-ferrous metal prices and exchange rates, as well as further improvement of its operating profit.
These improvements will represent a first step towards achieving its medium-term goals in 2007 of sales of 4.7 to 4.8 billion euros in a similar economic climate, generating an operating margin of 5% and a return on capital employed of 9.5% over the weighted average cost of capital.

## 5 - Significant events occurring since the end of the financial year

Further to the policy launched in 2004 in the United States, and in line with the Company's intention to withdraw from the winding wires business, Nexans signed a non-binding Memorandum of Understanding on February 2, 2005 with the American group Superior Essex in view of creating a joint-venture combining the majority of Nexans' European winding wires and varnishes business and Superior Essex's winding wires business in the United Kingdom. The joint-venture would be majority controlled by Superior Essex, with Nexans retaining a significant minority stake.

The non-binding Memorandum of Understanding also provides for negotiations between the two parties for the acquisition by Superior Essex of Nexans' 80% interest in Nexans Tianjin Magnet Wires & Cables Co Ltd, a winding wire joint venture in China.
The transaction is subject to consultation with works councils, customary due diligence, approval of certain third parties and execution of definitive binding agreements.

## 6 - Significant acquisitions during the financial year

During 2004, Nexans acquired the following direct and indirect stakes:

- Nexans acquired a controlling interest in the Liban Câbles Group increasing its equity stake from 35% to 94%. The Liban Câbles Group, which has a plant in Lebanon and two plants in Egypt via its subsidiaries International Cables Co SAE and International Specialized Cable Co., had consolidated sales of 73 million euros and 960 employees.

  This acquisition has strengthened the Group's presence in an area that promises significant growth over the coming years.

- Nexans acquired 100% of the share capital of Cabloswiss, a company specialized in the manufacture of special cables for industry., Cabloswiss, operating out of its plant in northern Italy, had sales of 15 million euros and employs 60 people.

  Through this acquisition, Nexans has strengthened its presence in a high value-added product sector.

- Nexans sold the winding wires business based at its Lagrange production site in the United States (Kentucky) to Superior Essex (United States). This amount of the transaction was approximately 9 million euros plus approximately 6 million euros in respect of accounts receivable due from customers net of trade payablest to be realised by Nexans, making a total of 15 million euros.

  The business transferred to Superior represents on an annual basis, approximately 35 millions euros in sales (calculated at standard copper cost).The restructuring measures following on from this disposal involved the termination of 130 employees and the closure of the Lagrange site (Kentucky).

  In North America, Nexans retains its production site in Simcoe, Canada (Ontario).

- Nexans also reached an agreement to purchase the minority stakes in Shanghai Nexans Kanghua Cable Co. Ltd (People's Republic of China) subject to the approval of the local authorities, and raised its stake in Nexans Tianjin Magnet Wires and Cables Co. Ltd (People's Republic of China) from 60% to 80%.

- Nexans increased its shareholding in the Norwegian company Norcable from 50% to 100%.
- In the second half of 2004 Nexans launched takeover bids of its two Korean subsidiaries, thereby increasing its stake (percentage of control) from 51.6% to 86% in Nexans Korea and from 50.3% to 53.9% in Kukdong Electric Wire.

Following this transaction, Nexans Korea was delisted from the Korean Stock Exchange at the end of December 2004. Nexans undertook to purchase the shares of minority shareholders at the previously offered price for a period of six months following the company's delisting.

- In the energy accessories segment, Nexans acquired Thomas & Betts' shareholding in Euromold giving it full control of the company, compared to the 50.1% in the share capital held previously by Nexans.

Nexans also announced that it had entered into negotiations with Superior Essex for the sale of a controlling interest in its European and Chinese winding wires business (see section 5).
At the end of the 2004 financial year, Nexans owned 99.99% of Nexans Participations and 100% of Nexans France.

## 7 - Proposed allocation of income

The Ordinary Annual Shareholders' Meeting will be invited to approve the allocation of net income for the financial year, representing a loss of 12,231,434.62 euros, as follows:

| | |
|---|---|
| - Retained earnings from previous year | 85,672,524.73 euros |
| - Income for the current accounting period | (12,231,434.62) euros |
| - Allocation to the legal reserve | 0.00 euros |
| **Total distributable income** | **73,441,090.11 euros** |

**Appropriation of income**

| | |
|---|---|
| - 0.50 euros per share,<br>i.e. distribution of dividends totaling a maximum of | 11,913,673.50 euros |
| - Minimum retained earnings after distribution | 61,527,416.61 euros |
| *Total* | *73,441,090.11 euros* |

The Ordinary Annual Shareholder's Meeting will be invited to approve the distribution of a dividend of 0.50 euros per share. The maximum total amount of dividends payable will be 11,913,673.50 euros based on the maximum number of shares making up the share capital on the day of the Ordinary Annual Shareholders' Meeting convened to approve the distribution of the dividend being 23,827,347[1].

[1] On the basis that 23,827,347 shares will represent the maximum total number of shares that can exist on the day of the Ordinary Annual Shareholders' Meeting convened to vote on the distribution of the dividend, taking into account options to subscribe to new shares which may have been exercised by that date.

If the number of shares making up the share capital carrying a right to a dividend is less than 23,827,347at the date of the Shareholders' Meeting, then the amounts corresponding to dividends not paid based on the number of shares (excluding treasury stock) effectively making up the share capital at such date shall be allocated to retained earnings.

The dividend will be paid in the week after the Ordinary Annual Shareholders' Meeting convened to approve the financial statements for the financial year ended December 31, 2004.

If Nexans still holds treasury stock at the time of payment of the dividend, the amount corresponding to dividends not paid on these shares shall be allocated to retained earnings.

Pursuant to article 243A of the French "Code Général des Impôts" (CGI), the total amount of dividends paid, i.e. a maximum sum of 11,913,673.50 euros, will qualify for the 50% relief provided for in Article 158, paragraphs 2 to 3 of the French "Code Général des Impôts".

The amount of dividends and the corresponding tax credits paid over the past three years is as follows:

| | **Net dividend** | **Tax credit** | **Gross dividend** |
|---|---|---|---|
| 2001 | 0.43 euro | 0.215 euro | 0.645 euro |
| 2002 | 0.20 euro | 0.10 euro | 0.30 euro |
| 2003 | 0.20 euro | 0.10 euro | 0.30 euro |

## 8 - Net income over the past five years

In accordance with Article 148 of the Decree of March 23, 1967, a table detailing the company's financial results for the previous five financial years is annexed to this report.

## 9 - Non tax-deductible expenses

No non tax-deductible expenses, as defined in paragraph 4, Article 39 of the French "Code Général des Impôts," were incurred during the 2004 financial year.

## 10 - Board of Directors

### 10.1 Term of office and role of members of the board of Directors

The Board of Directors comprises ten members.

Gérard Hauser has been Chairman of Nexans since October 17, 2000. He sits on the Board of Directors of Alstom, Faurecia, Aplix and Electro-Banque.

Gianpaolo Caccini, Director, is President of Assovetro, the Italian Association of Glass Manufacturers. He is a member of the Board of Directors of Saint-Gobain, Saint-Gobain Corporation (United States) and of JM Huber Corporation (United States).

Georges Chodron de Courcel, Director, is Chief Operating Officer and a member of the Executive Committee of BNP Paribas. He is Chairman of Financière BNP Paribas SAS, Compagnie d'Investissement de Paris SAS, BNP Paribas Emergis SAS and BNP Paribas (Suisse) SA, all subsidiaries of BNP Paribas. He is a director of Bouygues, Alstom, Verner Investissements SAS and Erbé SA (Belgium). He is also a member of the Supervisory Boards of Lagardère SA, Sagem and observer of Scor SA and Scor Vie.

Jacques Garaïalde, Director, is the Managing Director of KKR (Kohlberg Kravis Roberts & Co. Ltd.), with responsibility for developing LBO activities in Southern Europe. He is also a Director of Legrand.

Patrick Puy, Director, is currently Senior Advisor to Alvarez & Marsal France and a member of the Board of Directors of Souvigel.

Ervin Rosenberg, Director, is advisor to the Chairman and a member of the Supervisory Board of Compagnie Financière Edmond de Rothschild Banque, Chairman and CEO of Compagnie Financière Savoisienne and a member of the Supervisory Boards of LCF Rothschild Financial Services and of Mobility Benefits.

Jean-Louis Vinciguerra, Director, is Chairman of INNOFIN, a strategic financial advisory firm, and financial adviser to AKFED (Aga Khan Fund for Economic Development).

Jean-Marie Chevalier, Director, is Professor of Economics at Université de Paris IX Dauphine and a Director of Cambridge Energy Research Associates (CERA), a US-based energy strategic advisory firm in the energy market, and head of the Paris office.

Colette Lewiner, Director, is Vice-Chairman, Sector Leader Energy and Utilities and Global Marketing Leader of Cap Gemini. She is also a member of the Information Technology

Strategic Advisory Board (reporting to the Prime Minister) and a member of the Académie des Technologies.

Yves Lyon-Caen, Director, is CEO of Béri 21 (holding company of Bénéteau SA) and a director of Bénéteau SA.

### 10.2 Directors′ interests and compensation for the financial year

The Chairman and CEO's total gross compensation in 2004, before tax and including benefits in kind and directors' fees, amounted to 1,365,527 euros (DADS basis). Pursuant to the authorization granted by the Combined General Shareholders' Meeting of June 5, 2003, the Board of Directors granted 125,000 stock options to the Chairman and CEO on November 16, 2004, at an exercise price of 27.82 euros.

The members of the Board of Directors were paid Directors' fees in respect of their duties on the Board of Directors, the Accounts Committee and the Appointments and Compensation Committee in consideration of their attendance and participation in said committees. Thus, Ervin Rosenberg received 32,000 euros, Georges Chodron de Courcel and Jean-Louis Vinciguerra each received 31,000 euros, Gianpaolo Caccini and Patrick Puy each received 29,000 euros, Gérard Hauser, Jean-Marie Chevalier and Jacques Garaïalde each received 25,000 euros. Colette Lewiner received 18,750 euros and Yves Lyon-Caen 16,750 euros. Therefore a total of 262,500 euros was paid in Director's fees to members of the Board of Directors at the beginning of 2005.

## 11 - Information on share ownership and voting rights

According to the notifications received, the shareholders holding more than 5% of the company's capital or voting rights on December 31, 2004 are:

| Shareholders | % of share capital December 31, 2004 | % of voting rights December 31, 2004* |
|---|---|---|
| Alcatel | 15.04% | 28.14% |
| FMR Corp and Fidelity Ltd (USA-UK) | 5.03% | 4.79% |
| Dodge & Cox (USA) | 5% | 4.79% |
| Brandes (USA) | 5.2% | 4.95% |

| | | |
|---|---|---|
| Tweedy Browne (USA) | 9.2% | 8.74% |
| Treasury stock | 9.60% | 0% |

* By virtue, in particular, of the ownership of 3,376,358 shares carrying double voting rights less treasury stock, without taking into account the limitation in the articles of association restricting these voting rights to 8% at e General Shareholders' Meeting or 16% in the event of double voting rights.

Employees held 0.96% of the share capital (93.91% of this total via an employee mutual fund) on December 31, 2004.

At December 31, 2004, the share capital was 23,189,947 euros divided into 23,189,947 shares with a nominal value of 1 euro each, and included 43,975 stock options exercised in the period from January 1 to June 30, 2004 and 17,000 stock options exercised in the period fromJune 30 to December 31, 2004.

There were 3,376,358 shares with double voting rights and the total number of voting rights was 24,345,106.

Pursuant to the articles of association, no shareholder, whether acting on his own behalf or as proxy for another shareholder, may exercise more than 8%of the voting rightsattached to shares presented or represented at Shareholders' Meetings, or 16% of the voting rights attached to the shares of all shareholders presented or represented at Shareholders' Meetings in the case of double voting rights, when voting on resolutions at Shareholders' meetings.

## 12 - Share buyback program

Pursuant to the information notice No. 04-358 registered with the AMF (French financial markets authority) on May 3, 2004, the Combined Shareholders' Meeting of June 3, 2004 authorized the Company to purchase or sell its own shares on the terms and conditions fixed by the Combined Shareholders' Meeting. No use had been made of this authorization as of December 31, 2004.

On December 31, 2004, the Company held 2,221,199 of its own shares, including shares it had acquired during previous buyback programs, which represented 9.60% of its issued share capital.

## 13 - Report on use made of authorizations to increase share capital

Pursuant to the authorization granted by the Combined General Shareholders' Meeting of June 5, 2003, the Board of Directors decided on November 16, 2004, to grant 403,000 stock options conferring the right to subscribe for new shares in the company at an exercise price of 27.82 euros, to be issued by way of increasing in the share capital of the Company and in order to give management and employees a stake in improving the Group's profitability, and to recognize the part they play, directly and indirectly, in the Group's performance.

On December 31, 2004, 1,478,275 stock options to subscribe to Nexans' shares reserved to employees and representing 6.37% of the share capital had not been exercised. Each option gives the right to subscribe to one Nexans share.

Pursuant to a decision of the Board of Directors on June 3, 2004, by virtue of the authorization granted by the tenth resolution of the Combined Shareholders' Meeting of June 3, 2004, the Company issued convertible bonds for an amount of 135 million euros, convertible into and/or exchangable for new or existing shares (OCEANE).

A table of the authorizations granted by the Shareholders' Meeting relating to capital increases and which are still valid is annexed hereto.

## 14 - Management by Nexans of the social and environmental consequences of its activity

### 14.1 Environmental consequences of its business activity

#### 14.1.1 Nexans' policy on environmental issues

The environment and the safety of property and employees are of primary importance to Nexans. The Group's policy is outlined in the Risk Management Charter signed by the Group's Chairman which is sent to all sites worldwide and is available on the Intranet. This charter covers improvement in performance through auditing production sites as well as the assessment of risks relating to products and manufacturing processes.

Nexans' commitment to environmental protection is also reflected by its policy of training its employees in environmental best practices.

Within the Group's organization, the Group's environmental policy is the responsibility of the Industrial Department which reports directly to the Strategic Operations Department. The Industrial Department supervises industrial strategy, investment budgets, the management of major industrial projects and databases. The department also manages cross-organizational projects, in particular product and process development, as well as the Group's plant and machinery. In each of these areas, it ensures that conservation and environmental protection requirements are fully complied with.

The environmental rules and targets fixed by the Industrial Department apply to Group operations worldwide, including international subsidiaries.

The performance improvement program for production sites is monitored by the Environment Committee, which brings together the Strategic Operations Department, the Industrial and Technical Department, the Purchasing Department and the Communications Department.

**Environmental management: measures taken to ensure applicable rules are respected**

Nexans has had an internal environmental management system in place for approximately ten years. Its objective is to reduce pollution risks and control environmental costs (consumption of energy, raw materials and hazardous substances, waste disposal and recycling).

Through this system and in accordance with the ISO 14001, all the Group's facilities are reviewed annually (via a questionnaire) against a list of 33 environmental indicators. The list changes each year in accordance with regulatory developments and those areas which the Group wishes to improve. In 2004, a number of points were added covering waste recycling and reuse, but related also to the identification of major environmental risks (accompanied by specific crisis management plans) and the storage of hazardous liquids.

A Group environmental manual, approved by the Executive Committee, was drawn up and sent to all production sites, describing the procedures applied by  Nexans Environmental Management system.

It is a reference document both for existing Environmental Management systems and for those yet to be installed in plants. It describes the Group's organization and the role of Country Management in the implementation of the Group's Environmental Policy.

Once the questionnaires have been analyzed, recommendations are sent to the sites in the form of summaries and graphs. They enable the situation to be corrected through action plans that are tailored to the sites so as to improve their environmental management.

At December 31, 2004, the amount of provisions recorded for environmental risks was 6,891,000 euros.

### An objective external audit system

In 2003, the Group launched a program of environmental audits which are realised by an external specialist.

Since 2004, twenty-five sites are audited each year, and if found to be well managed environmentally are awarded the EHP label, denoting compliance with the highest environmental standards; of the twenty-five sites audited in 2004, 14 were awarded this label: 4 in France, 4 in Germany, 1 in Norway, 1 in the United Kingdom, 2 in the United States, 1 in Belgium, 1 in South Korea.

Those sites that were not given the EHP label were given recommendations to implement in order to achieve the required level and took the necessary corrective action. These actions are included in the plants' 3-year plans.

The environmental audit program, which is the same for all the sites audited, is a means of checking the consumption of materials (water, solvents, energy, packaging, etc.), discharges into the air and water, ground protection, the condition of storage facilities, volume of waste and recycling methods, as well as the impact of our activities in terms of noise. In addition to this highly efficient system, certain of the Group's plants are undergoing ISO 14001 certification. For example, the Paillart site in France was granted ISO 14001 certification in 2004.

## 14.1.2 Environmental consequences of business activity and measures taken to limit the impact

The environmental impact of Nexans' business activities, per sector, can be summarized as follows:

### Copper and aluminum metallurgy

The main resources used are energy (natural gas) and water, used for steam and cooling. Most of the water consumed is recycled (95%).

## Copper power and telecom cables

Conductor manufacturing (drawing and stranding) consumes electrical power for annealing and oily water for drawing lubrication. Wastewater is filtered, treated and recycled. For example, around 60,000 euros were invested in filtering drawing lubricants in a conductor plant in Northern France.

Extrusion cable manufacturing requires large quantities of water for cooling, which are recycled. Consumption thus remains low.

Air emissions are low as they are treated by filter vacuum cleaners specific to each facility.

Solvent consumption (mainly for marking inks is handled separately: small storage cabinets or fume hoods are used to clean the ink jets or wheels) is very low in comparison to the large volume of cables manufactured.

## Winding wires

Compared to Nexans' other production processes, the manufacture of winding wires requires more solvents (4,900 metric tons in 2004) for the manufacture of varnish and more energy for the drying of varnishes.

Specific investment is being made to reduce emissions of solvent vapor into the air. At the Chauny (Aisne) plant, for example, 75,000 euros were invested in 2004 in varnish application technology to comply with new European legislation on emissions.

Enameling varnish is manufactured at Nexans' only Seveso 2 (low level) classed site, located in Meyzieu in France. This site complies with all applicable legislation, especifically its plan for the prevention of major hazards.

## Waste recycling: a dedicated subsidiary

The Nexans Group is very involved in the recycling of its manufacturing waste. RIPS, a Nexans subsidiary based in Calais, recycled 18,700 metric tons of cable waste in 2004, which was collected from all the Group's European manufacturing plants.

Thorough sorting of factory waste combined with the recycling of cable waste means that the majority of waste - wood, paper, cardboard, ferrous materials, machine oil, batteries, special waste, etc. – is reused in some way.

Specific investments have been made in this regard. For example, 36,000 euros was invested at the Charleroi (Belgium) plant to install waste containers with color-coding for optimized sorting, and 12,000 euros was invested at Chauny to install container hoists.

### Environmental indicators

The following indicators allow the monitoring of changes in environmental impact during 2004. These figures should be interpreted in light of the strong upsurge in business, with sales rising 7.8%.

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| Energy consumption<br>including electricity | 1,850,722 MWh<br>951,712 MWh | 1,876,470 MWh<br>981,470 MWh | 1,980,000 MWh<br>1,018,000 MWh |
| Waste in metric tons<br>including<br>special waste | 98,931 t<br>10,790 t | 101,400 t<br>11,100 t | 103,000 t<br>10,900 t |
| Number of sites monitored | 88 | 88 | 86 |
| Water consumption | 5,096,566 $m^3$ | 5,100,000 $m^3$ | 5,500,000 $m^3$ |
| Solvent consumption in metric tons including Meyzieu | 9,890 t<br>+ 1,800 t | 8,150 t | NA |
| Copper consumption in metric tons | 830,000 t | 760,000 t | 800,000 t |
| Aluminum consumption in metric tons | 130,000 t | 90,000 t | 90,000 t |

Aluminum consumption increased as a result of the integration of Lorena in Brazil (+ 25,000 t)

These figures are an estimate for the Group as a whole based on the data collected.

Beyond the measures indicated above, it should also be noted that particular effort has been made, especially in France, to eliminate transformers with askarel (PCB) by 2010 under a multi-year plan, to replace oil fuelled boilers with less polluting gas boilers, as well as to gradually phase out single-walled underground storage tanks.

There is specific monitoring of the retention of liquids in storage and operational areas, for example oil storage.

## Environmental expenditure

Environmental related investments are summarized in the following table:

| 2004<br>K EUR | Soil and water protection | Air protection and energy savings | Waste reduction | Noise | Elimination of transformers with PCBs (in France) |
|---|---|---|---|---|---|
| Amount | 1,367 | 303 | 306 | 54 | 295 |
| Total | 2,325 | | | | |

In 2003, 1.8 million euros were invested.

### Environmentally-friendly products and solutions

Nexans' R&D program also serves the environment. Many of our ongoing R&D programs are for the development of safer, less polluting and more energy-efficient products. Examples include aluminum welded high-voltage cables - an improvement on the old lead sheaths -, return conductors for submarine cables that are friendlier to the marine environment, and superconductor cables that emit no electromagnetic radiation. There is also extensive research underway into flame-retardant/fire-resistant cables. More generally, underground cables reduce the visual impact and nuisance associated with overhead lines, while the cables and equipment for wind turbines produced by the Group are contributing indirectly to the development of alternative, clean sources of energy.

### Wastewater management and treatment

The current degradation of groundwater tables and the global water shortage problem is a priority issue in any sustainable development program. Nexans is addressing these problems by stepping up monitoring of the retention of pollutant liquids in storage and operational areas. The Group is also investing specifically in wastewater treatment systems. For example:

- in Buizingen, Belgium (water treatment facility - 35,000 euros),
- in Chauny, France (liquid waste treatment facility - 115,000 euros),
- in New Holland, USA (improvment of the cooling of recycled water - 300,000 euros),
- in Fumay, France (study designed to separate the wastewater networks - 80,000 euros),
- in Mönchengladbach, Germany (water protection - 135,000 euros),
- in Charleroi, Belgium (hydrocarbon separator - 26,000 euros)..

Pollution from water used to extinguish fires is also a concern for Nexans and actions have been taken for its containment. For example:

- construction of walls along the riverbank in Paillart,
- study in Mehun to use the car park for retention,
- use of an underground cellar in Neunburg,
- installation of inflatable balloons to seal the water networks in Neunburg, Paillart and Arolsen.

### 14.2 Social aspects

Nexans' holding company employs the eight members of the Executive Committee, only seven of which are employees. All are high-level executives who organize their working schedule as they see fit and are not subject to any fixed working hours. Their remuneration is therefore not based on hourly rates.

Nexans Group has a decentralized staff management system both in France and abroad. Each entity determines and organizes its working hours, training, salary levels, etc. in accordance with applicable laws and regulations in force and the conditions specific to its business activity, subject to the control of the Group's management.

Starting in 2004, the Group has centralised certain consolidated information to enable its development to be monitored. In addition to the male/female breakdown, details are collected of the number of hours spent on training (224,000 hours in 2004), the rate of absenteeism (4.58% in 2004), the incidence rate (26.7 in 2004) and the work injury severity rate (0.92 in 2004), as well as an age pyramid.

**Changes in number of employees**

***Consolidated Group***

| | |
|---|---|
| 2001 | 18,000 employees |
| 2002 | 17,139 employees |
| 2003 (women: 16% of total; men: 84% of total) | 17,068 employees |
| 2004 (women: 17 % of total; men: 83 % of total) | 17,662 employees |

In 2004, Nexans consolidated within its scope 984 people through the acquisition of Norcable in Norway, Cabloswiss in Italy, ICC in Egypt and Liban Cables.

On a comparable scope of consolidation, headcount was down by 390, particularly in France and in the United States with the closure of the Lagrange plant.

March 9, 2005,

The Board of Directors
Represented by Gérard Hauser
Chairman and CEO

### Existing authorizations given to the Board of Directors to issue securities (year ended December, 31, 2004)

| DATE AUTHORIZATION WAS GRANTED AND FORM OF AUTHORIZED SHARE ISSUANCES | MAXIMUM NOMINAL AMOUNT IN EUROS (1) | EXPIRATION DATE OF THE AUTHORIZATION | USE |
|---|---|---|---|
| **SECURITIES REPRESENTING SHARE CAPITAL** | | | |
| **June 5, 2003**<br>**Issuance of shares by the exercise of stock options granted to certain employees or Board members** | 900,000 euros | April 2, 2006 | Board of Directors meeting of November 16, 2004: 403,000 stock options granted |
| **SECURITIES NOT REPRESENTING SHARE CAPITAL** | | | |
| **June 3, 2004:**<br>**Issuance of securities giving immediate or future access to share capital (2)**<br>With preferential subscription rights:<br>• Shares (R8) | 15,000,000 euros (3) | 2005 AGM | |
| Without preferential subscription rights:<br>• Convertible bonds (R9)<br>• Other marketable securities representing debt giving access to share capital (R10) | Individual and aggregate ceiling for R9 and R10:<br>Shares: 10,000,000 euros (3)<br>Debt: 250,000,000 euros | 2005 AGM | Offering by Nexans of bonds convertible into and/or exchangeable for new or existing shares (OCEANE) for a total of 135 million euros / 3,552,632 bonds at par and at the conversion / exchange rate of 38 euros |
| **Issuance of shares by capitalization of premiums, reserves, profits or other reserves (R11)** | 15,000,000 euros | 2005 AGM | |
| **Issuance of shares reserved to members of employee savings plan (R12)** | 500,000 euros | 2005 AGM | |

(1) The maximum nominal amount of share capital increases that can be realized corresponds to the maximum number of shares that can be issued where the nominal share value is 1 euro.

(2) The abbreviation "R" between brackets indicates the number of the Resolution proposed to the June 3, 2004 Annual Shareholders' Meeting.

(3) The nominal amount of share capital increases that can be realized with or without preferential subscription rights under resolutions 8 through 10 cannot exceed an aggregate total of 15 million euros.

Financial results of the Company over the last five financial years

| NATURE OF INDICATIONS | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|
| **I- Share capital at the end of the financial year** | | | | | |
| a) Share capital (in thousands of euros) | 23,190 | 23,129 | 23,121 | 25,000 | 25,000 |
| b) Number of issued shares | 23,189,947 | 23,128,972 | 23,121,472 | 25,000,000 | 25,000,000 |
| **II- Operations and Income of financial year (in thousands of euros)** | | | | | |
| a) Net sales | 10,265 | 8,233 | 5,040 | 6,758 | - |
| b) Income before tax, employee profit sharing, depreciation and amortization | - 8 ,067 | 8,068 | 31,981 | 60,735 | 28,727 |
| c) Income tax | 169 | 0 | 0 | 293 | 957 |
| d) Employee profit sharing for the financial year | 124 | 117 | - | - | - |
| e) Income after tax, employee profit sharing depreciation and amortization | -12,231 | 7,770 | 32,318 | 60,105 | 27,770 |
| f) Distributable income | | 5,865 | 4,180 | 10,000 | 20,000 |
| **III- Income per share (in euros)** | | | | | |
| a) Income after tax, employee profit sharing but before depreciation and amortization | -0.35 | 0.35 | 1.38 | 2.42 | 1.11 |
| b) Income after tax, employee profit sharing and after depreciation and amortization | - 0 .53 | 0.34 | 1.40 | 2.40 | 1.11 |
| c) Dividend per share | 0.50 | 0.20 | 0.20 | 0.43 | 0.80 |
| **IV- Employees** | | | | | |
| a) Average headcount during the financial year | 7 | 7 | 7 | 7 | - |
| b) Gross salaries paid during the financial year (in thousands of euros) | 2,947 | 2,693 | 2,235 | 2,511 | - |
| c) benefits in kind paid during the financial year (in thousands of euros) | 973 | 889 | 738 | 829 | - |