



## 2006 Full Year Results



January 31, 2007

# Safe Harbor

This presentation contains forward-looking statements relating to the Group's expectations for future financial performance, including sales and profitability.

The forward looking statements contained in this presentation are dependent on known and unknown risks, expectations and assumptions, uncertainties and other factors which may cause the Group's actual results, performance and objectives to be materially different from those indicated by the forward looking statements.

These forward looking statements depend amongst others on the following assumptions and risks :

(1) the rates of economic growth in the zones where Nexans is active remaining at current levels until 2009; (2) the continued strong demand of the energy infrastructure market in particular in developing countries and of the Oil & Gas sector; (3) the possibility to pass on to final customers increases in the costs of raw materials, energy and transport; (4) the management of risks associated with sales in turnkey projects; (5) the effect of currency fluctuations being neutral; (6) the Company being able to modify customer and supplier payment terms for metals; (7) the Company being able to reduce its cost base through realization of restructuring actions in the anticipated time frame; (8) the Company being able to achieve productivity improvements; (9) retention of key customers, (10) the absence of substantial capacity increases by competitors in Nexans' key markets, (11) the Company successfully integrating acquisitions ; and (12) the Company being able to adapt its organization.

Investor relations:

Michel Gédéon

Tel: 33 1 56 69 85 31

E-mail: [michel.gedeon@nexans.com](mailto:michel.gedeon@nexans.com)

Fax: 33 1 56 69 86 35



## 1 **Achievements and outlook**



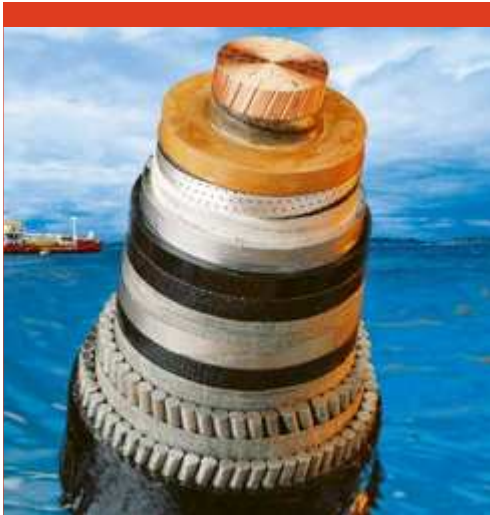
## 2 **Financial results**



## 3 **Medium-term strategy and plan**



## 4 **Appendices: Performance by businesses**



## Achievements and Outlook

**Gérard Hauser**  
Chief Executive Officer

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## Exit from winding wires activities

- ▶ Signature of a sale agreement with Superior Essex concerning the remainder of the winding wires business :
  - In Canada : 100 % Simcoe, a division of Nexans Canada
  - In China : 80 % of Nexans Tianjin (the entire group share)
  
- ▶ Key figures of the business divested
  - Impact on consolidated sales  $\cong$  69 M€ at constant copper price (\*)
  - EBITDA = 5.5 M€ (basis 100 %)
  - Headcount = 330
  
- ▶ Sale price = 32 M€
  
- ▶ Closing expected in the second quarter of 2007

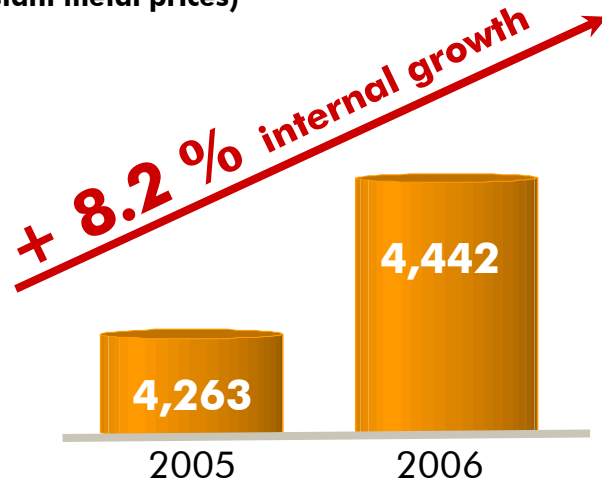
(\*) 46 M€ reduced by continuing sales to Superior Essex



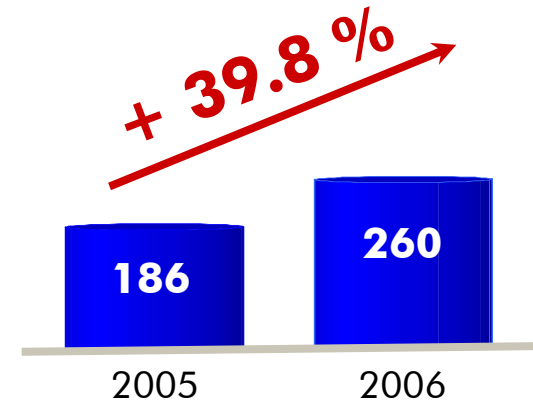
# 2006 : Growth and Profitability

**Sales (\*)**  
(at constant metal prices)

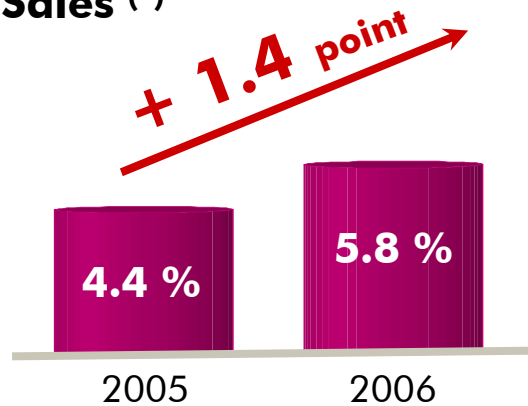
In M€



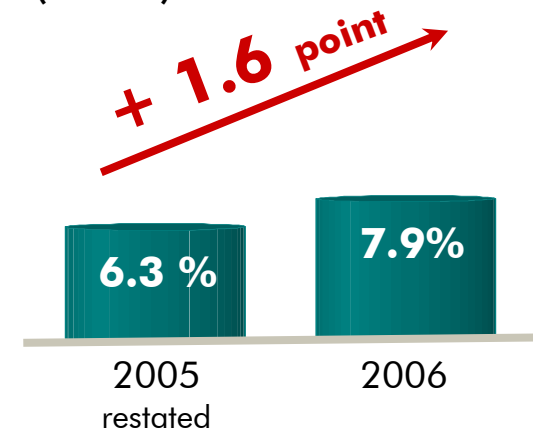
**Operating Margin (\*)**



**OM/Sales (\*)**



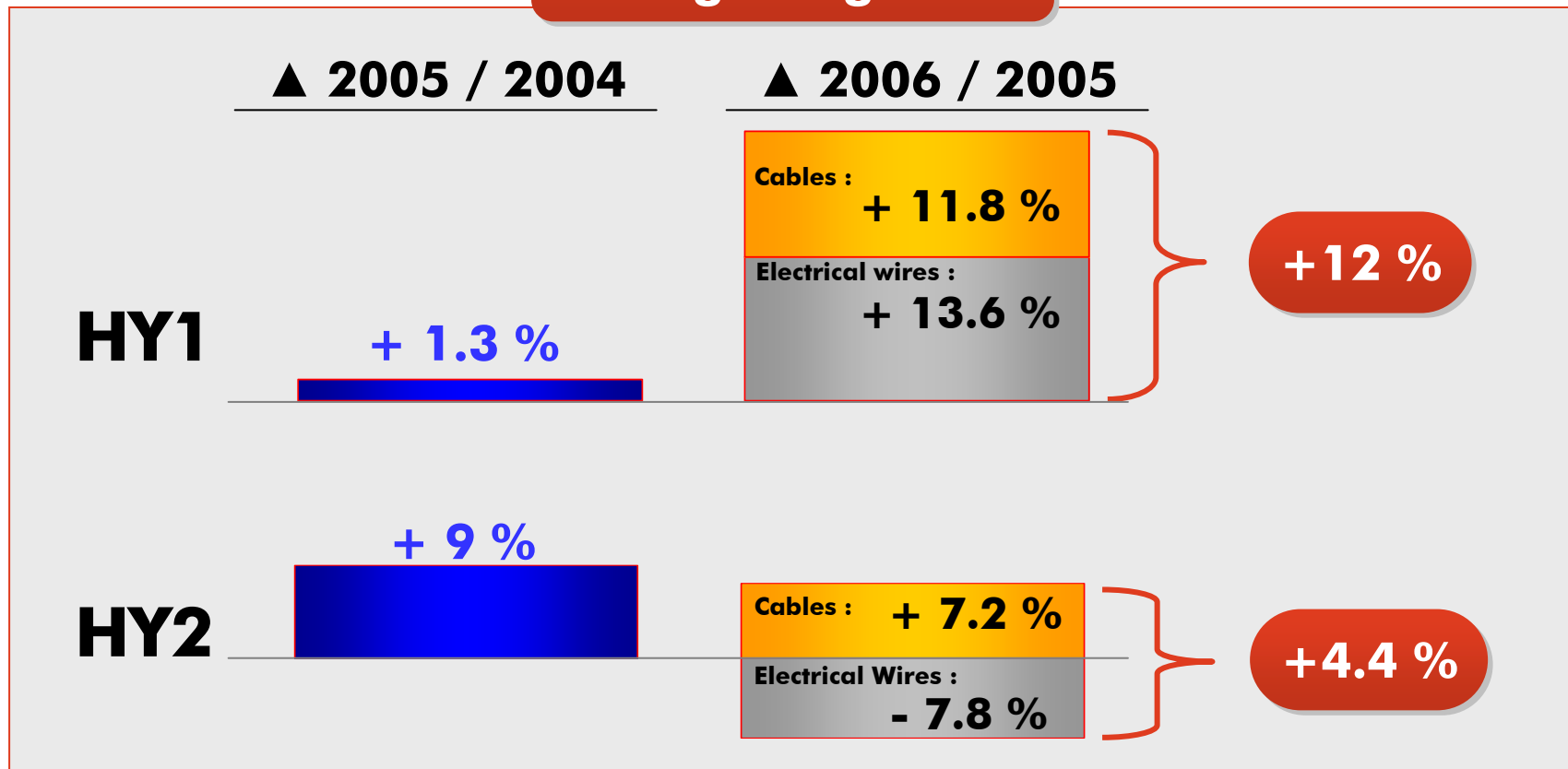
**ROCE (\*) (after tax)**





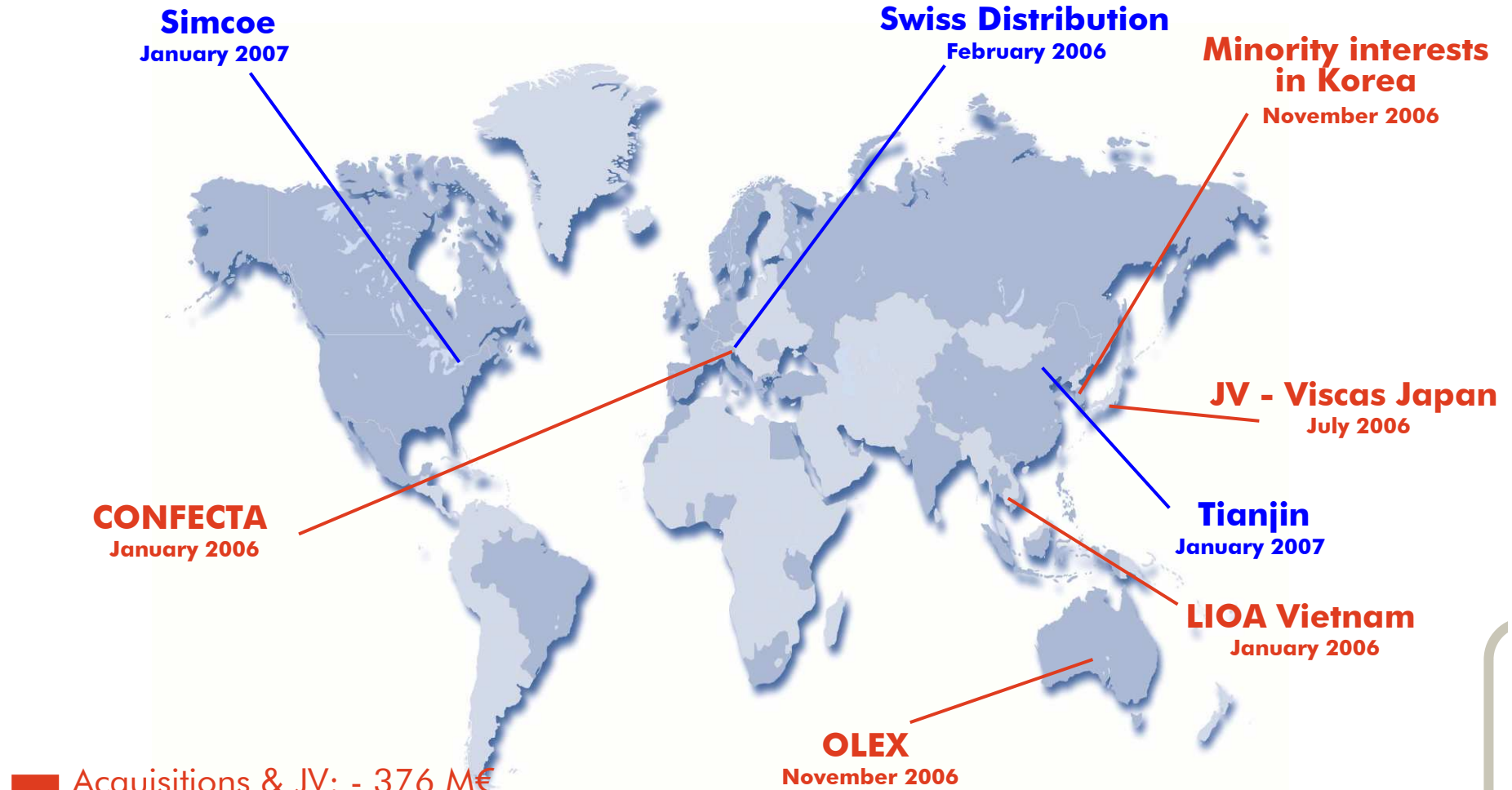
# Continued sustained growth in cable activity

## HY organic growth





# Concentration on Core business and geographical repositioning



■ Acquisitions & JV: - 376 M€  
■ Divestitures : 199 M€  
2007 : Winding wires = 32 M€



# Targets 2005 / 2007 achieved one year in advance

## Objectives 2005 – 2007 <sup>(a)</sup>

## Achievements at end of 2006

### Growth

Organic growth  
≥ 4 % per year

CAGR 2005/2006 :

**+ 6.7 %**



### Operating Margin

5 % in 2007

**5.8%**

**today**



### Development

Product Mix and  
geographical presence

Priority Segments :

**+ 30 %<sup>(b)</sup>**

**growth over 2 years**



Geographical reach outside Europe :

**+ 40 %**

**including Olex**

(a) Presentation on February 3, 2005

(b) estimate at current perimeter



Dividend increased by 20 %

**Growth**

**Profitability**

**Objectives met  
in advance**

**Confidence  
in the future**

**Dividend  
at 1.20 €/share<sup>(\*)</sup>**

(\*) To be proposed at the Annual Shareholders' Meeting on May 10, 2007



## A promising environment ...

### A growing market

- ▶ Growth led by demand in the energy sector...
  - .. *strongly driven by the need to replace and interconnect networks*
  - .. *and by emerging new forms of energy production*
- ▶ Unprecedented development of the transportation and Oil & Gas sectors
- ▶ Increasingly global customers
- ▶ A geographic redistribution of growth of our markets
  - *Increasing weight of emerging countries in the world GDP*



... and a positive mid-term outlook

- ▶ Capitalize on the growth of energy markets
- ▶ Concentrate on our longer cycle core business areas
- ▶ Support geographic repositioning
- ▶ Continue the operational excellence



**OM = 7.5 % at end of 2009**



# Financial Results

**Frédéric Michelland**  
Chief Financial Officer





## Key Figures

NB : Olex enters in the consolidation scope as of December 31, 2006

<i>(in Million €)</i>	<b>2005<sup>(*)</sup></b>	<b>2006</b>	<b>06/05 ▲</b>
Sales at current metal prices	5,449	7,489	+ 37.4 %
<b>Sales at constant metal prices and exchange rates</b>	<b>4,301</b>	<b>4,442</b>	<b>+ 8.2 % organic</b>
<b>Operating margin</b>	<b>186</b>	<b>260</b>	<b>+ 39.8 %</b>
<i>Operating margin rate at constant metal prices</i>	4.4 %	<b>5.8 %</b>	
Operating income	291	363	+ 24.7 %
<b>Net income (group share)</b>	<b>163</b>	<b>241</b>	<b>+ 47.9 %</b>
Return on capital employed (ROCE) before tax	9.3 %	11.7 % <sup>(**)</sup>	

(\*) Restated by applying the change in the core-exposure valuation method

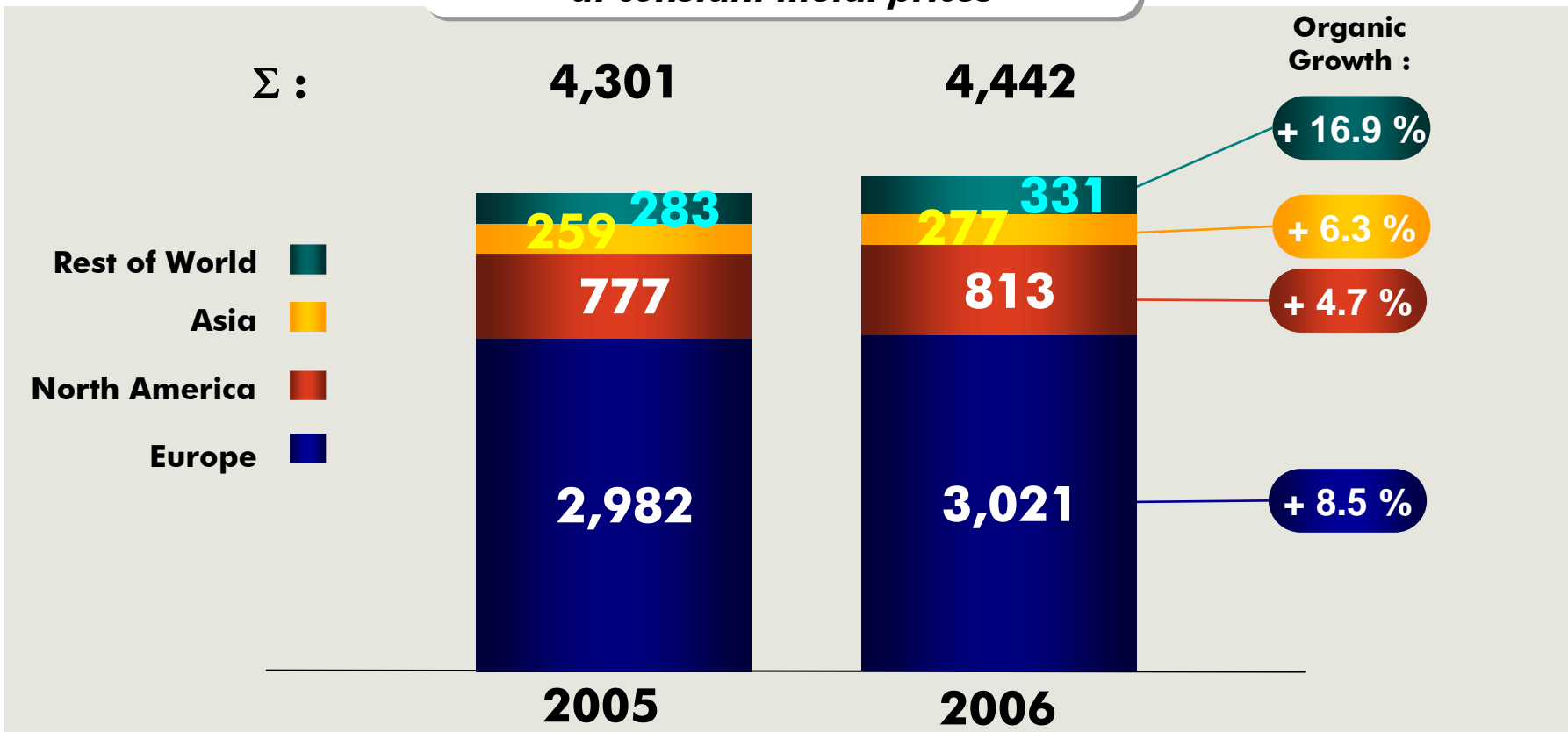
(\*\*) 10.2 % after Olex



# Significant growth in all areas

In M€

*Sales  
at constant metal prices*

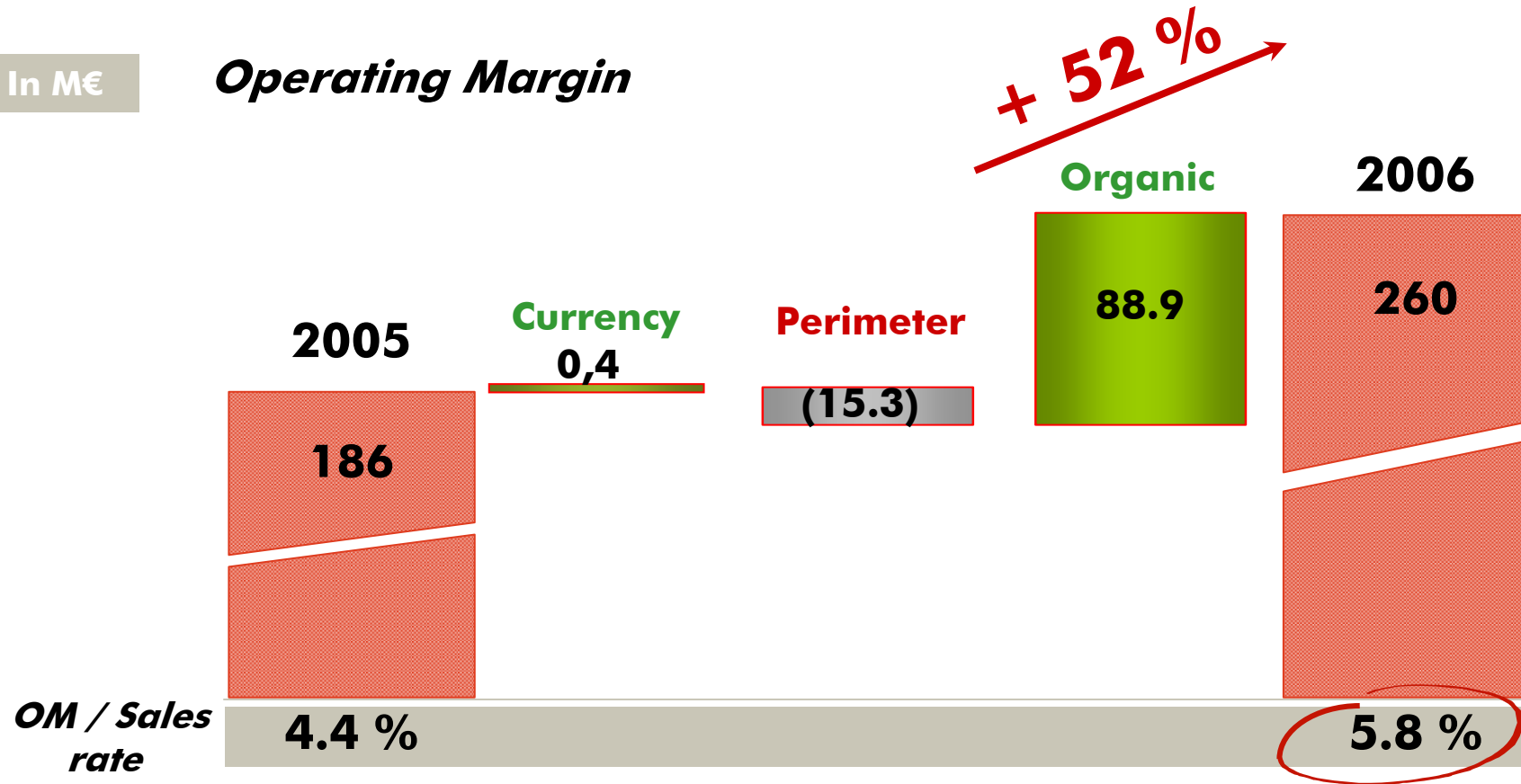




# Continued strong operational leverage

In M€

## Operating Margin





## Strong improvement in profitability of the Energy and Telecom businesses

(in Million €)		2005			2006		
Sales at constant metal prices and exchange rates	Sales	OM	%	Sales	OM	%	
Energy	2,883	171	5.9 %	2,983	233	7.8 %	
Telecom	631	25	3.9 %	648	48	7.5 %	
Electrical wires	777	6	0.7 %	802	(4)	- 0.5 %	
Other	10	(16)	-	9	(17)	-	
<b>Total</b>	<b>4,301</b>	<b>186</b>	<b>4.4 %</b>	<b>4,442</b>	<b>260</b>	<b>5.8 %</b>	



## Effects of the change in accounting method

(in Million €)	2005 <sup>(*)</sup>	2006	06/05 ▲
<b>Operating margin</b>	<b>186</b>	<b>260</b>	<b>+ 39.8 %</b>
Operating margin rate (%)	4.4 %	5.8 %	
<b>"Core-exposure" impact</b>	<b>92</b>	<b>107</b>	
<b>Asset impairment losses and reversals for negative goodwill</b>	<b>(31)</b>	<b>(100)</b>	
<b>Change in fair value of metal derivatives and other</b>	<b>34</b>	<b>(7)</b>	
Capital gain and loss on asset divestitures	34	151	
Restructuring	(24)	(48)	
<b>Operating income</b>	<b>291</b>	<b>363</b>	<b>+ 24.7 %</b>
Financial charge	(37)	(69)	
Other revenue	-	3	
Income before tax	254	297	<b>+ 16.9 %</b>
Income tax	(36)	(48)	
<b>Net income from operations</b>	<b>218</b>	<b>249</b>	<b>+ 14.2 %</b>
Net income from discontinued activities	(46)	(5)	
Minority interests	(9)	(3)	
<b>Net income (group share)</b>	<b>163</b>	<b>241</b>	<b>+ 47.9 %</b>

(\*) Restated by applying the change in the core-exposure valuation method

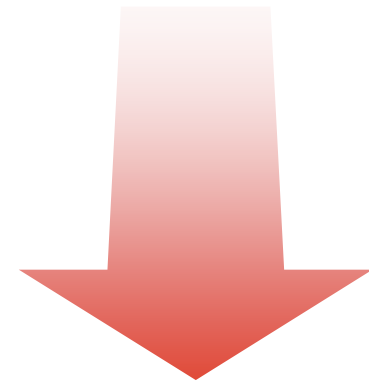


# Change of "core-exposure" valuation method

## Previous method (2004 – 2005 – 1<sup>st</sup> half 2006)

- ▶ Following the adoption of IFRS, **part of the metal inventory was booked as "Property, Plant and Equipment" at its historical cost value** (for approximately 150 M€).
- ▶ This wholly-owned **"Core-exposure"** corresponds to the minimum quantity of metal necessary to maintain plant operations.
- ▶ It is **stable in size**, and considered **as a long term asset**, since it is intended to be perpetually renewed as long as the plants operate. For this reason, it is **not hedged..**

**A compromise close to "LIFO (\*)"**



## New method (as of the 2006 fiscal year)

- ▶ **The "Core-exposure" is posted in the "Inventories" account, and as such, is re-valued.**

**Adjusted "fair value" of this asset**

**to better reflect the "fair value" of this asset at closing date**

(\*) Last in / First out



# Financial impact of the new method

▶ At December 31, 2006 :

– Accumulated adjustment on shareholders' equity of **+ 123 M€**

✓ *Stocks and work in progress* + 422 (reclassification + evaluation)

✓ *Property, Plant and Equipment* - 276 (reclassification + « impairment »)

✓ *Deferred tax liabilities* - 23

– Adjustment on net income of **7 M€** in 2006,

▶ In the future :

→ **Operating margin unchanged,**  
key performance indicator

→ **No "Cash" impact**

→ **Impact on net income and capital employed,**  
partially offset by impairment tests



## 2006 results : strong improvement

(in Million €)	2005 <sup>(*)</sup>	2006	06/05 ▲
<b>Operating Margin</b>	<b>186</b>	<b>260</b>	<b>+ 39.8 %</b>
Operating margin rate (%)	4.4 %	5.8 %	
"Core-exposure" impact	92	107	
Asset impairment losses and reversals for negative goodwill	(31)	(100)	
Change in fair value of metal derivatives and other	34	(7)	
<b>Capital gain and loss on asset divestitures</b>	<b>34</b>	<b>151</b>	
<b>Restructuring</b>	<b>(24)</b>	<b>(48)</b>	
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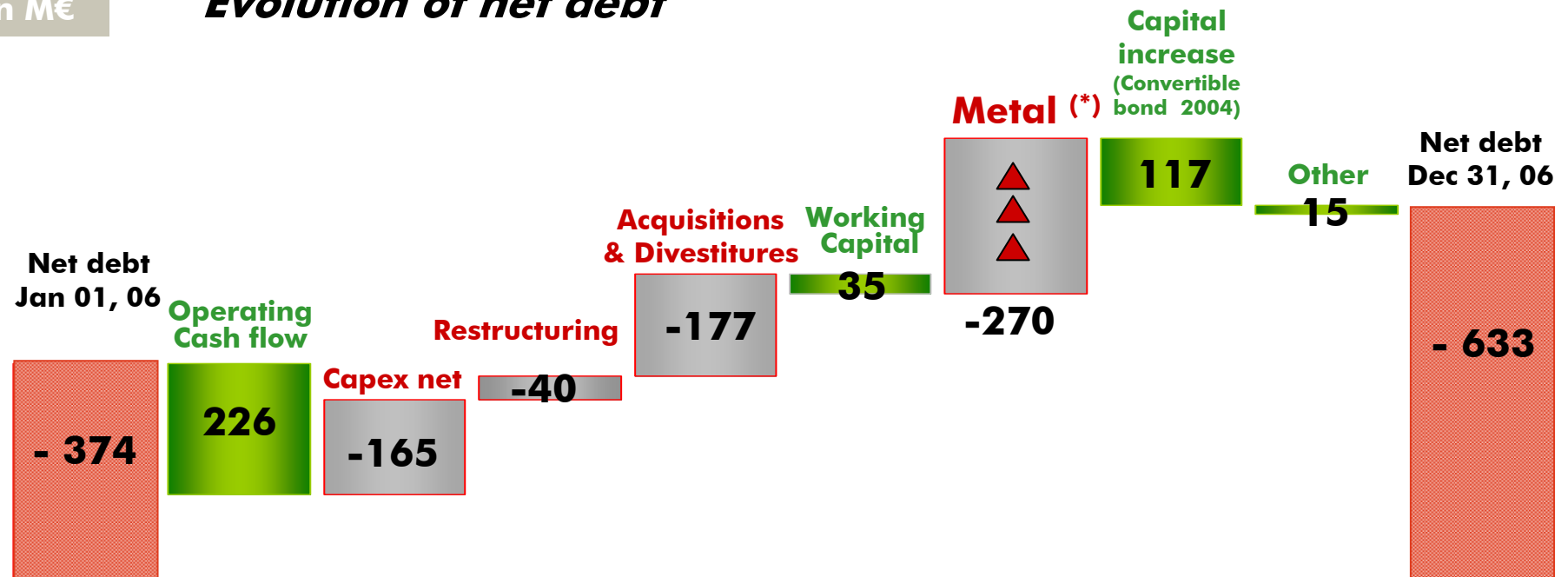
(\*) Restated by applying the change in the core-exposure valuation method



# Key Financial ratios maintained at solid levels

In M€

## Evolution of net debt

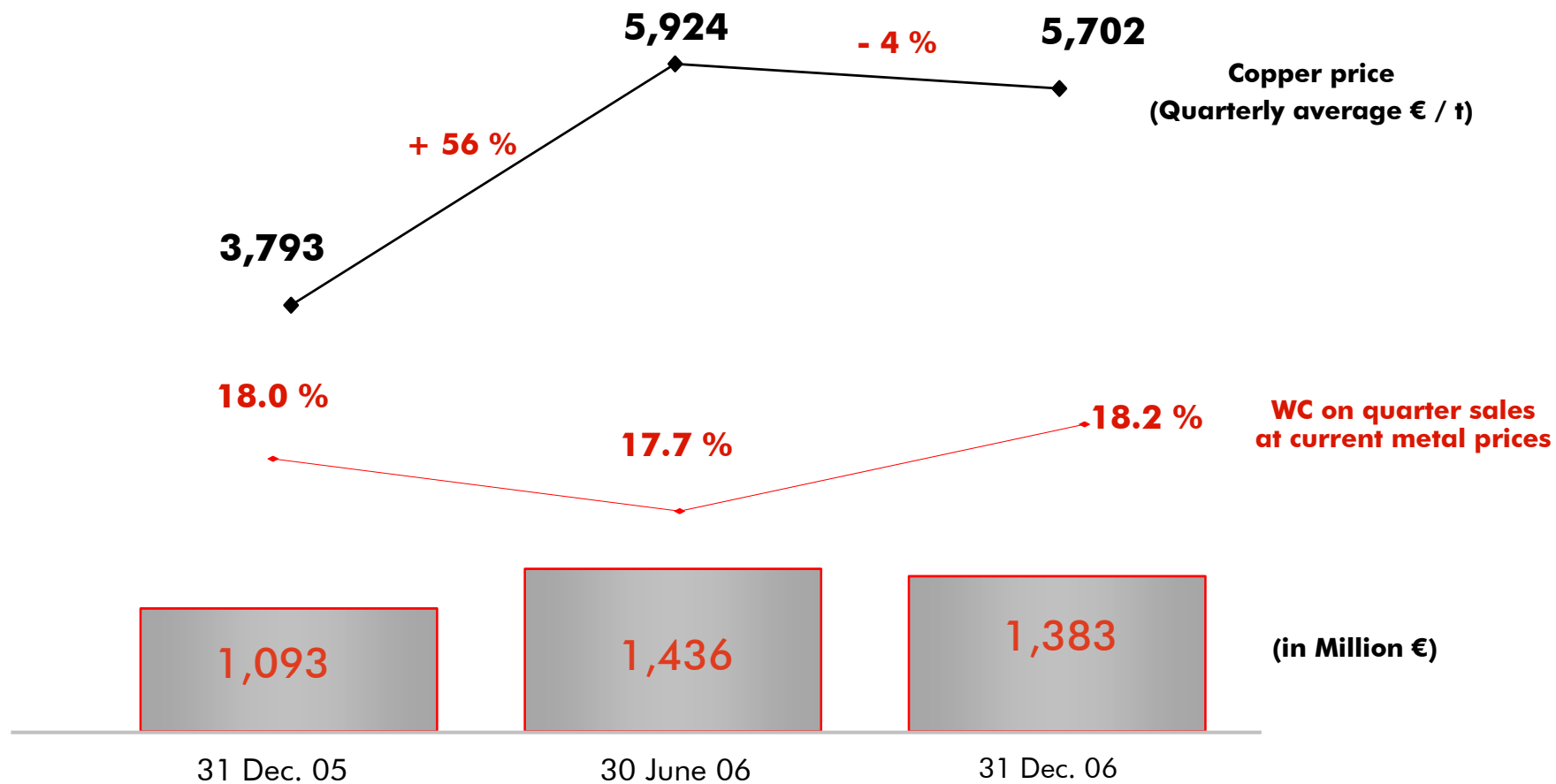


**Net debt / Shareholders' equity = 40 %**  
**Net debt / EBITDA = 1.6 year**  
 (after Olex integration)

(\*) Estimate



# Working Capital impacted by the rise of copper price



**Impact of copper price  $\cong$  270 M€**



# Capital employed under control

## Objectives

**Lower exposure to high copper content businesses**

**Changes to customer terms of payments**

**Renegotiation of supplier terms of payment**

## Actions





# Balance sheet

(in Million €)	Dec. 31, 05 (*)	Dec. 31, 06
<b>Long-term fixed assets</b>	<b>946</b>	<b>1,155</b>
<i>of which goodwill</i>	<i>82</i>	<i>253</i>
Deferred tax assets	53	100
<b>Non-current assets</b>	<b>999</b>	<b>1,255</b>
Working capital	1,093	1,465
Assets (net) held for sale	42	38
<b>Total to finance</b>	<b>2,134</b>	<b>2,758</b>
Net financial debt		
Current	246	379
Non-current	128	254
<b>Reserves</b>		
<b>Current</b>	<b>83</b>	<b>97</b>
<b>Non-current</b>	<b>367</b>	<b>372</b>
Deferred tax liabilities	33	67
<b>Shareholders' equity and Minority interests</b>	<b>1,277</b>	<b>1,589</b>
<b>Total financing</b>	<b>2,134</b>	<b>2,758</b>

including OLEX



In short

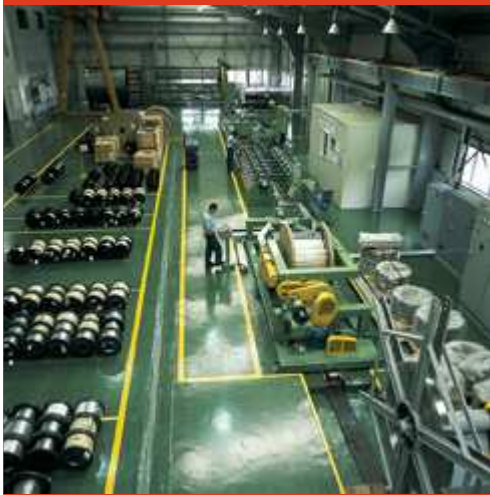
### **Strong results :**

- ▶ + 8.2 % organic growth
- ▶ 5.8 % operating margin
- ▶ + 48 % growth in net income (group share)

### **Material means engaged :**

- ▶ Capex (gross) = 171 M€
- ▶ Acquisitions = 376 M€

**Key Financial ratios maintained at solid levels**



# Medium-Term Strategy and Plan

**Frédéric Vincent**  
Chief Operating Officer





### A Nexans group:

- ▶ More **Profitable**
- ▶ Less **Cyclical**
- ▶ More **Streamlined**
- ▶ With more **Synergies** between businesses



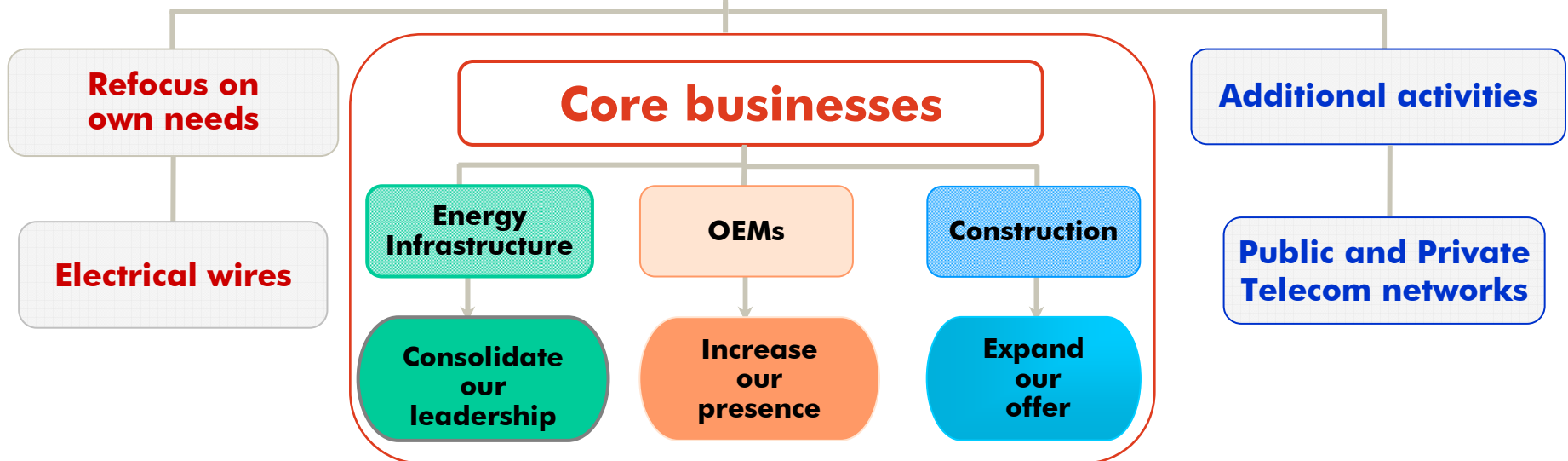
# Our analysis

	Energy Infrastructure	OEMs	Construction	Telecom	Electrical Wires
▶ Growth	++	++	=	+	=
▶ Profitability	+	++	=	=	--
▶ Threats	+	+	++	=	-
▶ Nexans Strengths	++	=	++	=	=
▶ Synergies with the other businesses	+	+	++	-	-



# Focus on three business areas

## Activities Portfolio Review



## Synergies

**Sales/marketing :** Customers, Logistics, Complementary cycles  
**Technical:** Common Materials and process  
**Industrial :** Procurement, Upstream (metallurgy, compounds), shared plants



# Energy Infrastructure

## Consolidate our leadership

Power networks and transportation infrastructures will soon receive massive investments

✓ Sales  $\cong$  1,500 M€

✓ N°2 worldwide

✓ Complete range of products

Annual growth = 3 to 4 %

✓ Energy Consumption is on the rise

✓ Network Interconnection

✓ Renewable energies

✓ Electrification of emerging countries

✓ Support the global offer

✓ Strengthen presence in emerging countries and North America

→ Annual organic growth rate of 6 % (X 2 vs the market)

Nexans

The Market

Initiatives and objectives for 2009

2009



# Increase our presence

Medium-term strategy based on development of specifically selected priority segments

- ✓ Sales  $\cong$  780 M€
- ✓ N°1 worldwide in Petrochemicals and Shipboard
- ✓ Wide variety of segments

Annual growth = 3.2 %

- ✓ Robust trends in transportation-related segments
- ✓ Increased investments in "Oil & Gas"
- ✓ Renewed interest in the nuclear sector

✓ Stress on priority segments (70 % of sales in 2009)

✓ Expansion in high-growth areas (Asia, Middle east)

✓ Adaptation of our internal organization

→ Growth > Market





# Construction

## Expand our offer

In the building sector,  
our leadership position will be consolidated  
through product upgrades and higher  
value added

- ✓ Sales  $\cong$  1,100 M€
- ✓ N°1 worldwide  
in Europe and in Canada
- ✓ Exceptional profitability  
in 2006

- ✓ Cyclical and  
geographically diverse  
markets
- ✓ Low barriers to entry
- ✓ Segment acts as a  
stepping stone  
to other businesses

- ✓ Develop a value added offer
- ✓ Strengthen logistics
- ✓ Optimize production
- ✓ Choose quality  
over quantity  
(2% annual growth)

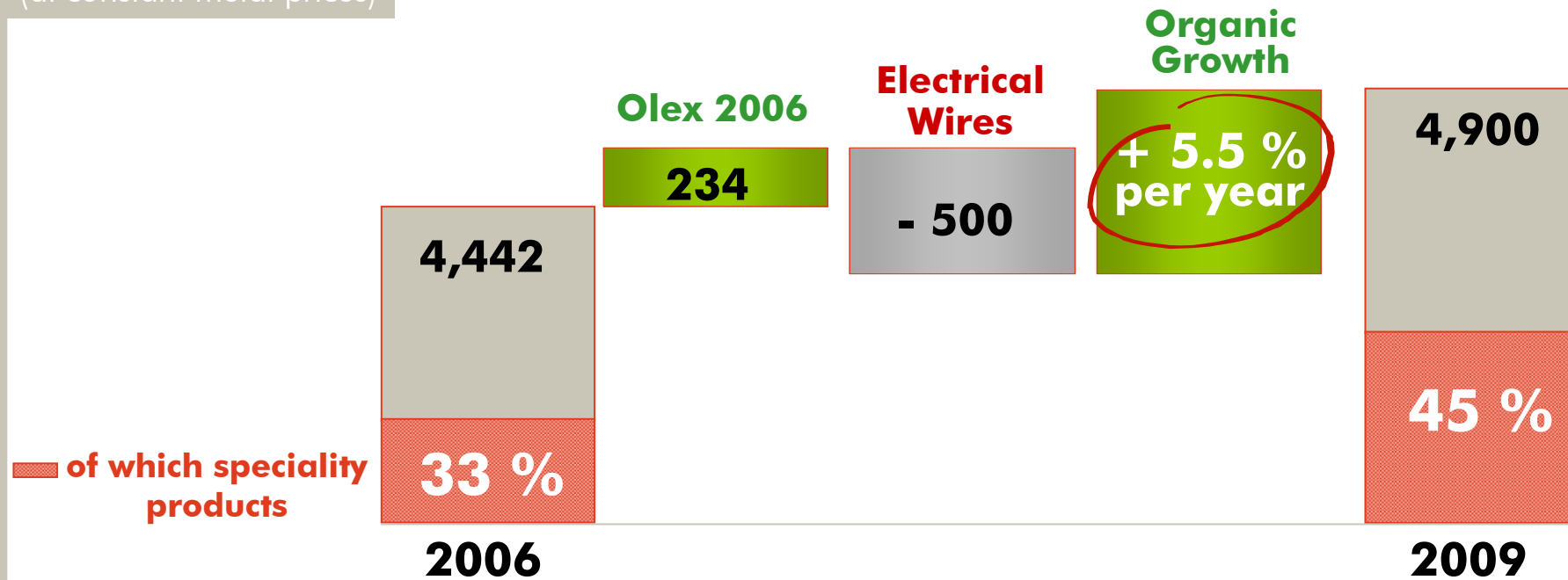




# Sales Objectives for 2009

Assuming continuation of 2006 economic trends

In M€  
(at constant metal prices)





## 2009 Financial goals

### Assuming continuation of 2006 economic trends

- ▶ **Consolidated sales close to 5,000 M€ (constant metal prices)**
- ▶ **Operating margin rate of 7.5 %**
- ▶ **ROCE<sup>(\*)</sup> before tax close to 13 %**
- ▶ **Cash flow<sup>(\*\*)</sup> neutral in 2007<sup>(\*)</sup> and positive in 2008<sup>(\*)</sup> and 2009<sup>(\*)</sup> taking into account :**
  - *A capex program of 500 M€ over three years*
  - *Restructuring costs of 30 M€ per year*
  - *A dividend ratio of 30 % of the current net income*

(\*) at 2006 copper prices

(\*\*) Cash flow = Operating Cash flow + ▲ Working Capital – Capex - Dividend

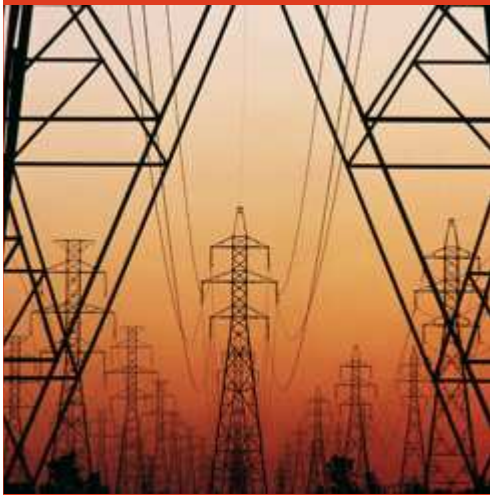


## Objectives for **2007**

### **Assuming continuation of 2006 economic trends**

- ▶ **Organic growth close to 4 % after including reduction in electrical wires sales**
- ▶ **Operating margin Improvement; too early to quantify the extent**
- ▶ **Restructuring**
  - *carrying forward to 2007 that portion of 2006 not committed before year end ( $\cong$  30 M€)*
- ▶ **Dividend proposal of 1.20 € per share (+ 20 %)**
- ▶ **Investments  $\cong$  195 M€**
- ▶ **Net Debt at closing close to 2006 level**
- ▶ **ROCE<sup>(\*)</sup> improvement**

(\*) at 2006 copper prices



## Appendices : Performance by businesses

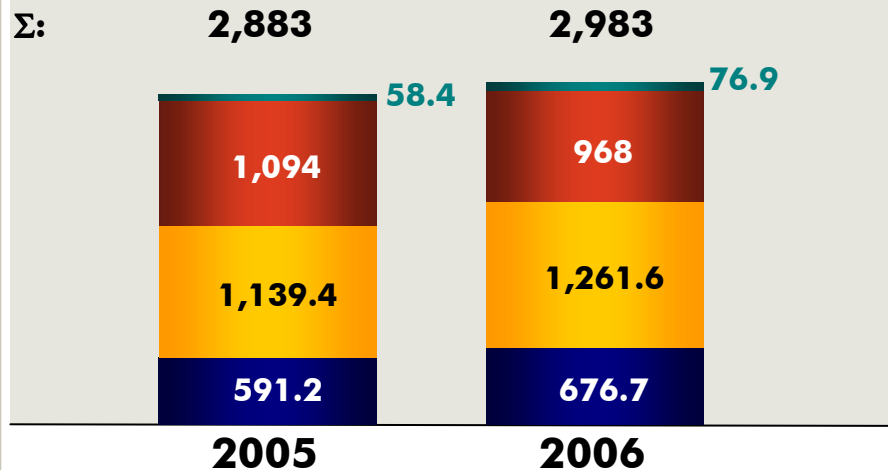




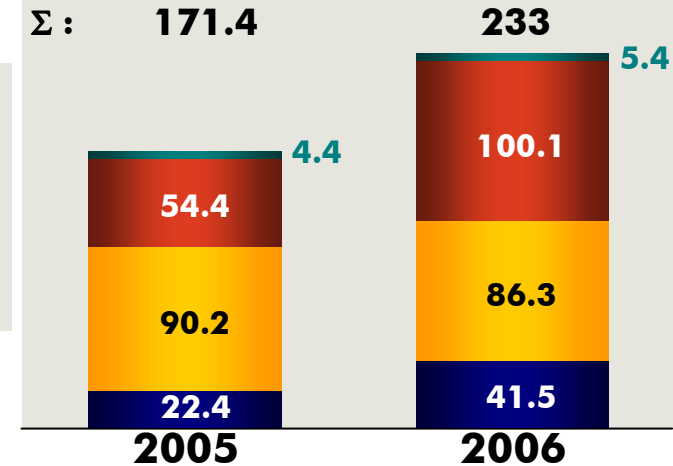
# Energy

## Sales (M€) (\*)

at constant metal prices and exchange rates



## Operating Margin (M€)



### ► Infrastructure :

- Higher demand in all markets
- Record commercial activity in high voltage, notably submarine
- One-off technical difficulties on two projects have affected profitability

### ► OEMs : Buoyant activity in transportation related sectors (shipboard, automotive) and tooling

### ► Construction :

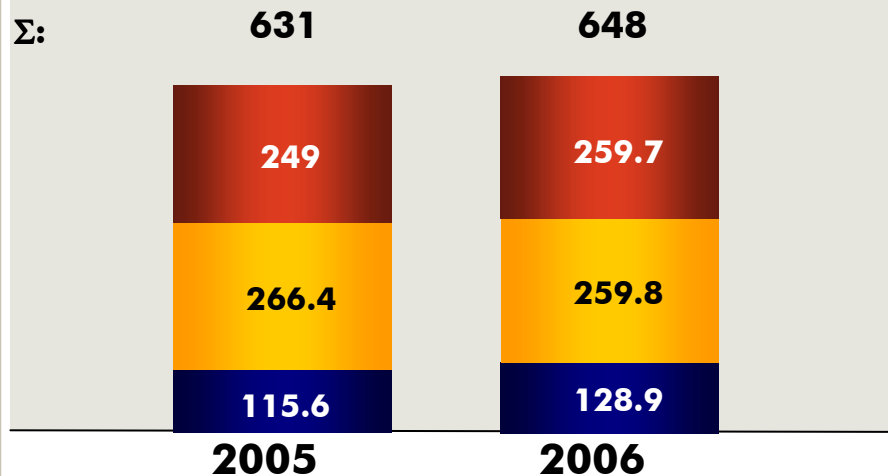
- 12.6 % organic growth at constant consolidation scope (divestiture of the distribution business)
- Margins driven by a healthy market

(\*) Annual change in sales = + 11.3 % organic

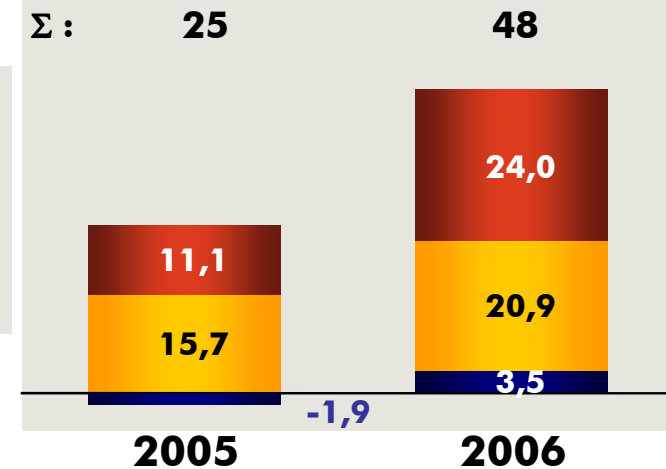


## Sales (M€) (\*)

at constant metal prices and exchange rates



## Operating Margin (M€)



### ▶ Infrastructure :

- Beginning of the slowdown for ADSL in Europe
- Healthy demand for fiber optic in local loops in Northern Europe

### ▶ Private networks :

- Strong increase in margins thanks to an improved product mix and restructuring

### ▶ OEMs :

- Sustained activity in aeronautics and geophysics

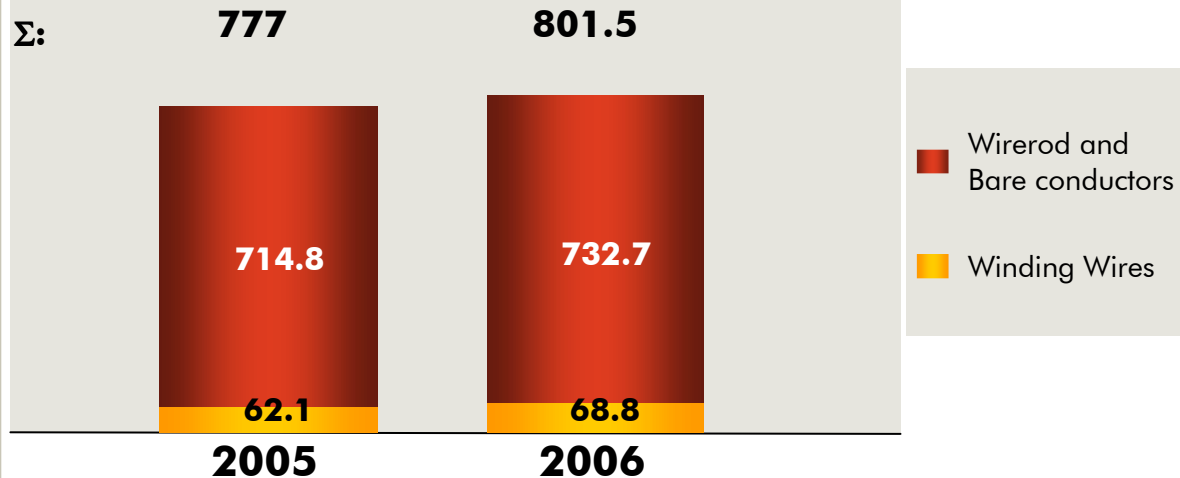
(\*) Annual change in sales = + 1.7 % organic



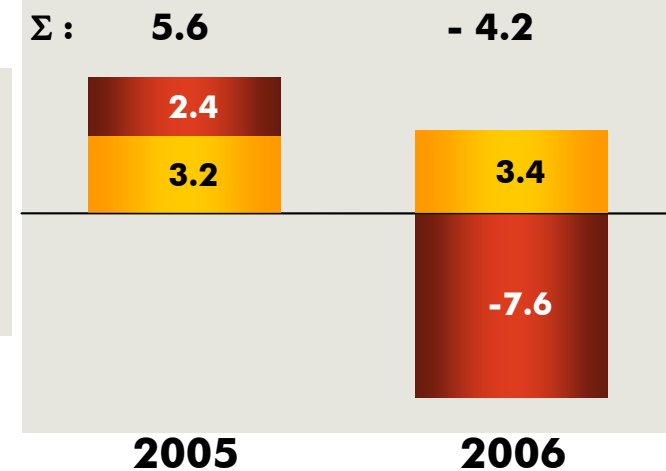
# Electrical Wires

## Sales (M€) (\*)

at constant metal prices and exchange rates



## Operating Margin (M€)



- ▶ **Winding wires** : Exit in January 2007
- ▶ **Wirerod and bare conductors** :
  - Progressive reduction of external sales in the second half of the year
  - Provision for an exceptional claim weighed on operating margin
  - Weakness of the North American market combined with deferred orders caused by the drop in copper price in the fourth quarter

(\*) Annual change in sales = + 3.1 % organic