

# OUR IMPROVEMENTS IN 2006

## PROGRESS AND COMMITMENTS



- ➔ By making customers the focus of the company, so as to understand their needs and develop innovations that meet them more effectively;
- ➔ by helping employees develop their potential and building employee commitment;
- ➔ by improving the efficiency and productivity of our operations;
- ➔ by using more sound, cost-effective, and environmentally-friendly manufacturing processes;
- ➔ by designing more durable products and recycling solutions...

...Nexans has strengthened its outlook for growth and performance.

## UNDERSTAND AND SATISFY OUR CUSTOMERS

Nexans innovates continuously in order to maintain its technological leadership, become more competitive, and consistently add value for its customers. The Group has set up new R&D organizations designed to better predict and more fully satisfy its customers' needs.

### A GLOBAL R&D ORGANIZATION...

Organized globally, present locally, Nexans is up-to-date with both national and international standards, and is a major player in international standards-setting. The Nexans Research Center (NRC), which partners with renowned universities and research institutions, makes use of advantages in fundamental research. Its employees in Lyon and Nuremberg work on researching and improving cable components (sheath, conductor, and insulation). Nexans' applied research is conducted in eight Competence Centers focused on the Group's core businesses and specialized by product or technology. They are located in Europe and North America, with their research applied around the world, and have 15 specialized test and trial laboratories. Nexans' Technical Management Department coordinates the sharing of technological advancements across the Group, and ensures that managers meet on a regular basis.

### ...SERVING OUR CUSTOMERS

Optimizing designs, providing simplicity through innovation, enhancing products' technical performance, cutting costs, and speeding time-to-market are permanent goals. The main research areas are: polymer properties for insulation and sheath compounds, to improve cable reliability in complex or extreme environments; fire-resistant and flame-retardant properties for low- and medium-voltage cables; and weight and volume reduction for aerospace, space, and automotive applications. Most of the Group's inventions are patent-protected.

### RECOGNIZED TECHNOLOGICAL LEADERSHIP

Nexans is at the leading edge of many of tomorrow's technologies. For example, in power cables, Nexans is a benchmark in high-temperature superconductivity, high-voltage submarine cables, umbilical cables for offshore platforms, cabling systems for wind energy production and distribution, etc. In 2006, the Group introduced a system that protects power lines against electricity robberies and a superconducting current limiter that safeguards medium-voltage power lines, so as to avoid any possible domino effect that could lead to a major outage.

In telecoms, Nexans offers systems including micro-blown optical fiber cables, high-bandwidth LAN cables, and plastic optical fiber for Fiber-to-the-Home applications.

For industrial applications, Nexans offers a series of innovative cables and cabling systems, including extremely high-temperature cables for automotives and reliable material handling solutions incorporating powerful and fast-moving trolleys, cranes, and loading systems. In 2006, Nexans developed the DuoTrack, a duplex copper/optical fiber data cable used in railway signaling. The DuoTrack is robust, cost-effective, and easy to lay along railways. As another example, Nexans developed a highly resistant cable for high-speed industrial cameras.

### INNOVATION IN STEP WITH CUSTOMER NEEDS

Nexans strives to develop solutions the value of which is recognized by customers and offers decisive advantages. The Group's new R&D organization puts customers at the core of its efforts, in order to better understand their needs, speed time-to-market for new innovations, and offer new services.

In 2006, Nexans created a team of Customer Technical Interface (CTI) technicians to serve customers in the automotive, rolling stock, material handling, and shipbuilding market segments. These technicians are familiar with all the Group's R&D resources, and visit customer sites with Global Product Managers in order to pinpoint customers' needs and develop effective solutions more quickly. CTI technicians serve as the communication interface between customers' technical teams and Nexans' R&D staff. With this approach, Nexans can enhance its proposals, adapt its R&D efforts to changes in customers' plans and requirements, and undertake joint development projects with customers to innovate in step with their needs.

Nexans also bolstered the synergies among its sales, marketing, and R&D staff by initiating special Technical Days and Global Product Manager meetings, which allow employees to discuss customers' requests and the customized solutions they developed.

## SPECIALIZED APPLICATION CENTERS

Nexans is a technology partner to its customers, and relies on an in-depth understanding of their applications to provide solutions that boost performance and lower costs. Several Group's production sites have application centers that refine and test cables under actual-use conditions. Two new applications centers were built in 2006, one for automation systems in Nuremberg, Germany, and one for material handling in Lyon, France, which come in addition to one for LANs in New Holland, USA, and one for xDSL in Santander, Spain. These centers are largely open to Nexans' customers wishing to test their equipment. They speed time-to-market, enable comparative trials, and prove that Nexans' cables and cabling systems effectively meet - and often exceed - customers' expectations.

Innovation at Nexans goes beyond technology and extends into customer service as well, whether for offering design assistance, ready-to-install cables and harnesses, optimized inventory management and logistics chains, or full cable recycling platforms.

## KEY FIGURES

- > 1 international research center
- > 8 competences centers
- > 450 scientists, engineers and technicians
- > 420 patent families
- > 1.2% of sales invested in R&D

## INDICATORS

R&D spending

in millions of euros

2006	2005	2004
54.6	53.6	47

Number of patents filed

2006	2005	2004
59	57	63

## MOTIVATE EMPLOYEES AND DEVELOP THEIR SKILLS

Developing skills, encouraging a customer focus, building commitment, sharing knowledge and best practices, and providing the resources necessary for business growth and evolution – by building up its employees and helping them realize their potential, Nexans ensures its continued international expansion.

### PREDICTING HUMAN RESOURCES NEEDS

To drive its growth and prepare for the future, Nexans supports its employees by helping them develop skills in line with the Group's needs and encouraging manager mobility.

Nexans' Human Resources Department sets common policies and procedures and coordinates certain issues such as manager career development, compensation policies, workplace safety, employee access to IT systems, and performance reviews.

The Group is also managing its future skills needs and career paths more effectively. It has set up a Group-level Career Management Committee and encourages country divisions to set up similar Committees. Nexans also promotes annual performance reviews for each employee.

### ATTRACTING TALENT AND ENCOURAGING MOBILITY

Recruitment is another of the Group's growth drivers. Nexans hired 3,086 employees in 2006, preferring young graduates able to work in an international environment. It also strengthened its central marketing and finance staff and its pool of future managers through an emphasis on local recruitment. Nexans increased its presence and recruitment efforts at major engineering schools, especially in Norway and the USA.

The Group also favors internal promotions and employee mobility. In 2007, all available managerial positions will be accessible online through a job database centralizing the open jobs in each country.

### PROMOTING TRAINING AND FACILITATING KNOWLEDGE TRANSFER

Training enables each employee to improve his or her performance and build the skills needed to make the Group's strategy a success. It encourages and facilitates the sharing of best practices, and unites employees around common values, goals, and methods.

Nexans sponsored a fourth executive training program in 2006, which was led by the European School of Management (ESCP-EAP) and the Group's senior managers. Nexans also set up a management training program for supervisors and technicians in the Asia region, and continued to roll out the Sales+ program to its 650 sales men and women around the world. Finally, Nexans decided to open a Nexans University designed to promote the Nexans Way internationally, in all the main fields of management. The Group recruited a Director at the end of 2006 to spearhead this project.

### WORKPLACE HEALTH AND SAFETY: A FOCUS ON PREVENTION

Nexans is committed to protecting its employees' health and safety, and has processes in place to make sure that all the equipment and installations at each site are completely secure. The Group has implemented programs with high standards. For example, the Denizli and Tuzla plants in Turkey obtained OHSAS 18001 certification for their safety management system. In Norway, the HMS i Hundre program targets zero accidents by the Nexans Norway 100th anniversary in 2015 (compared with 12.5 accidents in 2005). This program was launched through a major information campaign designed to increase employees' safety awareness in all their activities, both at work and at home. The number of accidents at Nexans Norway has already dropped 32% since 2005.

These efforts have succeeded in decreasing the number of workplace accidents across the Group by around 10% in 2006.

## AN OPEN LABOR DIALOGUE

Through Newco, the Nexans European Work Council representing 13 countries, the Group maintains an open dialogue with labor union representatives. Newco meets twice a year. In 2006, discussions were centered primarily on the acceleration of the Group's manufacturing improvement program and its implications for employees, as well as the Group's strategic plan.

When Nexans is required to restructure its operations, it helps employees find new jobs either within or outside the company by offering training and personalized support if needed. For example, in 2006 Nexans signed an agreement with labor unions in Germany to safeguard threatened jobs by increasing the number of working hours per week and scaling back salary hikes.

## AN ATTRACTIVE COMPENSATION POLICY

Building employees' commitment involves implementing an attractive, coherent compensation policy, which Nexans has established in a spirit of transparency and fairness while taking into account the local conditions at each site.

Manager compensation is made up of a fixed salary plus a variable bonus tied to goals set at the start of the year; some of these goals are linked to the Group's financial performance. Sales people are also eligible for a profit-sharing scheme and a bonus tied to their entity's results.

Almost all of Nexans' French subsidiaries have set up employee profit-sharing plans, and many of its international subsidiaries have similar programs depending on the regulations in effect in each country. Finally, Nexans offered stock options to certain managers who are not on the Executive Committee, and in 2006 introduced a new, worldwide employee share ownership plan.

## INDICATORS

### Total employees

2006 <sup>(1)</sup>	2005	2004 <sup>(2)</sup>
21,150	19,584	19,850

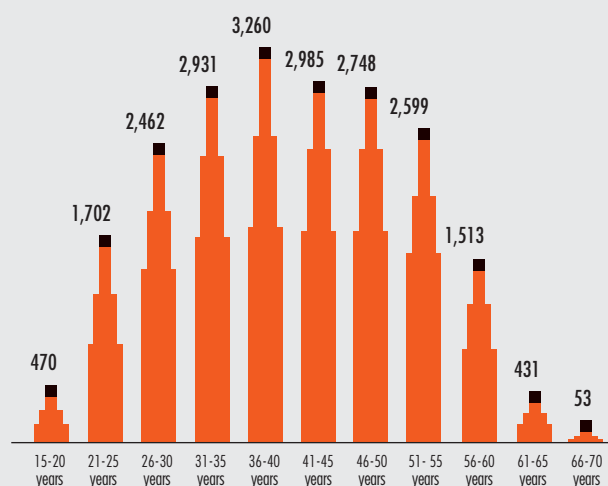
### Number of new hires

2006	2005	2004
3,086	2,300	1,350

### Workforce composition in 2006

Men:	74.7%
Women:	25.3%

### Employee age pyramid



### 213,656 hours of training in 2006

(internal or external) for 10,142 people trained

### 4.0% average absenteeism in 2006

(decreasing 0.6%) compared to 2005

Note: key employee data is given on pages 62 to 66 of this Reference document.

(1) Including Olex, consolidated at December 31, 2006 | (2) After integration in the perimeter of consolidation of Autoelectric' subsidiaries (Germany) in application of IAS 27

## BOOST OUR EFFICIENCY

Nexans strives to improve the efficiency of its day-to-day operations and share the benefits with its customers, which are its partners in performance. The Group has become more responsive and more competitive, with higher-quality products, streamlined logistics, optimized purchasing processes, and enhanced manufacturing facilities.

### OPTIMIZED PURCHASING

Purchases represent more than 80% of Nexans' sales and a huge opportunity for savings, which it plans to realize by increasing the internal quantitative and qualitative control of all products and services supplied to the Group.

The Group's main purchases are raw materials (e.g., copper, aluminum, and plastics), energy, components, and transportation services. In addition, Nexans has signed long-term contracts with leading global copper producers in order to secure its copper supply.

### COMPETITIVE MANUFACTURING FACILITIES

A lot of Nexans' plants manufacture products sold around the world. The other sites are located as close as possible to the markets they serve. The Group is continuously improving its manufacturing and logistics operations in an effort to control costs and adjust to structural changes in demand. It has specialized plants in developed countries, and is building capacity in Eastern Europe, North Africa, Brazil, China, and other Asian countries to meet the booming demand in these markets and serve large, multinational customers. In Europe, Nexans accelerated its restructuring plan which allowed the Group to reduce committed capital and to cut fix costs. The full impact of these measures should be seen in 2008. At the same time, Nexans stepped-up its investment spending. Around 300 million euros will be invested at its plants in 2006 and 2007 (excluding acquisitions), in capacity increases and in productivity improvements.

### BETTER OPERATING PERFORMANCE

Nexans has undertaken continuous improvement programs in all its operations - manufacturing with Program+, logistics with ASAP (recently completed by a new program: Service+), and sales with Sales+.

The main goal of Program+ is to lower costs while increasing customer satisfaction, which requires a substantial personal effort on the part of Nexans employees. Company databases, communication networks, and seminars will enhance the sharing of best practices and innovations in key areas. Guidelines will soon be compiled so that each plant can perform a self-evaluation and prioritize its focus areas for improvement.

In 2006, plant managers from 23 countries met for two days in a conference aimed at sharing ideas for a model plant. The managers learned about new process optimization applications - including a modeling application developed by Nexans R&D to improve machine operations - designed to help plant managers meet their manufacturing challenges.

### SELL MORE, SERVE BETTER

At sites all over the world, Nexans has made its processes more reliable, become more flexible, and invested in systems that enable more efficient inventory management, lower working capital requirements, and better customer service. Nexans' sales force benefits from an array of methods for improving sales efficiency and boosting performance, taken from best practices within the Group and other companies and implemented primarily through the Sales+ program and applications. The Group also appointed country Sales Developers to help the sales force seize opportunities in priority markets more quickly and as often as they arise.

In order to provide the best service possible, from order processing to customer delivery, Nexans has appointed Supply Chain Managers who coordinate production schedules, procurement, inventory management, and shipping. They aim to help build customer loyalty by ensuring customers receive exactly what they want on the promised delivery date, a statistic measured through the On Time In Full (OTIF) performance indicator. Changes in this indicator along with customer complaints (for whatever reason) are the first things studied by Nexans' committees responsible for improving customer satisfaction.

Nexans has also appointed Key Account Managers in an effort to simplify and strengthen its relationships with its largest customers, whose needs are often diverse and span several countries. These Key Account Managers offer global solutions and coordinate the operations of sales teams and technical staff.

# PROTECT THE ENVIRONMENT

Nexans has stepped-up its efforts to preserve the environment, control its consumption of energy, water and materials, and facilitate product recycling. The Group works alongside its customers to provide solutions that enhance the safety of both people and their property, respect the landscape and marine life, and encourage the use of clean and renewable energy.

## OPTIMIZED PRODUCT DESIGN AND MANUFACTURING PROCESSES

Nexans develops products to meet customers' needs with a minimal impact on the environment over the entire product cycle, and to facilitate disposal when materials have reached the end of their useful lives. This includes eliminating lead stabilizers in PVC sheaths, halogens, and solvents, selecting non-polluting materials that are more easily recyclable, and designing systems in such a way that materials and components can be easily separated.

In-depth research is performed to ensure the durability and resistance of Nexans' products in challenging environments, such as large depths, extreme climates, corrosion, intense mechanical stress, flames, etc.

Nexans also develops manufacturing processes that are cleaner and consume less energy and raw materials, and refines its process controls so as to reduce scraps, satisfy customers, and build customer loyalty. In addition, to help identify the best production techniques available, Nexans' product developers use EIME (Environmental Information & Management Explorer) software to compare the environmental characteristics of various options, including suppliers in the process.

## STRICT ENVIRONMENTAL MANAGEMENT

Nexans' environmental and safety policy is outlined in a Risk Management Charter, which calls for a thorough analysis of the risks related to the Group's products and manufacturing processes, a continuous improvement program incorporating production plant audits, and employee training on good environmental practices. The environmental policy is steered by the Corporate Industrial Management team, which reports directly to the Strategic Operations Department. A Group Environmental Manual describes all the procedures, performance targets, emergency plans, and tools available at each site. The guidelines and objectives apply to everyone. In addition, an Environment intranet is available which compiles all the necessary information about the Group's environmental organization and procedures, and enables sites to share best practices organized by subject matter.

## IN-DEPTH AUDITS AND A DEMANDING LABEL

The Group's sites are monitored through an annual Environmental Survey based on ISO 14001 standards and regularly updated, and through a series of environmental audits conducted by a company that specializes in this area.

The survey reviews all the key elements of responsible environmental behavior classified under 12 themes and allows Nexans to list the investments made to improve environmental performance. Each site is ranked between 1 (excellent) and 4 (immediate corrective action required) on every element, according to a scoring grid updated annually and validated by the Group's Environment Committee comprised of representatives from the Corporate Industrial, Strategic Operations, Purchasing, Legal, Risk Management, and Human Resources and Communications departments.

Almost all of Nexans' sites participated in this continuous improvement program in 2006.

Nexans also has EHP, *Environnement Hautement Protégé* (Highly Protected Environment) label program to address the specific environmental risks posed by the Group's operations. During 2006, 27 sites were audited and 15 were awarded the EHP label: 7 in France, 2 in Switzerland, 2 in Canada, and 1 each in Germany, Spain, Brazil, and China. By the end of the year, 45 Nexans sites had the EHP label and 33 were ISO 14001 certified.

## INVESTMENTS IN 2006

Soil protection, water management, and hazardous fluids management are all priorities for Nexans. The Group is particularly focused on phasing out single-wall underground storage tanks. Liquid retention is another area undergoing constant improvement, with secured premises and dedicated areas, cabinets, and holding vats. Nexans' efforts also extended to included wastewater treatment systems and fire extinction water retention.

Many sites made investments in these various areas in 2006. These included: a system to stop emitting waste directly into surface water at the Breitenbach, Switzerland, plant (219,000 euros); a rainwater recovery program at the Hanover, Germany, plant (295,000 euros); and a new wastewater flow path at the Lens, France, plant (250,000 euros).

Many sites also invested in energy-saving initiatives such as replacing air compressors with more modern, cost-effective equipment, installing new lighting and heating systems, and replacing boilers that consumed a great deal of energy. The Lens, France, plant invested 10 million euros in a continuous caster fed by copper pellets made from cable waste from Nexans' RIPS subsidiary. Finally, the Group has committed to disposing of its pyralene (PCB) transformers by 2010, most of which are located in France; 4 were replaced in 2006.

## A MAJOR PLAYER IN RECYCLING

Nexans' RIPS subsidiary is devoted entirely to recovering and recycling cable manufacturing waste and cables at their end-of-life. This site is located in the port area of Calais, France, and is ISO 9001 version 2000 and ISO 14001 certified. RIPS collects cable waste from all of Nexans' European plants and offers complete recycling solutions to customers owning discarded cables. In 2006, France Telecom signed a three-year contract with RIPS to manage the collection and recycling of its cable waste.

After the waste has been processed, aluminum and copper scraps are melted, and plastics are recycled into exterior coatings, curbs, and traffic cones. Grinding scraps are recycled into packaging products. RIPS processed 25,000 tons of cable waste in 2006, 20,600 tons of which were manufacturing waste and 4,400 tons were discarded cables.

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Note: key environmental data is given on pages 59 to 62 of this Reference document.

## INDICATORS

### > Consumption

	2006	2005	2004
Energy consumption	1,615,000 MWh	1,480,800 MWh	1,850,722 MWh
of which electricity	893,200 MWh	838,100 MWh	951,712 MWh
Waste	97,500 t	91,300 t	98,931 t
of which special waste (in tons)	8,600 t	7,400 t	10,790 t
Number of sites monitored	91 <sup>(*)</sup>	79	88
Water consumption	4,452,000 cu.m	4,430,000 cu.m	5,096,566 cu.m
Solvent consumption	1,500 t	1,500 t	9,890 t
Copper consumption	841,000 t	809,000 t	830,000 t
Aluminum consumption	140,000 t	133,000 t	130,000 t

(\*) : This table does not include data from the three Olex sites, which were consolidated by Nexans Group on December 31, 2006.

### > The main impact of Nexans' activities

Activity	Resources used	Actions taken as of end 2006
<b>Copper and aluminum metallurgy</b>	<ul style="list-style-type: none"> <li>• Natural gas for casting</li> <li>• Water for steam and cooling</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 95% wastewater is recycled</li> <li>&gt; Copper dust emissions have been reduced</li> </ul>
<b>Copper power and telecom cables</b>	<ul style="list-style-type: none"> <li>• Electricity for conductors annealing</li> <li>• Water/oil emulsions to lubricate wire drawing</li> <li>• Cooling water</li> <li>• A limited amount of solvents used for marking inks</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Used lubricants are filtered, processed and recycled</li> <li>&gt; Emissions are purified with vacuum filters</li> <li>&gt; Cooling water is recycled</li> <li>&gt; Solvents are stored in dedicated cabinets and emissions are purified in fume hoods</li> </ul>
<b>Winding wires</b> (2 sites: Canada and China)	<ul style="list-style-type: none"> <li>• Energy for varnish baking</li> <li>• Cooling water</li> <li>• Solvents in enamelling varnish</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Non-significant business since 2005</li> <li>&gt; Solvents emissions have been reduced by using dedicated equipment</li> <li>&gt; The environmental impact remains contained</li> </ul>

