



## Results by geographical area

# Europe



Yvon Raak  
Executive Vice-President, Europe area

"Europe is our historical foundation. We are the market leader in many countries, even though we have a limited presence in certain regions, particularly Central Europe. The Baltic countries, on the other hand, offer considerable scope for development. In terms of external growth, there is still scope for acquisitions in Europe, as borne out by the purchase of GPH in Germany last year. The new organizational structure benefits us in a number of ways. It will make us more dynamic in sales and stimulate our trailblazing approach, as well as open up new growth prospects for the Group through the development of cross-countries sales".

Accounting for 75% of total sales, Europe could be considered the cornerstone of the Group. The maturity of this market requires Nexans to position itself as an innovator. Ultimately, the proportion of Nexan's business in Europe should diminish in favor of faster-growing economies in other parts of the world.

### Standing up well in demanding times

Nexans' sales in Europe totaled 2,959 million euros in 2003. The 2.7% drop compared with 2002 is explained by an extremely morose economic situation overall in the first nine months of the year. Sluggish capital expenditure in industry and industrial buildings weighed especially heavily on orders for equipment cables. In spite of the economic climate, Nexans performed well compared with the



competition and largely held onto its market share. The initial effects of the restructuring carried out over the last two years are now being felt, proof of Nexans' ability to adapt, in terms of both production capacity and maintaining its margins.

Income from operations stood at 32 million euros, up 10.3% compared with 2002.

### Varied results from one business to another

In Energy, the year was characterized by the outstanding performance of Nexans' high-voltage activities where sales rose by more than 10% compared with 2002. Umbilical cables in Norway and our energy accessories activities also performed very well. On the contrary, the persistent low volume of sales of low-voltage cables for the building market, particularly in France, Italy and Spain, required the Group to make necessary measures in these countries. In the Telecom sector, we are seeing some improvement after several extremely difficult

Sales of **2,959** million euros

Germany, Belgium, Denmark, Norway, Sweden, France, United Kingdom, Ireland, Portugal, Spain, Switzerland, Italy, Greece, Romania, Czech Republic, Netherlands, Finland, Austria, Poland, Bulgaria, the Baltic States, Croatia, Hungary, Serbia and Montenegro, Slovakia, Slovenia.

■ settling without industrial presence

## Background

Europe suffered a particularly depressed economic climate in 2003. Nexans' performance varied from one sector and country to another. Energy infrastructure continued to generate a steady flow of orders and some positive signs started to appear in the telecommunications sector. Geographically speaking, Scandinavia, Germany and Belgium stood up well, whereas France, Italy and Spain suffered.



years. The market is recovering gradually, driven in particular by the deployment of ADSL. Capital expenditure is on the rise, particularly in new high-speed data transmission technologies. Finally, the situation in the electrical wires sector is variable: whereas the wirerod and bare wires activities are holding their own, the winding wires sector is experiencing a sharp downturn partly linked to the overall drop in the sale of "white goods".

### Promising market sectors

Certain market sectors are looking particularly promising. The supply of cables to the aerospace industry benefited from the commercial success of Airbus and related projects in 2003. Rolling stock equipment and railway infrastructure represent an area of strong potential growth for special cables, with high-speed rail links developing rapidly. This is especially so in Europe, with Spain, for example, planning to build 600 kilometers of high-speed tracks.

Finally, aging fleets and the emergence of new requirements are giving rise to strong demand for cabling for new ships. As the authorized supplier for Chantiers de l'Atlantique, Nexans this year fitted out the world's largest ocean liner, the Queen Mary 2, with low- and medium-voltage energy cables, data cables, and special cables for comfort and leisure facilities on board.

Income from operations: **32** million euros

# Europe



## A more pragmatic country-oriented structure

The introduction of the new geographical organization has given the Group a more detailed perspective of individual national markets. Each country is now responsible for its own market and for the distribution of all the Group's products in that market. Streamlining the decision-making structure has led to greater responsiveness in a climate of strong competition and price erosion. Thanks to the restructuring started in 2002, Nexans has been able to continue reducing

overcapacity and is now ready to grasp all the opportunities for recovery in 2004. On the sales front, a small team manages cross-organizational initiatives between countries, promotes cross-countries sales and ensures efficient coordination of Nexans' sales teams. The increased proximity to customers at local level means that Nexans can take advantage of all opportunities for growth, whether talking about areas of rapid growth like Central Europe, Poland and the Baltic States, or about entering new markets or the booming niche markets. Logistical and industrial coordination in the Europe area is carried out by small, streamlined departments, which are also responsible for coordinating capital expenditure, encouraging the exchange of working methods and promoting ongoing programs (Program+, ASAP, transportation cost reduction, etc.).

Finally, acquisitions still offer potential for expansion, as borne out by the acquisition of GPH in Germany, which has strengthened Nexans' position in accessories for the energy infrastructure sector.

## Four cross-organizational Business Groups

In view of the economic importance of Europe in Nexans' overall activities, a few specific organizational aspects have been retained for some activities. Four Business Groups continue to control



Group-wide activities. High voltage cables are managed globally to ensure that projects and large accounts are handled with maximum efficiency.

13,000 employees

Plants in 15 countries

In the accessories sector, the fragmentation of the offering across several countries gave rise to the need to combine resources in a cross-organizational structure. The organization of the European teams in the wirerod, winding wires and electrical wires sectors has also been retained.

#### Developing cross-countries sales

A number of steps has been taken to encourage cross-countries sales at European level. Clubs dedicated specifically to certain markets meet to make customers' requirements known to the company, find solutions and encourage inter-country coordination of the sales networks. More generally, the objective is that every sales team should know and be able to offer every product in the Nexans range in their own country. This approach has resulted in a recent breakthrough in France, Switzerland, Germany and Sweden in the highly

specialized area of heating cables, manufactured in Norway and for a long time limited to a local customer base. The appointment of Key Account Managers at Group level has been a further means of promoting the full range of Nexans' products and of supplying original solutions to large European accounts.

#### DECEMBER 2003

**Nexans wins the biggest energy contract of the year.** As part of a 50/50 consortium with the Pirelli Group, Nexans was awarded a contract for the production and installation of a high-voltage submarine link between the Spanish and Moroccan national power grids. Worth 115 million euros, this was the biggest energy contract of 2003.

#### NOVEMBER 2003

**Madrid contract takes off.** Nexans has won a contract to supply the luggage conveying systems for Madrid airport's two terminals. 2,100 kilometers of special cables, safety cables and connections will be manufactured in Germany. Nexans won the tender on the strength of the simplicity of installation and adaptability of the systems proposed.

#### JULY 2003

**Kristin oilfield project in Norway.** Nexans has been awarded a contract worth 15 million euros by the Norwegian company Statoil to supply and provide support for the installation of electrical heating cables and protective equipment for submarine pipelines in the Kristin oilfield in the Norwegian Sea.

#### JANUARY 2003

**First e-service orders placed.** "E-service", the online browsing and ordering service launched in France in late 2002, received its first order, from Swiss customer Burkhard Electro. Numerous orders have since been placed using this new system, which is currently being rolled out in 33 countries.

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**OUTLOOK** Having reduced costs and overcapacity, Nexans is in an ideal position to take advantage of the economic recovery in Europe. The organizational structure is more responsive, freeing up resources at country level. While cross-countries sales favor a rapid increase in sales, constant efforts in innovation take better into account customer requirements. Best practice management is applied to every activity, be it production in Nexans' European plants, trade or support functions such as purchasing and logistics.