

Extract from the management statement presented by the Board of Directors to the Annual Shareholders' Meeting*

(for the year ended December 31, 2003)

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, 2003. It is based on the parent Company's financial statements and consolidated financial statements for the year ended December 31, 2003.

1 - Operations during 2003

1.1 Nexans (Group parent Company)

Nexans' shares are traded on the Premier Marché of Euronext Paris S.A. 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 64%), private investors (approximately 11%) 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 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

1.2.1 Income of Nexans

Income from operations for the year ended December 31, 2003, amounted to 8,232,691 euros, and was derived mainly from services invoiced to Group subsidiaries.

Net income for the year was 7,769,866 euros (as compared to 32,318,212 euros for the previous year) and was made up mainly of financial income of 14,525,414 euros, derived mainly from dividends paid out by Nexans France and Nexans Participations. These dividends were lower than in the previous year.

No corporate income tax was payable in respect of this financial year, as in 2002. Shareholders' equity totaled 1,129,972,703 euros, as compared to 1,126,252,017 euros for the previous year.

* Free translation from the original French version.

1.2.2 Consolidated income of Nexans Group

Sales for the year ended December 31, 2003, totaled 4,046 million euros, as compared to 4,302 million euros in 2002.

At constant non-ferrous metal prices, sales totaled 3,924 million euros, as compared to 4,096 million euros in 2002. At constant non-ferrous metals prices and constant exchange rates, sales for 2003 fell by 0.8% (-2.7% on a comparable consolidation scope) from 3,955 million euros in 2002.

Income from operations was 91 million euros and net income was 1 million euros – evidencing the return of the Group to breakeven. These figures include the positive effect resulting from the application of CRC Regulation 2002-10 relating to accounting for fixed assets. On the basis of comparable accounting methods, income from operations would have been 58 million euros, as compared to 56 million euros in 2002. Two major changes impacted the Group in 2003: the implementation of a new management and organizational structure, and a change in the accounting method used for asset valuation.

1.2.2.1 A new Group organization

Two years after first being listed on the Paris stock exchange, Nexans re-organized its management structure half way through the year to help it meet current market challenges more effectively. The objective of this new organization is to boost sales and streamline operations. It replaces the previous product line based matrix organization with a more reactive country based organization which is closer to the Group's customers and markets. Individual countries are divided up into the following regions, with each region being responsible for the coordination and supervision of its own operations:

- Europe,
- North America and Asia,
- Rest of the World.

A Strategic Operations Department has also been created. As well as providing operational support to the regions (R&D, manufacturing, purchasing, IT), this department supervises the strategy and marketing teams that analyze business and market trends. Individual country performance as well as the performance of the region to which they belong continue to be monitored by market and by business meaning that the Group's financial reporting remains the same.

1.2.2.2 Change in accounting method

Nexans decided to implement CRC Regulation 2002-10 relating to accounting for fixed assets (component approach and impairment tests) with effect from January 1st, 2003, in advance of the required date. The effect of the change has been to lengthen the depreciation period for industrial equipment, in line with its useful economic life. The depreciation periods used previously were those applied in the Alcatel Group and did not accurately reflect the operational life of Nexans' assets which belong to a sector with a slower pace of technological change compared to that of its former parent company. Impairment tests were also carried out throughout the Group, to evaluate fair value based on business plans (using discounted future cash flows for each cash-generating unit).

The regulation has been applied using a methodology drawn up in collaboration with the Auditors and presented to the Corporate Accounting and Auditing Division of the *Autorité des Marchés Financiers* (Financial Markets Authority). This methodology details the depreciation periods appropriate for each fixed asset component, resulting in an increase of the average useful life of the Group's industrial equipment.

This change in accounting method has been recorded in the opening shareholders' equity balance at January 1st, 2003.

Overall the component approach has resulted in an increase of 257 million euros in the net value of fixed assets while the impairment tests resulted in depreciation of 238 million euros, giving a net impact on shareholders' equity of 19 million euros before deferred taxation and 10 million euros after deferred taxation as a result of this change in accounting method.

The positive impact of the change in accounting method on income from operations was 33 million euros and was 32 million euros on net income.

The results presented below – by activity and by geographical area – are reported both before and after the impact of the change in accounting method.

1.2.2.3 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 financial year 2004 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, Nexans Group put in place a project team at the beginning of 2003 to manage the conversion to IFRS, for the purposes of identifying the main differences in accounting methods, studying elections to be decided by the Group's management, evaluating the impact of the differences, drawing up the opening balance sheet as of January 1, 2004 in accordance with the standards which will be applicable in 2005, and identifying the changes that will have to be made to the group's IT systems. This analysis will only be completed once the IASB has published the final standards and they have been approved by the European Union.

- 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 first "diagnostic" phase of the project aims to identify and measure the differences between the new standards and the practices currently used within the Group. This phase will be followed by an implementation phase in 2004 involving processes, training and IT systems, which will rely largely on a new information system put in place by the consolidation department, to be operational by the end of 2004.

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

It should be noted that Nexans uses the preferential methods recommended by French accounting regulations which are very similar to IFRS standards. In particular, the implementation by the Group of CRC Regulation 2002-10 relating to fixed assets (see paragraph 1.2.2.2 above) in 2003 means that it is already fully compliant with IAS 16 and IAS 36.

- Main differences identified to date

Certain important standards and interpretations that will be in force as of December 31, 2005, have not yet been published in their final form by the IASB. These include, in particular, standards relating to Business Combinations (ED 3), Disposing of Non-current Assets and Reporting of Discontinued Operations (ED 4), and Macro Hedging (IAS 39 – supplement). In addition, the standards listed above as well as certain others already published by the IASB, have not yet been approved by the European Union, for example, the standards relating to financial instruments (IAS 32 and 39), to the First Time Adoption of IFRS (IFRS 1), to Share-Based Payments

* Additional information provided by the Company for the Annual report which is not included in the Management statement: based on the consolidated financial statements as of December 31, 2003, the Company estimates that the elimination of actuarial gains and losses (and part of the prior service costs related to pension regime amendments) would have an impact on shareholders' equity of approximately 100 million euros and that the re-statement of assigned receivables in accordance with IAS 39, would increase Group debt by 109 million euros.

(IFRS 2) and all the standards revised pursuant to the project "Improvements".

As it is expected that certain of these standards will be revised and that new standards may be published, the Group is not in a position to identify and evaluate the full impact of the transition to IFRS 1.

Finally, IFRS 1, relating to the First Time Adoption of IFRS as an accounting regime contains specific provisions for the transition to IFRS and allows certain elections to be made that are currently being examined by the Group; elimination of actuarial gains and losses arising from pension commitments and accumulated translation reserves.

Nonetheless, at the current stage of the project, the Group has already identified certain differences between the valuation and presentation methods defined by IFRS standards (based on standards and examples published at the end of 2003) and the accounting principles and methods currently used within the Group:

- 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 by taking into account depreciation on goodwill arising on acquisitions in the calculation of operating income. The presentation of the balance sheet will need to be revised to separate short-term and long-term elements.
- Employee benefits (pensions, retirement benefits, etc.): in view of the difficulty in practice of re-calculating all these benefits as if the Group had applied IAS 19 since the plans were introduced, IFRS 1 (First Time Adoption) allows certain elements which are currently spread over time to be recorded as part of shareholders' equity in accordance with IAS 19 (actuarial gains and losses and part of the prior service costs related to pension regimes amendments in existence at January 1st, 2004).
- Sales of receivables: should in principle be restated pursuant to IAS 39, which would result in an increase in the Group's financial debt and in trade receivables.
- Intangible assets: R&D expenses incurred by the Group which are currently recorded as expenses as they are incurred will have to be recorded in compliance with the criteria laid down by IAS 38.
- Stocks: the LIFO (last in first out) method will be discontinued, in accordance with IAS 2, for the valuation of stocks of copper and other non-ferrous metals.
- Financial instruments: the hedging transactions undertaken to limit the Group's exposure to fluctuations in currency rates and non-ferrous metals prices will have to be recorded in accordance with IAS 32 and 39.

1.2.3 Income of Nexans, its subsidiaries and controlled companies

1.2.3.1 Business by business

ENERGY

Energy division sales amounted to 2,143 million euros at constant non-ferrous metal prices (stable compared with 2002 and down 3.3% on a comparable consolidation scope). At constant exchange rates and on a comparable consolidation scope, the decline was only 1%, demonstrating Nexans' ability to maintain its position in the energy sector despite the sharp deterioration in the economic context.

In the field of land-based infrastructures, Nexans reaped the benefits of buoyant demand in Europe, especially in France at the end of the year, and in Canada, where investments continued for modernizing, improving and extending low and medium voltage networks. By contrast, demand in the United States slowed down significantly. Business was strong for high voltage cables, driven by the growth in orders for land-based energy networks and also by the completion of major contracts. Similarly sales of umbilical cables remained high and projects were completed under satisfactory conditions.

Low voltage cables for the building sector experienced a very difficult year. Sales fell by around 4% – mainly due to a shrinking European market for industrial cables and a steep decline in prices, especially in France. Better market conditions in northern Europe and Canada partially offset these very negative developments. Overall, low voltage cables for building recorded an operating loss in 2003.

In the industrial applications cable market, business was sustained by a further delivery of cables for the tracks for the magnetic levitation train in Shanghai and by higher sales of cables for shipbuilding markets in Asia. In all other segments, demand linked to industrial investments remained weak, affected by the economic recession in Germany and in France and a slow down in investments in oil-related sectors. On the other hand, the strength of the German high-end automotive market continued to boost sales of cable harnesses. Income from Energy operations amounted to 65 million euros at December 31, 2003 (or 78.3 million euros after taking into account the change in accounting method), a 7% decline compared with 2002. This decline reflects the steep deterioration in the profitability of cables for the building sector, which was only partially offset by the strong performance from cables for energy networks.

TELECOM

Sales at constant non-ferrous metal prices in the Telecom business totaled 546 million euros in 2003 (a decline of 5.5% compared with 2002, and an increase of 1.3% at constant exchange rates). The market environment remained challenging in 2003, but Nexans was able to maintain its sales level and realize many of the anticipated

benefits of the restructuring measures begun in early 2002 – these measures have achieved a 21% reduction in indirect costs over two years.

Business in public network cables was down 4% for the year. The decline is due mainly to the absence of major export projects and to limited and highly competitive domestic markets, leading to a significant erosion of profit margins. Growth in investments in long-distance copper cables for rail networks and steady demand for accessories for ADSL lines partially offset this decline.

In the US private network segment, where the market remained stable overall in volume terms, the striking improvement in performance reflects the full impact of the restructuring measures carried out in 2002, strong growth in higher value-added cables and sales initiatives targeted at new customers. These initiatives, combined with a marked improvement in productivity, resulted in a significant improvement in profitability.

In cables for industry, demand is currently driven mainly by the growth in high-speed internet access and therefore 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 made an impressive recovery, rising from a loss of 35 million euros in 2002 to a loss of 7 million euros in 2003, at constant accounting method (and nearly at breakeven after taking into account the change in accounting method). This improvement is mainly due to cost-cutting measures. Income from operations remains negative, however, due to some slackness in the copper infrastructure business.

ELECTRICAL WIRES

Sales in the Electrical Wires business in 2003 totaled 956 million euros at constant non-ferrous metal prices, a decline of 10.3% compared with 2002, or of 7% at constant exchange rates. This decline mainly reflects weak demand in the United States.

This activity was hit by the continued downturn in the winding wires sector. The European market declined by a further 5%, with the lighting, motors and transformer segments being most affected. Nonetheless, Nexans registered good results in self-bonding wires.

In North America, after a drop of 15% in 2001, and of 7% in 2002, sales fell by a further 5% in 2003, impacting wires for transformers in particular. These market problems were compounded by the negative impact of the reorganization of industrial activities following the closure of the Mexico (Missouri) site.

In the wirerod sector, external sales of Nexans declined, especially in North America. Nonetheless, high production levels in Group factories, driven by intra-group sales and by efforts to improve industrial efficiency – stemming partly from investments made in 1999/2000 –

meant that profitability was maintained at a satisfactory level.

In the bare wire segment, the market decline continued, especially for special alloy wires (catenaries, etc.), resulting in a reduction in sales of more than 8% compared with 2002.

Income from operations for this business recorded a loss of 3.1 million euros based on the previous accounting methods (and a profit of 10 million euros after taking into account the change in accounting method). This weak performance was mainly attributable to the winding wires activity, for which a number of options (including potential disposal) are currently being considered.

DISTRIBUTION

Sales in Distribution totaled 279 million euros at constant non-ferrous metal prices (a decline of 11.6% compared with 2002, or of 5.5% on a comparable consolidation scope and at constant exchange rates), with income from operations of 13 million euros (unchanged from 2002 on a comparable consolidation scope). This performance reflects the ongoing implementation of cost-cutting measures.

1.2.3.2 By geographical area

EUROPE

Sales in Europe in 2003 totaled 2,959 million euros at constant non-ferrous metal prices, down 3.7% compared with 2002. This region faces major challenges: income from operations is lower here than in any other region, while the market environment is more difficult than elsewhere.

In Telecom cables, despite continuing operating losses, 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 remains the major contributor with an operating margin of 2.7%, despite significant losses in low voltage cables for building, which suffered from a severe drop in prices in France. The extremely difficult situation in France both in cables for the building market and for industry, led to the launch, in December 2003, of a program to cut production capacity, affecting mainly the Lyon and Lens plants as well as the sales and administrative structures of Nexans France.

In the electrical wires sector, wirerods recorded satisfactory profits, reflecting their effective positioning in the marketplace. The winding wires business was hit by a decline in demand for value-added products and as a result its profitability declined significantly, especially in France.

NORTH AMERICA

In North America, Nexans recorded sales of 658 million euros at constant non-ferrous metal prices in 2003, a decrease of 16% (or of 6% at constant exchange rates) compared with 2002.

In the Telecom sector, in a stable market environment, Nexans reaped the benefits of its restructuring measures and of its strategic repositioning in higher value-added products (category 6), as well as capturing market share in the fiber cables sector. A major marketing drive was undertaken in cables for aerospace and shipbuilding and this brought a significant increase in orders booked.

In the energy cables sector, sales were sustained by strong demand in Canada, which offset a fall in demand in the US, due partly to lower investments and also the negative impact of the drop in the US dollar, making products manufactured in Canadian plants less competitive.

In the Electrical Wires sector, despite a significant decrease in volumes mainly due to the cessation of activity of certain customers in the United States, the wirerod business maintained satisfactory profitability. This was not the case with the winding wires business which against a background of declining volumes, especially in products for transformers and the automotive sector, had to contend with a sharp decline in prices and with exceptional expenses caused by the closure of a site. The combination of these factors resulted in a substantial operating loss.

ASIA

Sales recorded by local subsidiaries in Asia increased from 125 million euros in 2002 to 175 million euros in 2003. Nexans Group made sales of around 245 million euros in this region in 2003.

The strong increase in sales reflects the acquisition of the South Korean company Kukdong in April 2003, placing Nexans among the world leaders in cables for shipbuilding. The acquisition is part of the group's strategy of developing an industrial presence in this part of the world, which is seeing steady growth.

Sales in China progressed strongly, driven by sales of locally produced ADSL cables.

REST OF THE WORLD

This region is relatively small in terms of sales made by local operations, which totaled 131 million euros at constant non-ferrous metal prices in 2003, compared with 113 million euros in 2002. The increase reflects a change in the scope of consolidation, following the acquisition of Furukawa's energy cable activities in Brazil, in March 2003.

This region offers potential for significant sales growth in markets such as the former Soviet republics.

2 - Progress made and difficulties encountered

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

Measures to reduce costs and improve industrial performance were continued in 2003 with the roll-out of the "Program+" performance improvement program.

This process has been implemented across 16 more sites, bringing the total number participating to 40. Given the challenging economic environment in Nexans' markets in 2003, initiatives were mainly focused on improving customer service and reducing over-consumption of materials.

32 "P+ Developers" have been trained to take charge of managing the program in the plants and as a result, the Program+ system is progressively becoming an integral part of the day-to-day management of the plants.

Through the above-mentioned improvements in manufacturing processes and the efforts made to reduce the Group's debt, a major project launched in 2002 was continued in 2003. This project is designed to ensure more efficient stock management, significantly reducing both average inventories and the seasonal effect that substantially raises inventory levels up until the end of the summer. Due to economic factors, there was no improvement in average inventories as a percentage of sales in 2003 (14.6% in 2003, after 14.2% in 2002 and 14.7% in 2001). However, the drive to reduce the difference between the highest and lowest points was very successful (10.4% in 2003, compared with 15% in 2002 and 30% in 2001). These measures have been extended to all the Group's companies and will allow Nexans to attain even greater reductions in 2004.

In the IT area, 2003 was a year of consolidation, both as regards the deployment of SAP – where the emphasis was on deriving optimum operational benefit from past investments – and in limiting expenditure in a challenging economic environment. The exception was Spain, where the IT system for distribution activities was upgraded in order to improve contacts with France, especially with production plants where SAP has already been implemented. The overall result was a significant reduction in IT expenditure at Group level, which currently represents 1.5% of sales.

Germany launched its SAP project which is scheduled to go into operation in the first half of 2004.

A global assessment of the Group's systems was carried out by the Audit and IT departments, with the dual goal of defining priorities for future changes made necessary either for technical reasons or due to applications, and of improving operational security.

Nexans migrated most of its production units to a new WAN network managed by AT&T, with the benefits of improved communications,

transfer security and cost savings, and also allowing Nexans to leave the previous Alcatel Alcanet network. The remaining plants will be connected in 2004.

During 2003, Nexans continued deploying its electronic interface on the Internet network (www.nexans.com/e-service). Nexans e-service provides its customers with the largest cable library available online. The roll-out will be continued throughout Europe in 2004 as a support tool for exports. Furthermore, Nexans is a member of the Voltimum installer portal, which is now operational in six major European countries.

The difficulties encountered by Nexans were related to economic trends and the decline in industrial investments. Whilst demand for telecom cables remained at the inadequate levels experienced in the previous year, Nexans also had to contend with a sharp deterioration in its markets, especially in cables for industrial buildings, special cables for industry and winding wires. These difficulties were especially severe in France and in the US. The result was a significant decline in capacity usage in the Group's plants. In response, as part of the exceptional restructuring program announced early in 2002 costing a total of 130 million euros, the Group also launched a plan to reduce its production capacity in France in the fourth quarter of 2003 costing approximately 20 million euros. In the United States, the closure of the Mexico (Missouri) winding wire plant was completed in June 2003 and part of this plant's capacity was transferred to the plants in Lagrange (USA) and Simcoe (Canada).

3 - Research and Development

Nexans' R&D program is designed to maintain and improve its position in the market, via new products, higher quality and more efficient production processes.

In 2003, R&D programs amounted to 47.1 million euros or approximately 1.2% of sales, more or less unchanged from 48 million euros in 2002.

Nexans' specialist R&D capability (approximately 450 personnel using high-performance equipment) was dedicated to long-term projects (comprehension of 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 and lower costs for existing products. 51 patents were registered for different areas of activity within Nexans, reflecting the quality of its specialist teams.

One of the highlights of 2003 was the progress made by Nexans Research Centre (NRC) in Lyon, which groups together approximately thirty international researchers and postgraduates. It is now fully operational and its teams have already obtained important results in several

areas of activity, including energy and telecom cables, and winding wires. NRC's research focuses mainly on polymeric materials and their application – by way of example, the center has developed a process for producing Plastic Optical Fibers (attenuation < 40 dB/km and bandwidth > 300 MHz/km).

Ten competence centers are responsible for developing Nexans' technologies. Their outstanding quality is reflected in the many contracts they are awarded for producing industrial prototypes, including a super-conductor cable (138 kV/ 2,400 A, 620 m long) and its extremities for Long Island Power Authority in the United States and an overhead cable (230 kV, 1,600 m long) made with an aluminum-alumina composite (sourced from 3M).

In order to remain competitive, Nexans must take into consideration and anticipate technological advances in developing its own products and manufacturing processes. Demand for products that consume less energy, that are lighter and more compact as well as for cheaper products and solutions, make it vital to design innovative manufacturing processes, to use new materials and to develop new wires and cables. Most of the markets in which Nexans operates make increasing use of high-tech products. Nexans carries out all the research necessary to acquire the technologies being demanded by the market.

4 - Outlook

Sales in Energy should remain stable in 2004. Cables for the infrastructure market should perform well, particularly due to a highly satisfactory level of orders for land-based high voltage cables and umbilical cables. The Brazilian operation has restructured its sales organization and should see positive growth in its business. The electricity supply breakdowns in the eastern United States, Scandinavia and Italy have highlighted the need to improve network maintenance. This should mean new contracts for Nexans, especially for high voltage cables. Economic growth looks set to be firmer than in 2003, and the resumption of industrial investments should benefit all Nexans' production activities. Cables for the OEM segment should see some growth, especially in the areas of safety cables, in the automotive industry and in continued growth in the shipbuilding industry – boosted in particular by the full impact of the consolidation of Kukdong, which serves the dynamic shipbuilding industry in South Korea, Japan and China. The economic upturn should also benefit low voltage cables for industry and building. However, the price factor is likely to remain critical in this area.

In the Telecom sector, market conditions will probably remain difficult, although the trend noted by Nexans in the fourth quarter of 2003 – a slight upturn in business levels – will probably continue. In public network cables, a redeployed export sales force and a significant drop in inventories at telecom operators in 2003 should lead to increased sales in

2004. Furthermore, Nexans will probably benefit from the ADSL market, which will continue to grow in Europe and Asia. However, developing a significant volume of export sales for copper infrastructure cables remains a key challenge for 2004.

In cables for private networks, Nexans benefits from the restructuring of its industrial and sales structure, offering improved service and innovative products. The commercial initiatives successfully launched in 2003 should open up new markets with significant potential. The positive trend in the economic environment in the United States should result in new investments in the data transmission field and should encourage demand for high-performance cables. In this context the lower breakeven point will significantly improve profitability.

In the Electrical Wires sector, the good resistance to the crisis shown in the wirerod market in 2003 should continue in 2004. This will offset its performance in the winding wire and bare wire markets, which remain difficult. Nexans does not expect any improvement in this segment, at least in the first half. However, the restructuring measures carried out in 2003 will take full effect in 2004 and will help to improve profitability in this sector. In addition, the possible sale of the winding wires business could help to improve operational profitability (sales and capital employed) in the Electrical Wires business. Given these conditions, sales should see a slight increase in an improving economic environment. Savings generated by industrial restructuring should have a positive effect on net income in the second half of 2004.

In an economic context of weak growth, Nexans' goal for 2004 is to improve its operating margin and record a net profit excluding exceptional items. Given its position as a global player in the cable industry, with a balanced portfolio of products and a broad-based geographical coverage, its good financial situation and its restructured industrial capability, Nexans is well equipped to weather the current economic difficulties and to see dynamic growth as soon as the economic situation improves. Capital expenditure of approximately 80 to 90 million euros and restructuring costs of approximately 30 million euros will help Nexans continue to improve its financial situation.

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

No significant events have occurred since the end of the financial year.

6 - Significant acquisitions during the financial year

In 2003, Nexans took indirect control of Kukdong, in South Korea, and of Furukawa Cabos de Energia in Brazil.

At the end of financial year 2003, Nexans owned 99.99% of Nexans Participations and 99.99% 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, totaling 7,769,865 euros, as follows:

• Retained earnings from previous year	83,767,894 euros
• Income for the current accounting period	7,769,865 euros
• Allocation to the legal reserve	750 euros
Total distributable income	91,537,009 euros

Appropriation of income

• 0.20 euros per share, i.e. distribution of dividends totaling a maximum of	4,708,969 euros
• Maximum additional tax due on the distribution ("précompte")	1,934,120 euros
• Minimum retained earnings after distribution	84,893,920 euros
Total	91,537,009 euros

The Ordinary Annual Shareholders' Meeting will be invited to approve the distribution of a dividend of 0.20 euro per share, together with a tax credit of 0.10 euros for those shareholders entitled to benefit therefrom, increasing the gross amount of the dividend per share to 0.30 euros. The maximum total amount of dividends payable is 4,708,969 euros based on the maximum number of shares making up the share capital on the date of the Ordinary Annual Shareholders' Meeting convened to approve the distribution of the dividend being 23,544,847*. If the number of shares making up the share capital at the date of the Shareholders' Meeting is less than 23,544,847, then the amounts corresponding to dividends not paid (based on the number of shares effectively making up the share capital at this date), as well as the amount of additional tax not due on such undistributed dividends, if any, shall be allocated to retained earnings.

The dividend will be paid in the week after the Ordinary Annual Shareholders' Meeting has approved the financial statements for the financial year ended December 31, 2003. If Nexans still holds trea-

* on the basis of 23,544,847 shares, representing the maximum total number of shares which can be in existence on the day of the Ordinary Annual Shareholders' Meeting convened to vote on the distribution of the dividend, taking into account the options to subscribe to new shares which may have been exercised by this date.

surety stock at the time of payment of the dividend, the amount corresponding to dividends not paid on these shares as well as the amount of additional tax not due on such undistributed dividends, if any, shall be allocated to retained earnings.

The dividends and the corresponding tax credits paid out over the past three years were as follows:

	Net dividend	Tax credit	Gross dividend
2000	0.80 euro	0.40 euro	1.20 euro
2001	0.43 euro	0.215 euro	0.645 euro
2002	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 appended to this report.

9 - Non tax-deductible expenses

No non tax-deductible expenses, as defined in Article 39 of the French Tax Code, were incurred during the financial year 2003.

10 - Board of Directors

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

The Board of Directors comprises eight members, following the resignations of Bertrand Durrande and Robert Mahler and the appointment of Jean-Marie Chevalier in 2003.

G rard 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 Chief Operating Officer of Saint-Gobain group. He is a member of the Board of Directors of JM Huber Corporation (United States) and Director of Saint-Gobain Corporation (United States).

Georges Chodron de Courcel, Director, is Chief Operating Officer and a member of the Executive Committee of BNP Paribas. He is a Director of Bouygues and Alstom, a member of the Supervisory Board of Lagard re SA and an observer of SCOR.

Jacques Garaialde, Director, is the Managing Director of KKR (Kohlberg Kravis Roberts & Co. Ltd.), with responsibility for this group's expansion in France. He is also a Director of Legrand.

Patrick Puy, Director, is Senior Vice-President of Hydro, Power Environment Sector of Alstom, and Chairman and CEO of the Italian company Ocean S.p.A.

Ervin Rosenberg, Director, is Advisor to the Chairman of Compagnie Financiere Edmond de Rothschild Banque and Chairman of Compagnie Financiere Savoisienne, sits on the Board of Directors of Thomson SA, and is a member of the Supervisory Boards of Compagnie Financiere Edmond de Rothschild Banque, CDC IXIS LCF Rothschild and Ifrah Finance.

Jean-Louis Vinciguerra, Director, is Director of AKFED (Aga Khan Fund for Economic Development). He is also a Director of Orange, Wanadoo and Equant.

Jean-Marie Chevalier, Director, is Professor of Economics at Universit  de Paris IX Dauphine and a Director of Cambridge Energy Research Associates (CERA), a US-based energy strategy consultancy, of which he runs the Paris office.

10.2 Directors' interests and compensation for the financial year

In 2003, the gross remuneration paid to the Chairman, before tax and including benefits and Directors' fees, was 1,223,072 euros. 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 Compensation Committee. Georges Chodron de Courcel and Jean Louis Vinciguerra were each paid 31,000 euros; Ervin Rosenberg and Patrick Puy were each paid 29,000 euros; G rard Hauser, Gianpaolo Caccini and Jacques Garaialde were each paid 25,000 euros; Robert Mahler was paid 18,000 euros, Bertrand Durrande was paid 13,000 euros and Jean-Marie Chevalier was paid 6,000 euros in Directors' Fees for 2003. These fees were paid in 2004. In addition, Patrick Puy was paid 110,000 euros in consideration of industrial and commercial consultancy services provided in connection with the potential acquisition of Alstom's Transmission & Distribution business.

11 - Information on share ownership and voting rights

To the company's knowledge, the following shareholders held more than 5% of the company's capital or voting rights on December 31, 2003:

Shareholders	% of share capital December 31, 2003	% of voting rights December 31, 2003
Alcatel	15.04%	28.22%*
Tweedy Browne (USA)	9.20%	8.76%
Brandes (USA)	5.21%	4.96%
Treasury stock	9.60%	0%

* by virtue, in particular, of the ownership of 3,374,888 shares carrying double voting rights. However, the use of these voting rights in a General Shareholder's Meeting is limited by the articles of association to 16%, on the conditions described below.

Employees held 0.94% of the share capital (92% of this total via an employee mutual fund) on December 31, 2003.

Pursuant to Article L. 233-8 of the *Code de Commerce*, the Company notified its shareholders, by a Notice published in the *Bulletin des Annonces Légales Obligatoires* on October 27, 2003, of a change in the total number of voting rights with effect from October 17, 2003. This followed the attribution of double voting rights to several shareholders of registered shares which had been held for more than three years, in accordance with Article 21 of the company's articles of association. At December 31, 2003, there were 3,374,936 shares with double voting rights and the total number of voting rights was 24,282,709.

Shareholders were reminded in the notice that "in accordance with the provisions of the articles of association, no shareholder, whether on his own behalf or as a proxy for another shareholder, may exercise more than 8% of the voting rights attached to the shares of all shareholders present or represented at Shareholders' meetings, or 16% of the voting rights attached to the shares of all shareholders present or represented in the case of double voting rights, when voting on resolutions at Shareholders' meetings".

At December 31, 2003, the share capital represented a total of 23,128,972 euros. This total includes stock options exercised in the month of December 2003, as confirmed by decision of the Board of Directors on January 30, 2004, when the Board also confirmed options exercised in January 2004, bringing the total share capital to 23,138,472 euros divided into 23,138,472 shares with a nominal value of 1 euro each on January 30, 2004.

12 - Share buyback program

Following the first share buyback program authorized by the Combined General Shareholders' Meeting held on April 2, 2001 and decided by the Board of Directors on September 26, 2001, Nexans held 6,774 of its own shares on December 31, 2003.

Pursuant to the authorization granted by the Combined General Shareholders' Meeting held on June 25, 2002, and the information notice No.06-692 registered with the COB, Nexans launched another share buyback program, for a maximum of 10% of its issued share capital, in accordance with Article L. 225-209 of the *Code de Commerce* following a decision by the Board of Directors on June 25, 2002. In 2002 Nexans consequently purchased 1,909,736 shares at an average unit price of 12.88 euros for a total value of 24.6 million euros. In 2003, under the same program, Nexans purchased 304,689 shares at an average unit price of 11.30 euros, for a total value of approximately 3.5 million euros.

On December 31, 2003, the company held 2,221,199 of its own shares, including those acquired during the initial buyback program, representing 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 on June 25, 2002, the Board of Directors decided on April 4, 2003, to grant 644,500 stock options conferring the right to subscribe for new shares in the company at a unit price of 11.62 euros, to be issued by way of increasing the share capital of the company and in order to give management and employees a stake in improving the Group's profitability, and recognizing the part they play, directly and indirectly, in the Group's performance.

On December 31, 2003, 1,156,500 stock options to subscribe to Nexans' shares, representing 5% of the share capital, had not been exercised. Each option gives the right to subscribe to one Nexans share.

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

14.1 Environmental consequences of 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 its Risk Management Charter, signed by the Group's Chairman. This charter covers the ongoing improvement of production sites, by means of environmental audits, as well as the assessment of risks relating to products and manufacturing processes.

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. This department also manages Group-wide projects and in particular the development of products and processes and the Group's plant and equipment. In each of these areas, it ensures that conservation and environmental protection requirements are fully complied with. The rules and targets fixed by the Industrial Department apply to Group operations worldwide, including international subsidiaries.

On December 31, 2003, provisions for environmental risks stood at 6,061,000 euros.

Nexans estimates that environment-related investments for 2003 were approximately 1.8 million euros. These figures do not include the cost of accessories aimed at protecting the environment and linked to industrial investments for which Nexans Group has no separate figures for 2003.

14.2 Social aspects

Nexans holding company employs only the eight members of the Executive Committee, only seven of whom 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 management system both in France and abroad. Each entity determines and organizes, in accordance with applicable laws and regulations in force and the conditions specific to its business activity, its working hours, training, salary levels, etc., subject to the control of the Group's management.

This explains why the Group does not currently have any consolidated data at Nexans Group level.

CHANGES IN NUMBER OF EMPLOYEES

Consolidated Group

2001	18,000 employees
2002	17,139 employees
2003	17,068 employees
<hr/>	
(women: 16% of total; men: 84% of total)	

These changes take into account the integration of 596 employees in Brazil and South Korea in 2003, following the acquisition of Furukawa Cabos de Energia and Kukdong respectively, along with staff reductions of 667, mainly in France and the United States.

The Board of Directors

* This section provides extracts from the management statement. Additional information on this subject can be found on pages 18 to 21.