

2004 financial and legal information

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Management statement presented by the Board of Directors to the Annual Shareholders' Meeting* (for the year ended December 31, 2004)

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

1 - Operations during 2004

1.1 Nexans (Group parent Company)

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

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

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

1.2 Income and activity of Nexans, its subsidiaries and controlled companies by branch

1.2.1 Income of Nexans

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

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

Shareholders' equity totaled 1,112,801,843 euros as compared to 1,129,972,703 euros for the previous year.

1.2.2 Consolidated income of Nexans Group

1.2.2.1 Change in income

Sales for 2004 totaled 4.900 billion euros, compared to 4.046 billion euros in 2003.

At constant non-ferrous metal prices, sales totaled 4.159 billion euros compared to 3.924 billion euros in 2003. At constant non-ferrous metal prices and constant exchange rates, sales for 2004 rose by 7.8% (6.6% on a comparable scope of consolidation), as compared to 2003 sales calculated at 2004 exchange rates (3.859 billion euros).

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

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

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

*Free translation from the original French version

1.2.2.2 Change in debt

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

- improved cash flow, which rose 26% to 118 million euros,
- the negative impact on working capital of the 37% rise in copper prices, estimated at 80 million euros,
- acquisitions net of disposals of 97 million euros (the acquisitions have had an accretive impact on net income since 2004),
- capital expenditure net of disposals of 78 million euros.

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

1.2.2.3 Change in accounting method

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

1.2.3 Application of IFRS (International Financial Reporting Standards)

Pursuant to European regulation no. 1606/2002, the consolidated financial statements of Nexans Group for the year ended December 31, 2005 will be presented in accordance with the International Financial Reporting Standards, which will be in force as of December 31, 2005, with comparative financial statements for the 2004 financial year being prepared in accordance with the same standards.

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

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

restating the 2004 financial statements in accordance with these same standards, and identifying the changes to be made to the group's IT systems.

a) Details of the project and progress made

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

The following actions were achieved in 2004:

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

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

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

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

b) Description of the elections made and the main differences identified

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

- given the practical difficulty of calculating pension commitments as if the Group had applied IAS 19 "Employee benefits" since the plans were introduced, IFRS 1 allows actuarial gains or losses which are currently spread over time in accordance with IAS 19, to be recorded in shareholders' equity from January 1, 2004, which will result in an increase of the provisions for employee benefits,

- translation differences will be eliminated through reclassification in consolidation reserves, another line item in shareholders' equity,
- business combinations prior to January 1, 2004 will not be restated,
- finally, IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement" will be applied from January 1, 2005, without restating the 2004 financial statements, in view of the delay in publication of these standards.

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

- Presentation of the financial statements: the presentation of the consolidated income statement will need to be amended significantly, in particular by eliminating non-operating revenue and expenses. Pursuant to Recommendation 2004-R.02 of the "Conseil national de la comptabilité" (CNC), the Group will add an intermediate line which it is expected will be called "Income from operations before impairment, restructuring and copper trading" to reflect the Group's operating performance. The presentation of the balance sheet will be changed to separate short-term and long-term items.
- Scope of consolidation: pursuant to IAS 27 "Consolidated and separate financial statements", certain companies (subcontractors) that are currently not consolidated will be brought within the Group's scope of consolidation. This change will have no effect on sales or income and will have a limited impact on the consolidated balance sheet, but will significantly increase headcount.
- Employee benefits (pensions, retirement benefits, post-employment benefits, etc.): in addition to the election made to eliminate actuarial gains or losses pursuant to IFRS 1 (see above), the financial and demographic assumptions used to evaluate employee benefits will be reviewed.
- Stock options: pursuant to IFRS 2 "Share-based payments", the fair value of stock options granted to employees, measured using the Black-Scholes method, will be recognized in operating expenses.
- Inventories: pursuant to IAS 2 "Inventories", the LIFO method for valuing inventories of copper and other non-ferrous metals will be abandoned in favor of the Weighted Average Unit Cost (WAUC) method. Similarly, the portion of non-ferrous metal inventories, referred to as base stock, corresponding to the quantities of metal owned by Nexans itself (which is not sold) required for the proper functioning of its plants, will be reclassified as property, plant and equipment.
- Financial instruments (hedging of non-ferrous metals: mainly copper and aluminum): the systematic hedging of risks associated with the fluctuation of non-ferrous metal prices is considered to

be macro hedging for the purposes of IAS 39 (hedging net positions, part of which includes estimated flows). Accordingly, changes in the fair value of derivatives (forward purchases and sales of metal on the LME) should be recorded in 2005, independently of the underlying commercial contracts, in order to calculate pre-tax operating income.

- Financial instruments (other differences relating to the application of IAS 32 and 39):
 - hedging transactions to limit the Group's exposure to fluctuations in currency rates will be recorded in 2005 using the Cash Flow Hedge method,
 - the convertible bond (OCEANE) issued in July 2004 will be allocated to its financial liability and equity components (corresponding to the value of the option) in 2005. The interest cost recorded will be calculated on the basis of a legal interest rate excluding the option,
 - sales of receivables without recourse carried out as of January 1, 2005 will be included in the balance sheet, which will result in an increase in the Group's debt and trade receivables.

In view of the progress made on the project, the Group was able to announce on February 3, 2005 what the main effects of the application of IFRS would have on the opening balance sheet. Full details will be provided in a separate document to be annexed to the annual report after review by Nexans' Auditors.

1.2.4 Income of Nexans, its subsidiaries and controlled companies

1.2.4.1 Business by business

ENERGY

Energy division sales (in which the distribution business is now included) amounted to 2.604 billion euros at constant non-ferrous metal prices (up 7.5% on 2003 and 6.8% on a comparable scope of consolidation and at constant exchange rates).

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

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

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

The growth in sales in cables for industry (up 6.1% at constant non-ferrous metal prices and constant exchange rates and on a comparable consolidated scope) masked very mixed results depending on the industrial application.

Thanks to the strengthening of its position in the shipbuilding cable market with Kukdong, the Group is benefiting from growing demand in Asia but has to face increasingly strong competition. The harnesses sector continues to benefit from the success of the German high-end automotive industry, the growth of the components business for active and passive automotive safety systems and increased demand for truck harnesses in the United States. The recovery in demand for cables for the oil industry, for safety and high-temperature industrial applications, compensated for weak demand in the other sectors. This is above all the result of low levels of investment in France and Germany.

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

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

TELECOM

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

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

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

In cables for industry, demand is currently driven mainly by the growth in high-speed Internet access and thus in ADSL cables, both in Europe and in China, where sales growth was strong. Business in the aeronautic sector was maintained at a satisfactory level, as were sales in the oil, gas and seismic research sectors. Income from operations recovered sharply, going from a 1 million euro loss in 2003 to a 17 million euros profit in 2004. This improvement is largely due to the strong growth in volumes combined with cost controls.

ELECTRICAL WIRES

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

The winding wires business saw an improvement in Europe largely in wires for the automotive sector and for multimedia applications. Higher volumes and lower costs made it possible to return to profitability despite continued downward pressures on prices.

In North America the business benefited from the cutting of losses as a result of the sale of the business in the United States in September 2004, as well as significant demand for wires for transformers.

In the wire rod sector, business was affected by a shortage of cathodes in the market. As a result of its supply contracts, Nexans was able to meet both internal and external demand. Production units in France and Canada reached new delivery records with 448,000 and 260,000 metric tons respectively. External sales increased sharply in North America with volumes stable in Europe. This situation enabled Nexans to maintain profitability at a satisfactory level. After years of decline in the bare wire segment, sales improved noticeably (up 3.9%). The fall in demand for standard conductors in the automotive sector, resulting from the relocation of customers,

was offset by good sales in specialty products and a slight recovery in products for communication cables.

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

1.2.4.2 By geographical area

EUROPE

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

In Telecom cables, the restructuring measures undertaken in France and Spain yielded a significant improvement in profitability, especially in cables for equipment suppliers and telecom operators (driven by the growth of ADSL) and in cables for private networks. Energy continues to be a key contributor with operating profitability of 3.7%, sharply up thanks to recovery in low voltage cables for the building sector, despite continued difficult market conditions, in particular in Germany, Benelux and France. Weak economic growth in France and Germany and a lack of industrial investment have weighed heavily on the industrial applications cables business. Only a few segments, such as harnesses for the German high-end automotive sector and safety cables, saw significant growth.

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

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

NORTH AMERICA

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

In the Telecom sector, in a stable market environment, sales of copper LAN cables grew by 14% as a result of a market movement

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

Business in the energy cables sector was driven by continued high demand in Canada and by higher demand in the United States, in particular for cables for residential buildings and for energy networks. Despite the negative impact of the drop in the US dollar, which makes products manufactured in Canadian plants less competitive, Nexans sales in the United States grew by 18% in 2004. In the electrical wires segment, the wire rod business, with an increase in external sales at standard copper of over 25%, maintained satisfactory profitability. The situation was somewhat different in the winding wires business in the United States where difficulties at the Lagrange plant (Kentucky) led to the sale of the business to Superior Essex and the closure of the site. In wires for transformers, manufactured at the Simcoe plant (Canada), demand remained strong and increased productivity resulted in a significant improvement in the profitability of this unit.

ASIA

In Asia, sales rose from 175 million euros in 2003 to 214 million euros in 2004, representing an increase of 22% or 18% at constant exchange rates, on a comparable scope of consolidation. The Nexans Group generated sales of around 350 million in this area in 2004. In Korea, sales rose by 33.7%, or 18.2% on a comparable scope of consolidation (takeover of the Korean company Kukdong in May 2003). This performance is largely due to the energy sector. Nexans Korea's sales of cables for the building sector increased sharply due to its dynamic sales policy, as did its sales of cables for the automotive sector, a sector driven by the growth in Korean exports. Kukdong, a leader in the shipbuilding cables sector, benefited from the heavy workload at Korean and Japanese shipyards to grow sales by 19%. However, this performance was not accompanied by an improvement in the operating margin, which suffered from the delay in passing on higher raw material prices to its customers.

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

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

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

REST OF THE WORLD

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

This performance is the result of an excellent performance in Morocco in low and medium voltage cables as part of the multi-year country-side electrification program, the success of Nexans Turkey in its domestic market and the export of cables for the building sector as well as of very significant growth in overhead power cables in Brazil. The takeover of the Liban Câbles Group makes Nexans a major player in the Middle Eastern cable market and puts it in a position to grow in a region where there are a large number of investment projects.

2 - Progress made and difficulties encountered

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

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

The network for sharing and exchanging methods and best practices between industrial entities is a key component of the Program+ performance improvement program. Its rollout continued on several production sites thanks in particular to the contribution made by the P+ training program: in addition to the training of 50 Program+ Developer specialists across 40 sites, the Group is also focusing on the training of department heads and supervisory staff. As part of the 2004-2007 strategic plan, the IT department continued to reduce costs which were down to 1.4% of sales (at standard copper) in 2004, demonstrating that 1.2% can be achieved in 2007, compared to 1.7% in 2002.

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

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

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

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

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

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

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

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

3 - Research and Development

Nexans' R&D program is designed to maintain and improve its position in the market, by developing new products and improving the quality of the production processes through increased efficiency. In 2004, Research and Development programs accounted for 47 million euros, i.e. slightly more than 1% of sales at standard copper prices.

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

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

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

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

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

4 - Priorities

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

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

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

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

4.1 Building long-term profitability

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

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

In an increasingly global and open economy, the European units must improve productivity, cut costs to improve their competitiveness, particularly in export markets. Despite the efforts that have

already been made, the Group must continue over the coming three years to:

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

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

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

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

4.2 Developing growth drivers

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

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

In certain high growth markets where Nexans has a strong position, the goal is to protect its leadership position and profitability. The analysis also identified nineteen priority markets because of their potential and their size, with a view to increasing sales to these markets.

The following three segments fall into this group:

- superconductivity: accelerate the marketing of cables with electricity transmission capacity several times above that of traditional cables. Nexans is involved in the United States in the construction of the longest superconductor line in the world,
- fire resistance: Nexans is developing a range of products with improved fire resistance properties. These cables, currently marketed in Spain, will be made available throughout Europe

with the launch of these cables in 2005 under the ALSECURE trademark,

- automotive cables: there is a growing need in this sector for cables that can operate at temperatures of 125°, which has led to PVC being replaced by halogen-free materials. Nexans has developed products meeting this requirement and is in the process of developing partnerships with harness manufacturers.

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

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

4.3 Increasing the Group's attractiveness for its customers and employees

Nexans needs to change its culture to make it more customer-oriented. Programs to improve the efficiency of sales teams were launched throughout the Group. The sales organization was strengthened by the appointment of Global Product Managers, responsible for monitoring major markets and ensuring the development of the priority areas indicated above, and of Key Account Managers to better serve global customers with the help of global databases. The implementation of these initiatives, undertaken in 2004, will be completed in 2005. All teams have been given incentives to meet these goals by the putting in place of attractive compensation programs.

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

4.4 Goals

Assuming raw material and energy costs stabilize, Nexans is confident in its ability to pursue its growth strategy to build long-term profitability, to develop the growth drivers it has identified and thereby increase its attractiveness. The encouraging results in 2004 make it possible to target growth of between 3% and 4% in 2005 at constant non-ferrous metal prices and exchange rates, as well as further improvement of its operating profit.

These improvements will represent a first step towards achieving its medium-term goals in 2007 of sales of 4.7 to 4.8 billion euros in a similar economic climate, generating an operating margin of 5% and a return on capital employed of 9.5% over the weighted average cost of capital.

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

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

The joint venture would be majority controlled by Superior Essex, with Nexans retaining a significant minority stake.

The non-binding Memorandum of Understanding also provides for negotiations between the two parties for the acquisition by Superior Essex of Nexans' 80% interest in Nexans Tianjin Magnet Wires & Cables Co. Ltd, a winding wire joint venture in China.

The transaction is subject to consultation with works councils, customary due diligence, approval of certain third parties and execution of definitive binding agreements.

6 - Significant acquisitions during the financial year

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

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

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

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

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

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

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

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

- Nexans also reached an agreement to purchase the minority stakes in Shanghai Nexans Kanghua Cable Co. Ltd (People's Republic of China) subject to the approval of the local authorities, and raised its stake in Nexans Tianjin Magnet Wires and Cables Co. Ltd (People's Republic of China) from 60% to 80%.
 - Nexans increased its shareholding in the Norwegian company Norcable from 50% to 100%.
 - In the second half of 2004 Nexans launched takeover bids of its two Korean subsidiaries, thereby increasing its stake (percentage of control) from 51.6% to 86% in Nexans Korea and from 50.3% to 53.9% in Kukdong Electric Wire.
- Following this transaction, Nexans Korea was delisted from the Korean Stock Exchange at the end of December 2004. Nexans undertook to purchase the shares of minority shareholders at the previously offered price for a period of six months following the company's delisting.
- In the energy accessories segment, Nexans acquired Thomas & Betts' shareholding in Euromold, giving it full control of the company compared to the 50.1% in the share capital held previously by Nexans.

Nexans also announced that it had entered into negotiations with Superior Essex for the sale of a controlling interest in its European and Chinese winding wires business (see section 5).

At the end of the 2004 financial year, Nexans owned 99.99% of Nexans Participations and 100% of Nexans France.

7 - Proposed allocation of income

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

• Retained earnings from previous year	85,672,524.73 euros
• Income for the current accounting period	(12,231,434.62) euros
• Allocation to the legal reserve	0.00 euro

Total distributable income	73,441,090.11 euros
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Appropriation of income

• 0.50 euros per share, i.e. distribution of dividends totaling a maximum of	11,913,673.50 euros
• Minimum retained earnings after distribution	61,527,416.61 euros

Total	73,441,090.11 euros
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The Ordinary Annual Shareholder's Meeting will be invited to approve the distribution of a dividend of 0.50 euros per share. The maximum total amount of dividends payable will be 11,913,673.50 euros based on the maximum number of shares making up the share capital on the day of the Ordinary Annual Shareholders' Meeting convened to approve the distribution of the dividend being 23,827,347⁽¹⁾.

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

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

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

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

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

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

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

8 - Net income over the past five years

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

9 - Non tax-deductible expenses

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

10 - Board of Directors

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

The Board of Directors comprises ten members.

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

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

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

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

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

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

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

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

Colette Lewiner, is Vice-Chairman, Sector Leader Energy and Utilities and Global Marketing Leader of Cap Gemini. She is also a member of the Information Technology Strategic Advisory Board (reporting to the Prime Minister) and a member of the Académie des Technologies.

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

10.2 Directors' interests and compensation for the financial year

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

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

11 - Information on share ownership and voting rights

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

Shareholders	% of share capital December 31, 2004	% of voting rights December 31, 2004*
Alcatel	15.04	28.14
FMR Corp and Fidelity Ltd (USA-UK)	5.03	4.79
Dodge & Cox (USA)	5	4.79
Brandes (USA)	5.2	4.95
Tweedy Browne (USA)	9.2	8.74
Treasury stock	9.60	0

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

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

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

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

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

12 - Share buyback program

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

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

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

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

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

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

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

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

14.1 Environmental consequences of its business activity

14.1.1 Nexans' policy on environmental issues

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

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

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

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

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

Nexans has had an internal environmental management system in place for approximately ten years. Its objective is to reduce pollution risks and control environmental costs (consumption of energy, raw materials and hazardous substances, waste disposal and recycling). Through this system and in accordance with the ISO 14001, all the Group's facilities are reviewed annually (via a questionnaire) against a list of 33 environmental indicators. The list changes each year in accordance with regulatory developments and those areas which the Group wishes to improve. In 2004, a number of points were added covering waste recycling and reuse, but related also to the identification of major environmental risks (accompanied by specific crisis management plans) and the storage of hazardous liquids. A Group environmental manual, approved by the Executive Committee, was drawn up and sent to all production sites, describing the procedures applied by Nexans Environmental Management system. It is a reference document both for existing Environmental Management systems and for those yet to be installed in plants. It describes the Group's organization and the role of Country Management in the implementation of the Group's Environmental Policy. Once the questionnaires have been analyzed, recommendations are sent to the sites in the form of summaries and graphs. They enable the situation to be corrected through action plans that are tailored to the sites so as to improve their environmental management. At December 31, 2004, the amount of provisions recorded for environmental risks was 6,891,000 euros.

- *An objective external audit system*

In 2003, the Group launched a program of environmental audits which are realised by an external specialist. Since 2004, 25 sites are audited each year, and if found to be well managed environmentally are awarded the EHP label, denoting compliance with the highest environmental standards; of the 25 sites audited in 2004, 14 were awarded this label: 4 in France, 4 in Germany, 1 in Norway, 1 in the United Kingdom, 2 in the United States, 1 in Belgium and 1 in South Korea. Those sites that were not given the EHP label were given recommendations to implement in order to achieve the required level and took the necessary corrective action. These actions are included in the plants' 3-year plans. The environmental audit program, which is the same for all the sites audited, is a means of checking the consumption of materials (water, solvents, energy, packaging, etc.), discharges into the air and water, ground protection, the condition of storage facilities, volume of waste and recycling methods, as well as the impact of our activities in terms of noise. In addition to this highly efficient system, certain of the Group's plants are undergoing ISO 14001 certification. For example, the Paillart site in France was granted ISO 14001 certification in 2004.

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

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

- *Copper and aluminum metallurgy*

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

- *Copper power and telecom cables*

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

Extrusion cable manufacturing requires large quantities of water for cooling, which are recycled. Consumption thus remains low. Air emissions are low as they are treated by filter vacuum cleaners specific to each facility.

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

- *Winding wires*

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

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

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

- *Waste recycling: a dedicated subsidiary*

The Nexans Group is very involved in the recycling of its manufac-

turing waste. RIPS, a Nexans subsidiary based in Calais, recycled 18,700 metric tons of cable waste in 2004, which was collected from all the Group's European manufacturing plants. Thorough sorting of factory waste combined with the recycling of cable waste means that the majority of waste - wood, paper, cardboard, ferrous materials, machine oil, batteries, special waste, etc. - is reused in some way.

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

- *Environmental indicators*

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

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

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

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

Beyond the measures indicated above, it should also be noted that particular effort has been made, especially in France, to eliminate transformers with askarel (PCB) by 2010 under a multi-year plan, to replace oil fuelled boilers with less polluting gas boilers,

as well as to gradually phase out single-walled underground storage tanks.

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

- *Environmental expenditure*

Environmental related investments are summarized in the following table:

2004	Soil and water protection	Air protection and energy savings	Waste reduction	Noise	Elimination of transformers with PCBs (in France)
<i>in thousand of euros</i>					
Amount	1,367	303	306	54	295
Total			2,325		

In 2003, 1.8 million euros were invested.

- *Environmentally-friendly products and solutions*

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

- *Wastewater management and treatment*

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

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

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

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

14.2 Social aspects

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

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

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

Changes in number of employees

Consolidated Group

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

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

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

March 9, 2005,

The Board of Directors
Represented by Gérard Hauser
Chairman and CEO

Table summarizing the authorizations given to increase the share capital

(year ended december 31, 2004)

Date authorization was granted and form of authorized share issuances	Maximum nominal amount in euros ⁽¹⁾	Expiration date of the authorization	Use
June 5, 2003 Issuance of shares by the exercise of stock options granted to certain employees or Board members	900,000	April 2, 2006	Board of Directors meeting of November 16, 2004: 403,000 stock options granted
June 3, 2004 Issuance of securities giving immediate or future access to share capital ⁽²⁾			
With preferential subscription rights:			
• Shares (R8)	15,000,000 ⁽³⁾	2005 AGM	
Without preferential subscription rights:	Individual and aggregate ceiling for R9 and R10:	2005 AGM	Offering by Nexans of bonds convertible into and/or exchangeable for new or existing shares (OCEANE) for a total of 135 million euros/ 3,552,632 bonds at par and at the conversion/exchange rate of 38 euros
• Convertible bonds (R9)	Shares: 10,000,000 ⁽³⁾		
• Other marketable securities representing debt giving access to share capital (R10)	Debt: 250,000,000		
Issuance of shares by capitalization of premiums, reserves, profits or other reserves (R11)	15,000,000	2005 AGM	
Issuance of shares reserved to members of employee savings plan (R12)	500,000	2005 AGM	

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

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

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

Financial results of the Company over the last five financial years

NATURE OF INDICATIONS	2004	2003	2002	2001	2000
I- Share capital at the end of the financial year					
a) Share capital (in thousands of euros)	23,190	23,129	23,121	25,000	25,000
b) Number of issued shares	23,189,947	23,128,972	23,121,472	25,000,000	25,000,000
II- Operations and income of financial year (in thousands of euros)					
a) Net sales	10,265	8,233	5,040	6,758	-
b) Income before tax, employee profit sharing, depreciation and amortization	(8,067)	8,068	31,981	60,735	28,727
c) Income tax	169	0	0	293	957
d) Employee profit sharing for the financial year	124	117	-	-	-
e) Income after tax, employee profit sharing depreciation and amortization	(12,231)	7,770	32,318	60,105	27,770
f) Distributable income		5,865	4,180	10,000	20,000
III- Income per share (in euros)					
a) Income after tax, employee profit sharing but before depreciation and amortization	(0.35)	0.35	1.38	2.42	1.11
b) Income after tax, employee profit sharing and after depreciation and amortization	(0.53)	0.34	1.40	2.40	1.11
c) Dividend per share	0.50	0.20	0.20	0.43	0.80
IV- Employees					
a) Average headcount during the financial year	7	7	7	7	-
b) Gross salaries paid during the financial year (in thousands of euros)	2,947	2,693	2,235	2,511	-
c) Benefits in kind paid during the financial year (in thousands of euros)	973	889	738	829	-

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Note: the 2003 and 2004 financial statements were drawn up following the change in method resulting from the application of CRC 2002.10 as of December 31, 2003. The 2002 financial statements were drawn up prior to this change in method. See note 1a below for the impact of the change in method on the 2003 financial statements.

Consolidated income statement

<i>in millions of euros</i>	Notes	2004	2003	2002
Net sales	(3)	4,900	4,046	4,302
Metal price effect		(740)	(123)	(206)
Net sales at constant metal price	(3)	4,159	3,924	4,096
Cost of sales		(3,584)	(3,383)	(3,571)
Gross profit		576	541	525
Administrative and selling expenses		(394)	(402)	(421)
R&D costs		(47)	(47)	(48)
Income from operations	(3)	135	91	56
Financial income (loss)	(4)	(30)	(31)	(31)
Restructuring costs	(18)	(36)	(41)	(90)
Other revenues (expenses)	(5)	9	(2)	23
Income before taxes		78	18	(43)
Income tax	(6)	(20)	8	10
Share in net income of equity affiliates		0	(1)	–
Consolidated net income before amortization and depreciation of goodwill		58	25	(33)
Amortization and depreciation of goodwill		4	(14)	(2)
Minority interests		(5)	(10)	(5)
Net income (Group share)		57	1	(40)
Earnings per share (in euros)	(7)	2.71	0.06	(1.78)
Diluted earnings per share (in euros)	(7)	2.51	0.06	(1.78)

Consolidated balance sheet

ASSETS

at December 31, in millions of euros

	Notes	2004	2003	2002
Goodwill, net	(8)	74	23	39
Other intangible assets, net		8	4	7
Intangible assets, net		82	27	45
Property, plant and equipment	(9)	2,843	2,843	2,870
Amortization and depreciation	(9)	(2,047)	(2,059)	(2,071)
Property, plant and equipment, net		796	784	799
Share in net assets of equity affiliates		1	3	4
Other investments and miscellaneous, net	(10)	59	65	63
Investments and other non-current assets		60	68	67
TOTAL NON-CURRENT ASSETS, NET		938	879	911
Inventories and work in progress, net	(11)	678	556	628
Trade receivables and related accounts, net	(12)	791	744	761
Other accounts receivable, net	(13)	219	170	133
Accounts receivable, net		1,010	914	894
Cash and cash equivalents	(14)	122	104	167
TOTAL CURRENT ASSETS		1,810	1,574	1,689
TOTAL ASSETS		2,748	2,453	2,600

LIABILITIES AND EQUITY

at December 31, in millions of euros

	Notes	2004	2003	2002
Capital Stock (EUR 1 nominal value; 23,189,947 shares issued at December 31, 2004, 23,128,972 shares issued at December 31, 2003 and 23,171,472 shares issued at December 31, 2002)		23	23	23
Additional paid-in capital		1,014	1,014	1,014
Retained earnings		(52)	(40)	(7)
Cumulative translation adjustments		(32)	(28)	26
Net income		57	1	(40)
Treasury stock		(28)	(28)	(25)
SHAREHOLDERS' EQUITY	(15)	982	942	991
MINORITY INTERESTS	(16)	71	103	88
Accrued pension and retirement obligations	(17)	253	260	253
Accrued contract costs and other reserves	(18)	120	120	143
TOTAL RESERVES FOR LIABILITIES AND CHARGES		373	380	396
TOTAL FINANCIAL DEBT	(19)	310	126	219
Customers' deposits and advances	(20)	46	51	37
Trade payables and related accounts		549	463	485
Other payables	(21)	417	387	384
TOTAL OTHER PAYABLES		1,012	901	905
TOTAL LIABILITIES AND EQUITY		2,748	2,453	2,600

Consolidated statement of cash flows

in millions of euros

	2004	2003	2002
Net income	57	1	(40)
Minority interests	5	10	6
Depreciation and amortization	87	113	148
Changes in reserves and deferred taxes	(25)	(33)	(4)
Net (gain) loss on disposal of non-current assets	(7)	2	(23)
Share in net income of equity affiliates (net of dividends received)	–	1	–
Other non-cash items	1	–	–
Cash flow provided by operations	118	93	87
Decrease (increase) in accounts receivable	(64)	17	112
Decrease (increase) in inventories	(117)	69	1
Increase (decrease) in accounts payable and accrued expenses	75	(15)	(60)
Changes in reserves on current assets (including accrued contract costs)	3	(24)	(14)
Net change in current assets and liabilities	(103)	47	39
Net cash provided (used) by operating activities	15	140	126
Proceeds from disposal of fixed assets	19	15	12
Capital expenditure	(97)	(67)	(96)
Decrease (increase) in loans	(0)	(3)	(1)
Cash expenditures for acquisition of consolidated companies, net of cash acquired, and for acquisition of unconsolidated companies*	(113)	(35)	(64)
Cash proceeds from sale of previously consolidated companies, net of cash sold, and from sale of unconsolidated companies	16	–	41
Net cash provided (used) by investing activities	(175)	(90)	(108)
Net cash flow after investment	(160)	50	18
Proceeds from issuance of shares	1	–	1
Dividends paid	(9)	(8)	(15)
Net cash provided (used) by financing activities	(8)	(8)	(15)
Net effect of currency translation differences	2	(13)	16
Net increase (decrease) in net debt/cash	(166)	29	20
Net (debt)/cash at beginning of year	(23)	(52)	(71)
Net (debt)/cash at end of year	(188)	(23)	(52)

* Including Treasury Stock: 3 million euros in 2003, 25 million euros in 2002.

Consolidated statement of changes in shareholders' equity

in millions of euros

	Notes	Number of shares outstanding	Capital stock	Additional paid-in capital & retained earnings	Cumulative translation adjustments	Net Income	Treasury stock	Shareholder's equity
December 31, 2002 after appropriation		21,204,962	23	963	26	–	(25)	987
Change in accounting method (CRC 2002-10)				10				10
Shares buyback	(15)	(304,689)					(3)	(3)
Cancellation of treasury stock								–
Capital increase	(15)	7,500						–
Other								–
Net change in translation adjustments					(53)			(53)
Net income						1		1
December 31, 2003 before appropriation		20,907,773	23	973	(27)	1	(28)	941
Appropriation of net income	(15)			(5)		(1)		(6)
December 31, 2003 after appropriation		20,907,773	23	968	(27)	–	(28)	935
Change in accounting method (Jubilees)	(1-a)			(8)				(8)
Shares buyback	(15)							–
Cancellation of treasury stock								–
Capital increase	(15)	60,975		1				1
Other				1	(1)			–
Net change in translation adjustments					(4)			(4)
Net income						57		57
December 31, 2004 before appropriation		20,968,748	23	962	(32)	57	(28)	982
Proposal of appropriation	(15)			45		(57)		(12)
December 31, 2004 after appropriation		20,968,748	23	1,007	(32)	–	(28)	970

Notes to consolidated financial statements

NOTE 1 Summary of accounting policies

The Nexans Group, which was created in the fourth quarter of 2000, essentially groups together the former Alcatel energy cable, electrical wires, and distribution activities, as well as the copper telecommunication cable activities for both private and public networks and related accessories.

The consolidated financial statements of Nexans and its subsidiaries (the "Group") comply with the accounting principles applicable in France, and in particular with the accounting principles adopted by the "Comité de la Réglementation Comptable":

- CRC 99-02, as of January 1st, 1999,
- CRC 00-06 (regulation on liabilities and equity), as of January 1st, 2002,
- CRC 02-10 on assets, as of January 1st, 2003 (see (a) Change in accounting method).

a) Change in accounting method

Since January 1st, 2004, Nexans has been applying the provisions of CNC pronouncement 04-05 from the "Conseil national de la comptabilité" which requires provision to be made, from 2004,

for long-service bonuses (bonuses given to employees on the basis of their length of service), independently of provisions for pension commitments. The impact of this change in method on the Group's shareholders' equity amounted to 8 million euros at January 1st, 2004. They are recognized in accrued contract costs and other reserves.

Furthermore 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 their 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 impact of this change of method on the balance sheet, as at January 1st, 2003, is presented in the table below:

<i>in millions of euros</i>	31.12.02 published (before change)	Component approach	Impairment	Deferred taxation	01.01.03
Assets					
Intangible assets (including goodwill)	45		(6)		39
Property, plant and equipment	799	257	(232)		824
Other assets	1,756				1,756
TOTAL ASSETS	2,600	257	(238)		2,619
Liabilities and equity					
Shareholders' equity (Group share)	991	249	(228)	(11)	1,001
Minority interests	88	8	(10)		86
Deferred tax liabilities	70			11	81
Other liabilities	1,451				1,451
TOTAL LIABILITIES AND EQUITY	2,600	257	(238)		2,619

The impact on the 2003 income statement is as follows:

<i>in millions of euros</i>	Pro forma before CRC 2002-10	2003 Impact of change	Published
Net sales	4,046	-	4,046
Income from operations*	58	33	91
Income before taxes	(15)	33	18
Income tax	9	(1)	8
Net income (Group share)	(31)	32	1

* Impact on the amount of depreciation charge on tangible assets.

b) Consolidation methods

Companies over which the Group has exclusive control are fully consolidated. Other companies over which the Group has a significant influence ("equity affiliates") are accounted for under the equity method. Significant influence is generally assumed when the Group interest is over 20%. The consolidated financial statements are prepared on the basis of year-end (or interim) financial statements at December 31. All significant intra-group transactions are eliminated.

c) Translation of financial statements denominated in foreign currencies

Excluding Turkey, the balance sheets of foreign consolidated subsidiaries are translated into euros at the year-end rate of exchange, and their income statements and cash flow statements are translated at the average annual rate of exchange. The resulting translation adjustments are included in shareholders' equity under "Cumulative translation adjustments".

Turkey is considered as a hyperinflationary country. As a result, the financial statements of Nexans Turkey (Nexans Türkiye İletişim Endüstri ve Ticaret AS) are prepared using the euro as the working currency. Nexans Turkey's financial statements have been restated in accordance with IAS 29.

d) Translation of foreign currency transactions

Foreign currency transactions are translated at the rate of exchange applicable at the transaction date. At year-end, foreign currency receivables and payables are translated at the rate of exchange prevailing at that date. The resulting exchange gains and losses are recorded in the income statement.

e) Research and development expenses

These are recorded as expenses for the year in which they are incurred, except for the following two categories:

- Recoverable amounts under the terms of contracts with customers are recorded as work in progress on long-term contracts.
- Software development costs are recorded as intangible assets, provided they comply with all the following criteria:
 - the project is clearly defined, and costs are separately identified and reliably measured,
 - the technical feasibility of the software is demonstrated,
 - the software will be sold or used in-house,
 - a potential market exists for the software, or its usefulness, in case of internal use, is demonstrated,
 - adequate resources required for completion of the project are available.

They are then amortized as follows (making sure that the cumulative amortization amounts at each closing date are at least equal to the cumulative amounts using the straight-line amortization method):

- in case of internal use, over their probable service lifetime,
- in case of external use, according to prospects for sale, rental or other forms of distribution.

f) Goodwill

When first consolidating a company over which the Group has exclusive control, the assets and liabilities of the acquired company are measured at fair value pursuant to the terms of CRC regulation 99-02. Any resulting valuation gains or losses are recognized, including for minority interests and not merely for the proportion of shares acquired. The residual gain or loss is recognized as goodwill.

Positive goodwill is amortized using the straight-line depreciation method. Amortization periods are determined independently for each transaction and never exceed 20 years.

Negative goodwill is included in income over a period that reflects the prevailing conditions at the date of acquisition.

g) Tangible and intangible assets

Tangible and intangible assets (excluding goodwill) are valued at historical cost for the Group. As part of its early application of regulation CRC 2002-10, the Group has adopted the component approach for amortization of assets with effect from January 1st, 2003. From this date onward, depreciation is generally calculated over the following expected useful lifetime:

Industrial buildings, plant and equipment

• buildings for industrial use	20 years
• infrastructure and fixtures	10-20 years
• equipment and machinery	
- heavy mechanical components	30 years
- medium mechanical components	20 years
- light mechanical components	10 years
- electrical and electronic components	10 years
• small equipment and tools	3 years

Buildings for administrative and commercial use 20-40 years

Depreciation expense is determined primarily using the straight line method. Fixed assets acquired through capital lease arrangements or long-term rental arrangements that transfer substantially all of the benefits and risks of ownership to the Group, are capitalized.

h) Impairment tests of assets

As part of the early application of regulation CRC 2002-10 with effect from January 1st, 2003 and the new accounting method for fixed assets applied by the Group, impairment tests of assets for each cash generating unit are implemented throughout the Group since 2003. As recommended in CRC regulations, these tests have been performed in accordance with the provisions of IAS 36:

- Cash Generating Units (CGU) chosen: product lines within each legal entity.
- Discount rate corresponding to the expected rate of return of the market for a similar investment.
- Five-year business plans.
- Terminal value beyond five years, calculated on zero growth basis.

On each balance sheet date, the Group reviews all assets to look for any indication that their value may be significantly impaired. When events or changes in the market environment indicate a risk of impairment of intangible or tangible assets, these assets are subjected to an impairment test with the aim of adjusting their carrying amount to the higher of their market value or their value in use by means of a depreciation. Value in use is calculated on the basis of future operational cash flow representing the management's best assessment of the economic conditions that will prevail during the remainder of the asset's useful life.

i) Unconsolidated investments

Investments in unconsolidated companies are stated at whichever is the lower of historical cost (excluding revaluations) and fair value (market value for investments in listed companies) and assessed investment by investment, based on their value in use for the Group.

j) Long-term contracts

Sales and revenue on long-term contracts are recognized on a percentage-of-completion basis. Provisions are established to cover all foreseeable losses at completion. Work in progress on long-term contracts include only those expenses not yet taken into account in the calculation of the revenue at completion. They are stated at production cost, excluding administrative and selling expenses and interest expense.

k) Inventories and work in progress

Inventories and work in progress are valued at whichever is the lower of production cost (including indirect production costs where applicable) and net realizable value. Production cost is primarily calculated on a weighted-average price basis. The purchase cost of copper in the inventories is valued according to the LIFO method (last in – first out) in order to better represent economic reality given variations in the price of copper.

l) Treasury stock

Treasury stock acquired as part of the share buyback program authorized by the Annual Shareholders' Meetings of Nexans is deducted from Group shareholders' equity, in accordance with notice 2002.D of the "Comité d'urgence du Conseil national de la comptabilité".

m) Cash and cash equivalents

Cash and cash equivalents comprise receivables from the disposal of assets reaching maturity in less than three months and which are liquid and transferable, as well as cash on hand and marketable securities. These items are valued at whichever is the lower of cost and market value.

n) Pension and retirement obligations

In accordance with the laws and practices of each country where Nexans is present, the Group participates in employee benefit plans by offering early retirement benefits and gratuity.

The Group applies the preferential method laid down in regulation CRC 99-02 by accounting for pension commitments through a reserve booked in the liabilities of its consolidated balance sheet. For defined contribution pension plans and multi-employer plans, expenses correspond to contributions made. Throughout the Group, from January 1st, 1999, pension plans offering defined benefits have been provisioned as follows:

- using the Projected Unit Credit actuarial method (with projected final salary),
- actuarial gains and losses are not immediately accounted for in income; the portion in excess of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets is recognized and amortized over the expected average remaining working lives of the employees participating in the plan.

Furthermore, the financial component of the annual employee benefit cost (interest cost after deduction of expected return on plan assets) is entered under financial income (Note 4).

As the Conseil national de la comptabilité (CNC)'s recommendation 2003-R.01 specifically excludes bonuses granted to employees based on their length of service from the definition of benefits similar to pensions and retirement indemnities, such long-service bonuses are accounted for in other reserves beginning January 1st, 2004.

o) Reserves for restructuring

Reserves for restructuring costs are provided when the restructuring programs have been finalized and approved by Group management and have been announced before the balance sheet date of the Group's financial statements, resulting in an obligation of the Group to third parties. Such costs primarily relate to severance payments, early retirement, costs for notice periods not worked, training costs of terminated employees, and other costs linked to the shut-down of facilities. Write-offs of fixed assets, inventories and other assets directly linked to restructuring measures are also accounted for in restructuring costs.

p) Deferred taxes

Deferred income tax is computed under the liability method for all timing differences arising between accounting value and tax value of assets and liabilities, as well as for tax losses available for carry-forward. However, deferred income tax assets are recorded in the consolidated balance sheet if it seems reasonably probable, from the business plan of the company concerned, that the tax benefit will be realized (Note 6c).

All amounts resulting from changes to the tax rate are recorded in the year in which the tax rate change is decided.

Provisions are made for taxes on proposed dividends to be distributed by subsidiaries. No provision is made for taxes payable on undistributed retained earnings.

q) Financial instruments

The Group uses financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and metal prices. Gains and losses on hedging contracts are accounted for in the same period as the item being hedged; otherwise, changes in the fair value of these instruments are recognized in net profit or loss of the period in which they arise (Note 23).

r) Key performance indicators

- **Net sales**

Net sales (at current metals prices) represent sales of goods and services issued from the main activities of the Group net of value added taxes (VAT).

- **Sales at constant metals prices**

To neutralize the effect of fluctuations in the purchase price of non-ferrous metals and thus measure the underlying trend in its business, the Group also presents the sales figure based on a constant price for copper and aluminium. These reference prices have been fixed at 1,500 euros per metric ton for copper and 1,200 euros per metric ton for aluminium.

The effects of variations in the purchase price of metals are passed on in the selling price.

- **Income from operations** (measures operating performance)

Income from operations includes research and development expenses (Note 1e), pension costs (Note 1n) and employee profit sharing.

Income from operations is calculated before financial income (loss), restructuring costs, gains and losses on disposal of assets and extraordinary depreciation, income tax and amortization and depreciation of goodwill, in line with the practices of many of the Group's competitors.

- **EBITDA** (measures ability to generate operating cashflows)

EBITDA is defined as income from operations excluding depreciation and amortization on tangible and intangible fixed assets.

NOTE 2 Changes in the scope of consolidation

Changes in the scope of consolidation for 2004 were as follows:

- The takeover of 94% of the Liban Câbles Group (also includes two companies in Egypt: ICC and ISCC). The company has been fully consolidated since July 2004, its contribution to Group sales in 2004 being 36 million euros.
- The purchase of the Italian company Cabloswiss, which is specialized in the production and marketing of special cables, in particular for robotics. The company has been fully consolidated since September 1st, 2004, its contribution to Group sales in 2004 being 6 million euros.
- The raising of the stake in the Norwegian company Norcable from 50% to 100%. Norcable, previously consolidated on an equity basis, was fully consolidated as of January 1st, 2004. It was moreover absorbed by Nexans Norway A/S at the beginning of 2004.
- The incorporation of Nexans (Shanghai) Wires & Cables Co. Ltd, which has started the construction of a new plant in Shanghai, specialized in the production of special cables.
- The raising of the stake in the Belgian company Euromold from 50.1% to 100%; it had already been fully consolidated.
- As a result of two takeover bids, raising of its stakes:
 - in Nexans Korea from 51.6% to 86% (and a correlative increase in its subsidiaries in Vietnam),
 - and in Kukdong Electrical Wire from 50.3% to 53.9%.
- The disposal in September 2004 of the winding wires production activities in the United States, which represented annual sales of around 35 million euros.

During the year 2003, Nexans has made the following acquisitions:

- 50.29% of the South Korean company Kukdong Electric Wire Co. Ltd, specialized in cables for shipbuilding. This company was fully consolidated as of April 1st, 2003, the date at which Nexans Group took operational control of the company. Its contribution (over 9 months) to Group net sales in 2003 amounted to 52 million euros.
- 100% of the Brazilian company Furukawa Cabos de Energia (renamed Nexans Cabos de Energia SA, then merged into Nexans Brazil SA in December 2003), a manufacturer of aluminium cables for transport networks and power distribution. This company was fully consolidated as of April 1st, 2003. Its contribution (over 9 months) to Group net sales in 2003 was 27 million euros.

NOTE 3 Information by business sector and by geographical area**a) Information by business sector**

The tables below relate to the following business sectors:

- Electrical Wires - comprising wirerods, electrical wires and winding wires,
- Energy - including equipment cables, power cables for networks (low, medium, high voltage and related accessories) and special cables and retail activities for distribution to installers of electrical equipment in Switzerland and Norway (the Distribution activity was previously presented separately),
- Telecom - which groups together cables for private telecommunications networks, special cables for electronic applications, junction components for telecommunication network cables, copper cables for public telecommunication networks, and optical fiber cables for public networks,
- Other - mainly comprising head office profits and costs not allocated to other activities and eliminations between sectors in trade receivables.

Data relating to the business sectors follows the same accounting policies used for the Company's consolidated financial statements, as described in the notes to the financial statements. The performance of each business sector is measured based on income from operations.

2004 <i>in millions of euros</i>	Electrical Wires	Energy	Telecom	Other	Total Group
Net sales at current metal prices	1,429	2,874	597	-	4,900
Net sales at constant metal prices	985	2,604	570	-	4,159
Income from operations	14	116	17	(12)	135
Depreciation and amortization*	16	54	19	4	93
EBITDA**	30	170	36	(8)	228
Capital expenditure	8	63	17	6	94
Property, plant and equipment, net	128	485	156	27	796
Inventories and work in progress, net	199	408	72	(1)	678
Trade receivables and related accounts, net	157	567	107	(40)	791
Total assets from operations, net	484	1,460	335	(14)	2,265
Staff (number of employees)	2,130	11,152	3,563	817	17,662

2003 <i>in millions of euros</i>	Electrical Wires	Energy	Telecom	Other	Total Group
Net sales at current metal prices	1,029	2,468	549	-	4,046
Net sales at constant metal prices	956	2,422	546	-	3,924
Net sales at constant metal prices and 2004 exchange rates	945	2,387	527	-	3,859
Income from operations	10	91	(1)	(9)	91
Income from operations before change in accounting method	(3)	78	(8)	(9)	58
Depreciation and amortization*	16	56	22	5	99
EBITDA**	26	147	21	(4)	190
Capital expenditure	12	41	10	4	67
Property, plant and equipment, net	134	464	164	22	784
Inventories and work in progress, net	134	365	62	(5)	556
Trade receivables and related accounts, net	145	557	120	(78)	744
Total assets from operations, net	413	1,386	346	(61)	2,084
Staff (number of employees)	2,275	10,259	3,711	823	17,068

2002 <i>in millions of euros</i>	Electrical Wires	Energy	Telecom	Other	Total Group
Net sales at current metal prices	1,179	2,538	585	-	4,302
Net sales at constant metal prices	1,066	2,453	577	-	4,096
Net sales at constant metal prices and 2004 exchange rates	1,016	2,356	522	-	3,894
Income from operations	12	87	(35)	(8)	56
Depreciation and amortization *	32	74	33	7	146
EBITDA**	44	160	(2)	(1)	201
Capital expenditure	17	58	11	10	96
Property, plant and equipment, net	186	441	161	11	799
Inventories and work in progress, net	178	383	69	(2)	628
Trade receivables and related accounts, net	130	537	142	(48)	761
Total assets from operations, net	494	1,362	372	(40)	2,188
Staff (number of employees)	2,448	9,998	3,840	853	17,139

*Property, plant and equipment excluding goodwill amortization.

**See Note 1 r.

b) Information by geographical area (by subsidiary location)

2004 <i>in millions of euros</i>	France	Germany	Other Europe	North America	Asia	Rest of World	Total Group
Net sales at current metal prices	1,449	626	1,408	956	239	221	4,900
Net sales at constant metal prices	1,165	564	1,319	697	214	200	4,159
Income from operations	(5)	14	75	33	10	9	135
Property, plant and equipment, net	192	128	247	107	63	58	796
Total assets from operations, net	604	321	788	240	143	170	2,265
Staff (number of employees)	4,649	2,916	5,233	1,652	1,101	2,111	17,662

2003 <i>in millions of euros</i>	France	Germany	Other Europe	North America	Asia	Rest of World	Total Group
Net sales at current metal prices	1,188	574	1,253	715	185	131	4,046
Net sales at constant metal prices	1,153	564	1,242	658	175	132	3,924
Net sales at constant metal prices and 2004 exchange rates	1,153	564	1,226	624	163	129	3,859
Income from operations	(8)	14	48	22	12	3	91
Income from operations before change in method	(18)	7	43	15	10	1	58
Property, plant and equipment, net	191	134	244	118	57	40	784
Total assets from operations, net	577	318	719	244	118	108	2,084
Staff (number of employees)	4,648	3,003	5,387	1,756	1,106	1,168	17,068

2002 <i>in millions of euros</i>	France	Germany	Other Europe	North America	Asia	Rest of World	Total Group
Net sales at current metal prices	1,324	582	1,293	850	135	118	4,302
Net sales at constant metal prices	1,245	560	1,268	784	125	113	4,095
Net sales at constant metal prices and 2004 exchange rates	1,245	560	1,219	661	100	109	3,894
Income from operations	(26)	20	36	19	4	3	56
Property, plant and equipment, net	196	140	252	124	50	37	799
Total assets from operations, net	650	325	760	268	94	91	2,188
Staff (number of employees)	4,935	3,027	5,508	1,872	902	895	17,139

c) Sales at current metal prices by geographical market

<i>in millions of euros</i>	France	Germany	Other Europe	North America	Asia	Rest of World	Total Group
2004	630	552	1,939	952	356	470	4,900
2003	586	500	1,690	744	242	284	4,046
2002	627	555	1,750	864	204	302	4,302

NOTE 4 Net financial income (loss)

<i>in millions of euros</i>	2004	2003	2002
Net interest (expense) income	(13)	(10)	(12)
Dividends	2	1	2
Reserves	4	-	(2)
Net exchange gain (loss)	(6)	(2)	-
Financial component of the pension costs	(14)	(16)	(15)
Other financial items (net)	(3)	(4)	(4)
Net financial Income (loss)	(30)	(31)	(31)

NOTE 5 Other revenue (expense)

<i>in millions of euros</i>	2004	2003	2002
Net capital gains on disposal of fixed assets	6	6	5
Net capital gains on disposal of consolidated investments*	-	-	18
Exceptional depreciation**	2	(8)	-
Total	9	(2)	23

* Including, in 2002, capital gain of 14 million euros on the disposal of Agro AG.

** Exceptional depreciation for the winding wires business in 2003. The completion in 2004 of the disposal of the North American part of the business resulted in a 2 million euro reversal of depreciation.

NOTE 6 Income tax**a) Analysis of income tax charge**

<i>in millions of euros</i>	2004	2003	2002
Current income tax charge	(25)	(23)	(18)
Deferred income tax (charge) credit, net*	5	30	28
Income tax charge	(20)	7	10

* Including 15 million euros of deferred tax assets on losses carried forward activated in 2004 based on cash flow projections mainly in France and Germany (35 million euros in 2003).

b) Effective income tax rate

The effective income tax rate is as follows:

<i>in millions of euros</i>	2004	2003	2002
Income before taxes and amortization of goodwill	78	18	(43)
Tax rate applicable in France	34.43%	35.43%	35.43%
Expected tax gain (charge)	(27)	(6)	15
Impact of:			
- difference in tax rates of foreign countries	5	6	1
- change in unrecognized deferred income tax assets	(2)	4	(8)
- tax credits	3	3	1
- other permanent differences	1	-	1
Actual income tax gain (charge)	(20)	7	10
Effective tax rate	25.09%	41.40%	23.40%

Expected tax is calculated by applying the parent company's tax rate to consolidated income before tax (and amortization and depreciation of goodwill).

c) Deferred tax balances on the consolidated balance sheet

Deferred tax assets (liabilities) are booked as follows:

<i>in millions of euros</i>	2004	2003	2002
Other accounts receivable			
- current assets	19	61	41
- non-current assets	96	42	21
Total*	115	103	62
Other payables			
- current liabilities	(20)	(15)	(16)
- non-current liabilities**	(87)	(76)	(54)
Total*	(107)	(91)	(70)
Net deferred tax (liabilities) assets	8	12	(8)

* See Notes 13 and 21.

** As part of the legal reorganization in the United States, Alcatel and Nexans permanently adopted tax regime "338 (H) (10)" in August 2001. Consequently, the taxable value of the assets of some Nexans US subsidiaries was revised. In accordance with Group accounting policies, this change resulted in a deferred tax liability of 35 million euros being booked in the financial statements as of December 31, 2001. As this deferred tax liability was a direct consequence of the constitution of the Group, it was allocated to goodwill (see Note 8).

Tax assets and liabilities are split as follows:

<i>in millions of euros</i>	Assets			Liabilities	Net
	Gross	Write-down	Net		
Tax losses carried forward	417	(367)	50	-	50
Temporary differences	105	(40)	65	(107)	(42)
Total	522	(407)	115	(107)	8

Deferred tax assets on temporary differences relate primarily to non-tax deductible reserves.

Deferred tax assets on losses carried forward are recognized in companies whose business plan indicates that they will generate taxable income in the future. Deferred tax assets that were not recognized because recovery was deemed uncertain, were 407,350 and 388 million euros at December 31, 2004, 2003 and 2002 respectively. These deferred tax assets include part of the tax losses carried forward, mentioned in Note 6e.

d) Tax consolidation

Under the French tax-pooling regime, some French companies can offset taxable income when calculating the whole tax charge for which only the parent tax pooling company remains liable. The adoption of this agreement as of January 1st, 2002, which concerns the French companies included in the scope of consolidation, generated a tax saving of 2 million euros in 2004 (2 million euros in 2003 and 8 million euros in 2002).

Other tax consolidation regimes in effect in some foreign countries generated no significant savings in 2004.

e) Tax losses carried forward

Tax losses carried forward and not yet utilized represented a potential tax saving of 417 million euros at December 31, 2004 (373 million euros at December 31, 2003 and 389 million euros at December 31, 2002), including 269 million euros relating to the German subsidiaries and 81 million euros relating to the French subsidiaries. The business plans updated during the course of 2004 resulted in the deferred tax asset recognized in respect of tax losses carried forward being increased from 35 to 50 million euros, including 16 million euros for the German subsidiaries and 28 million euros for the French subsidiaries. In these two countries, tax losses can be carried forward indefinitely.

Tax losses carried forward expire as follows:

<i>in millions of euros</i>	2004	2003	2002
Year N+1	17	9	25
Year N+2	16	5	3
Year N+3	41	13	8
Year N+4	7	31	16
Year N+5 and thereafter	336	315	337
Total	417	373	389

NOTE 7 Earnings per share

At December 31, 2004, the capital stock consisted of 23,189,947 shares. Following a share buyback program for a maximum 10% of capital stock (see Note 15b), the weighted average number of outstanding shares for the financial year amounts to 20,946,828 and the number of outstanding shares at December 31 amounts to 20,968,748.

Net earnings per share are calculated on the basis of the weighted average number of shares issued after deduction of the weighted average number of shares owned by consolidated subsidiaries.

Diluted earnings per share take into account share equivalents having a dilutive effect. Net income is adjusted for after-tax interest expense relating to convertible or redeemable bonds.

Since 2004, the dilutive effects of stock option or stock purchase plans are calculated using the "treasury stock method", which provides that proceeds to be received from exercise or purchase, are assumed to be used first to purchase shares at market price (Nexans' share price at December 31). 2002 and 2003 amounts have been recalculated using the same method. The dilutive effects of convertible bonds and/or redeemable for shares (OCEANE) are calculated on the assumption that the bonds will be systematically redeemed for shares (the "if converted method").

The following table presents a reconciliation of net earnings per share and diluted earnings per share:

<i>in millions of euros</i>	2004	2003	2002
Net income	57	1	(40)
Average number of shares	20,946,828	20,956,605	22,730,995
Net earnings per share (in euros)	2.71	0.06	(1.78)
Impact on interest expense (OCEANE)	1	-	-
Net income corrected	58	1	(40)
Average number of convertible bonds (OCEANE)	1,650,130	-	-
Average number of stock options	567,304	452,481	-
Average number of diluted shares	23,164,262	21,409,086	22,730,995
Net earnings per share (in euros)	2.71	0.06	(1.78)
Diluted earnings per share (in euros)	2.51	0.06	(1.78)

NOTE 8 Goodwill on consolidated subsidiaries*in millions of euros*

	Date of acquisition	Amortization period	2004			2003	2002
			Gross value	Cumulated amortization and depreciation	Net	Net	Net
Nexans Magnet Wire USA Inc.	***	20	11	(11)	-	-	14
Nexans USA Inc.	***	20	5	(1)	4	5	7
Nexans Energy USA Inc.	***	20	5	(5)	(0)	-	6
Nexans Kang Hua	2000	20	3	(1)	2	3	4
GPH GmbH (Petri)	2002	20	9	(1)	8	8	8
Kukdong Electric Wire Co. Ltd	2003*	20	6	-	6	6	-
Nexans Brazil	2003*	20	1	-	1	1	-
Norcable / Nexans Norway AS	2004*	20	1	-	1	-	-
Euromold	2004*	20	10	-	10	-	-
Cabloswiss	2004**	20	8	-	8	-	-
Liban Câbles	2004**	20	29	(1)	28	-	-
International Cables Company Ltd	2004**	20	6	-	6	-	-
Total			94	(20)	74	23	39

* See Note 2

** See Note 2. Preliminary goodwill, that may be adjusted in 2005.

*** See Note 6c.

NOTE 9 Property, plant and equipment**a) Change in property, plant and equipment, gross***in millions of euros*

	Gross value				
	Land	Buildings	Plant equipment and tools	Other	Total
December 31, 2002	59	646	1,871	294	2,870
Acquisitions	-	4	24	39	67
Disposals	(2)	(10)	(35)	(13)	(60)
Changes in the scope of consolidation	15	12	40	(2)	65
Other movements	(4)	(25)	(39)	(31)	(99)
December 31, 2003	68	627	1,861	287	2,843
Acquisitions	-	11	33	50	94
Disposals	(9)	(22)	(24)	(13)	(68)
Changes in the scope of consolidation	3	6	34	2	45
Other movements	2	8	(28)	(53)	(71)
December 31, 2004	64	630	1,876	273	2,843

Property, plant and equipment acquired under finance leases and long-term rental arrangements account for less than 5% of total property, plant and equipment.

b) Change in accumulated depreciation of property, plant and equipment

in millions of euros

	Accumulated depreciations				
	Land	Buildings	Plant equipment and tools	Other	Total
December 31, 2002	8	435	1,417	211	2,071
Changes in accounting methods:					
- Component approach	-	-	(257)	-	(257)
- Impairment	-	60	166	6	232
Depreciation charge	-	17	65	15	97
Exceptional depreciation	-	-	8	-	8
Write-offs	-	(5)	(26)	(12)	(43)
Changes in the scope of consolidation	-	(11)	(19)	(1)	(31)
Other movements	-	(7)	(13)	2	(18)
December 31, 2003	8	489	1,341	221	2,059
Depreciation charge	-	18	61	11	90
Exceptional depreciation	-	-	(2)	-	(2)
Write-offs	-	(20)	(23)	(12)	(55)
Changes in the scope of consolidation	-	2	17	2	21
Other movements	1	(46)	3	(24)	(66)
December 31, 2004	9	443	1,397	198	2,047

The early application of regulation CRC 2002-10 with effect from January 1st, 2003, had the following effects on fixed assets:

- The component approach resulted in an increase of 257 million euros in the net value of fixed assets, which was recorded in the opening shareholders' equity balance for the 2003 financial year.
- Impairment tests reduced the net value of fixed assets by 232 million euros, which was recorded in the shareholders' equity (Group share) at January 1st, 2003. This depreciation was calculated following the principles outlined in Notes 1a and 1h and using a discount rate of 9.5%, with the exception of Turkey where an average rate of 12.95% was applied.

NOTE 10 Other investments and miscellaneous, net

<i>in millions of euros</i>	2004			2003	2002
	Gross value	Provision	Net value	Net value	Net value
Investments in unconsolidated subsidiaries	28	(9)	19	23	22
Loans to unconsolidated subsidiaries	43	(15)	28	34	34
Other investments	15	(3)	12	9	7
Total	86	(27)	59	66	63

NOTE 11 Inventories and work in progress

<i>in millions of euros</i>	2004	2003	2002
Raw materials and goods	239	169	189
Industrial work in progress	123	112	100
Work in progress on long-term contracts	15	12	25
Finished products	354	315	374
Gross value	731	608	688
Valuation allowance	(53)	(52)	(60)
Net value	678	556	628

NOTE 12 Trade receivables and related accounts

<i>in millions of euros</i>	2004	2003	2002
Receivables on long-term contracts	36	57	75
Other trade receivables	807	738	740
Gross value	843	795	815
Valuation allowance	(52)	(51)	(54)
Net value	791	744	761

NOTE 13 Other accounts receivables

<i>in millions of euros</i>	2004	2003	2002
Avances and progress payments	6	2	4
Prepaid tax	32	27	30
Deferred tax assets*	115	103	62
Prepaid expenses	4	7	5
Other accounts	63	32	33
Gross value	220	171	134
Valuation allowance	(1)	(1)	(1)
Net value	219	170	133

* See Note 6c.

NOTE 14 Cash and cash equivalents

In addition to cash on hand, this item includes marketable securities consisting primarily of commercial paper and deposit certificates. The market value of these securities is equal to their net book value on the balance sheet.

NOTE 15 Shareholders' equity

a) Appropriation of net income

At the Ordinary Annual Shareholders' Meeting, the payment of a dividend of 0.50 euros per share will be proposed. The aggregate amount of dividends payable will be 11,594,973.50 euros based on capital stock comprising 23,189,947 shares at December 31, 2004.

If Nexans still holds treasury stock at the time of the dividend payment, the amount corresponding to unpaid dividends on these shares will be allocated to retained earnings, and to the amount of additional tax not due on such undistributed dividends. However, the total amount of dividends payable could increase as a result of stock options exercised before the dividend payment date.

The Ordinary Annual Shareholders' Meeting held on June 3rd, 2004, which considered the Company's financial statements for the year ending December 31, 2003, authorized the payment of a dividend of 0.20 euros per share without tax credit, paid starting June 7th, 2004.

The Ordinary Annual Shareholders' Meeting held on June 5th, 2003, which considered the Company's financial statements for the year ending December 31, 2002, authorized the payment of a dividend of 0.20 euros per share without tax credit, paid starting June 11th, 2003.

b) Treasury stock

Pursuant to the first share buyback program authorized by the Ordinary Annual Shareholders' Meeting held on April 2nd, 2001, and decided by the Board of Directors on September 26th, 2001, Nexans held 6,774 of its own shares.

In accordance with the authorization of the Ordinary Annual Shareholders' Meeting held on June 25th, 2002 and the notice registered by the COB under no. 06-692, Nexans launched a new share buyback program pursuant to clause L. 225-209 of the Code de Commerce, following the decision of the Board of Directors on June 25th, 2002.

- During 2002 Nexans purchased 1,909,736 shares at an average price of 12.88 euros per share for a total of 24.6 million euros. 1,500,000 of these shares were acquired from Alcatel, thereby reducing its stake in Nexans to 15.04%.
- During 2003, Nexans purchased 304,689 shares at an average price of 11.3 euros per share for a total of 3.5 million euros.

At December 31, 2004, as at the end of 2003, Nexans held 2,221,199 of its own shares for a total acquisition cost of 28.3 million euros. These shares were deducted from shareholders' equity at the closing date.

c) Stock options

After exercise of 60,975 options and cancellation of 20,250 options, there were 1,478,275 stock options reserved for employees at December 31, 2004, each giving the right to subscribe to one share, i.e. 6.4% of the capital stock. These options are distributed as follows:

Board Meeting creating the plan	Number of options	Exercise price	Exercise period
November 16 th , 2001	469,500	17.45 euros	From November 16 th , 2002 (vested at 25% by year) to November 15 th , 2009
January 18 th , 2002	2,000	16.70 euros	From January 18 th , 2003 (vested at 25% by year) to January 17 th , 2010
March 13 th , 2002	6,500	19.94 euros	From March 13 rd , 2003 (vested at 25% by year) to March 12 th , 2010
April 4 th , 2003	597,275	11.62 euros	From April 4 th , 2004 (vested at 25% by year) to April 3 rd , 2011
November 16 th , 2004	403,000	27.82 euros	From November 16 th , 2005 (vested at 25% by year) to November 15 th , 2012
Total	1,478,275		

NOTE 16 Minority interests

in millions of euros

December 31, 2002	88
Change in accounting methods (see Note 1)	(2)
Minority interests in 2003 income	10
Dividends paid	(4)
Change in the scope of consolidation*	24
Other changes (translation adjustment, etc.)	(13)
December 31, 2003	103
Minority interests in 2004 income	5
Dividends paid	(3)
Change in the scope of consolidation**	(35)
Other changes (translation adjustment, etc,	1
December 31, 2004	71

* In 2003, acquisition of Kukdong Electric Wire Co. Ltd and acquisition of minority interests in Nexans Morocco.

** In 2004, acquisition of minority interests in Nexans Korea, Kukdong Electric Wire Co. Ltd, Euromold and Nexans Morocco (see Note 2).

NOTE 17 Pensions and retirement benefits

The Group sponsors various defined benefit pension plans. In France, all of its employees have opted to benefit from the retirement bonus scheme in addition to the national defined contribution pension plan. In other countries, pension schemes are subject to local regulations, and to the business and the historical practices of the relevant subsidiary.

From January 1st, 1999, pension plans offering defined benefits have been calculated in accordance with the accounting principle described in Note 1n.

For pension plans offering defined benefits, which required actuarial calculations, actuaries made their estimates on a country-by-country basis and for specific assumptions (turnover of staff, salary increases) company by company. Assumptions for 2004, 2003 and 2002 are as follows:

<i>in millions of euros</i>	2004	2003	2002
Discount rate	3-5.75%	3.5-7%	3.75-7%
Future salary increases	1-4.75%	1-4.75%	1-5%
Expected long-term return on plan assets	4.25-7.5%	4.5-8%	4.5-8%
Average expected remaining working life	15-25 years	15-25 years	15-25 years
Amortization period of transition obligation	15 years	15 years	15 years

in millions of euros

	2004	2003	2002
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of year	728	757	741
Service cost	18	18	19
Interest cost	34	35	38
Contributions of plan's participants	3	3	3
Amendments	-	-	3
Acquisitions	-	-	6
Disposals	-	-	(1)
Curtailments and settlements	-	(2)	(1)
Effect of staff reductions	-	(4)	(2)
Actuarial (gains)/losses	40	(4)	(5)
Benefits paid	(47)	(45)	(43)
Other (translation adjustments)	2	(30)	(1)
Benefit obligation at end of year	778	728	757
CHANGE IN PLAN ASSETS			
Fair value of plan's assets at beginning of year	362	385	427
Actual return on plan assets	33	9	(41)
Employers' contribution	23	11	16
Contributions of plan's participants	3	3	3
Acquisitions	-	-	2
Disposals	-	-	-
Curtailments and settlements	-	-	-
Benefits paid	(27)	(23)	(21)
Other (translation adjustments)	3	(23)	(1)
Fair value of plan assets at end of year	397	362	385
FUNDED STATUS			
Benefit obligations net of plan asset	381	366	372
Unrecognized actuarial gains/(losses)	(109)	(85)	(93)
Unrecognized transition obligation	(3)	(3)	(3)
Unrecognized prior service cost	(16)	(18)	(23)
Net amount recognized, reserve/(prepaid asset)	253	260	253
EMPLOYEE RETIREMENT OBLIGATION COSTS FOR THE PERIOD			
Service cost	(18)	(18)	(19)
Interest cost	(34)	(36)	(38)
Expected return on plan assets	20	20	23
Amortization of transition obligation	-	-	-
Amortization of prior service cost	(2)	(2)	(2)
Amortization of actuarial gains/(losses)	(3)	(3)	(1)
Effect of curtailments and settlements	-	-	-
Effect of staff reductions	-	4	2
Net cost for the period	(37)	(35)	(35)

The pension funds are mostly invested in public and private bonds (about 51%) and in equity interests (about 30%).

NOTE 18 Accrued contract costs and other reserves

a) Analysis by nature

<i>in millions of euros</i>	2004	2003	2002
Accrued contract costs	57	48	65
Reserves for restructuring	41	40	41
Other reserves	22	32	37
Total	120	120	143

Change in these reserves are as follows:

<i>in millions of euros</i>	TOTAL	Accrued contract costs	Reserves for restructuring	Other reserves	Income effect (net of incurred expenses)		
					Operational	Financial	Restructuring
31/12/2002	143	65	41	37			
Increases	68	23	42	3	(26)	-	(42)
Write-backs (used reserves)	(58)	(15)	(40)	(3)			
Write-backs (unused reserves)	(31)	(25)	(1)	(5)	30	-	1
Change in accounting methods							
Change in consolidating scope	3			3			
Others	(5)		(2)	(3)	-	-	-
31/12/2003	120	48	40	32	4	-	(41)
Increases	65	26	36	3	(29)	-	(36)
Write-backs (used reserves)	(45)	(7)	(35)	(3)			
Write-backs (unused reserves)	(28)	(10)	-	(18)	20	8	-
Change in accounting methods	8	-	-	8			
Change in consolidating scope	-	-	-	-			
Others	-	-	-	-	-	-	-
31/12/2004	120	57	41	22	(9)	8	(36)

Accrued contract costs relate primarily to reserves established in keeping with accounting standards as part of the Group's contractual responsibilities, and in particular warranties, contract losses and penalties relating to commercial contracts.

Provisions are released when the risks and obligations no longer exist or if they have been settled for a lower amount than estimated based on the information available at the previous closing period (including reserves for expired warranties).

In 2004, and following CNC recommendation no. 2003-R.01, full provision was made for the first time for long-service bonuses in accrued contract costs and other reserves (see Note 1a).

b) Analysis of restructuring costs

<i>in millions of euros</i>	2004	2003	2002
Reserves at the beginning of the year	40	41	38
Expenses of the period	(33)	(38)	(56)
Depreciation and write-offs of assets	(2)	(2)	(32)
New plans and adjustments to prior estimates	36	41	90
Translation adjustments and other movements	-	(2)	1
Reserves at the end of the year	41	40	41

Restructuring costs in 2004 primarily relate to staff reductions in Germany, Italy, Spain, France and the United States.

Provisions for restructuring at December 31, 2003 mainly concern the planned capacity reduction at Nexans France, decided at the end of 2003 for about 20 million euros.

The restructuring costs incurred during 2002 relate mainly to the reorganization of distribution activities in Norway and severance costs, notably in Spain, France, Belgium and Italy.

Provisions for restructuring at December 31, 2002 mainly concern the restructuring plan for the Fumay factory in France, the closure of the Mexico (Missouri) factory in the United States (winding wires) and the ongoing reorganization in Germany. Consequently, asset depreciations and write-offs amounted to 32 million euros.

NOTE 19 Financial debts**a) Analysis by nature**

<i>in millions of euros</i>	2004	2003	2002
Convertible bond loan (OCEANE)	135	-	-
Short-term borrowings and bank overdrafts	172	125	218
Finance lease obligations	-	-	-
Accrued interest	3	1	1
Total	310	126	219

On July 6th, 2004 Nexans opened the issue of a convertible bond loan with the option of converting and/or swapping for new or existing shares (OCEANE) for the nominal sum of 135 million euros; the transaction was completed on July 15th. The loan is comprised of 3.55 million bonds, each with a nominal value of 38 euros, bearing interest of 3.125% and repayable at par on January 1st, 2010.

A breakdown of financial debts by date of maturity is presented in the off-balance sheet commitments table (Note 22).

b) Short-term debt

Analysis by currency and interest rate

	Weighted average rate (%)		In millions of euros	
	2004	2003	2004	2003
Euro	2.64	2.77	123	95
US Dollar*	3.58	1.17	9	8
Other	9.48	11.98	30	16
Total	3.94	3.95	162	119

*In 2004, the debt in US Dollar concerns subsidiaries located in the Middle East and in Asia.

All the Group's short-term debt is at a variable rate based on the monetary indices (Euribor or Libor).

c) Long-term debt

Analysis by currency and interest rate

	Weighted average rate (%)		In millions of euros	
	2004	2003	2004	2003
Euro (OCEANE)	3.13	-	135	-
Euro (excl. OCEANE)	4.30	4.16	8	7
US Dollar	4.50	-	4	-
Other	15.30	-	1	-
Total	3.26	4.16	148	7

The Group's long-term debt is at fixed interest rates.

d) Other information

At December 31, 2004, Nexans and its subsidiaries had unused confirmed five-year credit lines amounting to 450 million euros. The syndicated loan agreement is subject to the traditional obligations (negative pledge, pari-passu, cross default). It is also subject to commitments in terms of financial ratios (net debt/EBITDA <2.5, and net debt/shareholders' equity including minority interests <1). At December 31, 2004, as well as at the time of preparing this present report, these ratios were well within the specified limits.

If these commitments are not respected, unused credit lines could be withdrawn within 0 to 30 days, depending on their nature, and the current credit line could be terminated.

NOTE 20 Customers' deposits and advances

<i>in millions of euros</i>	2004	2003	2002
Advance payments received on long-term contracts	33	24	19
Other deposit advances received from customers	13	27	18
Total customers' deposits and advances	46	51	37

NOTE 21 Other payables

<i>in millions of euros</i>	2004	2003	2002
Accrued taxes	32	52	46
Deferred tax liabilities*	107	91	70
Grants	5	5	5
Other operational liabilities	201	193	201
Other non operational liabilities	72	46	62
Total	417	387	384

* See Note 6c.

NOTE 22 Off-balance sheet commitments**a) Comparative information**

<i>in millions of euros</i>	2004	2003	2002
Guarantees given on contracts and others	259	290	313
Discounted notes receivable with recourse	-	-	1
Sales of receivables without recourse*	130	109	93
Mortgages and secured borrowings**	26	20	24
Commitments to buy or sell forward raw materials or goods	75	66	76
Guarantees and securities given (excl. contracts)	-	-	-
Commitments to purchase fixed assets	6	1	3
Other commitments	20	9	25
Total	516	495	535

*The transferee bank bears the risk of insolvency on the receivables sold, whilst the technical risk and the risk of commercial dispute remains with the transferor.

**Secured borrowings given as loan guarantees.

Guarantees given on contracts relate to performance bonds issued to clients by financial institutions, and bank guarantees given to secure advance payments received from clients. In the event that it seems likely that Nexans will be liable for such guarantees, due to occurrences such as delay in delivery or litigation on the underlying contracts, the estimated risk is provisioned (see Note 18 "Accrued contract costs and other reserves"). Guarantees given on contracts relate mainly to High Voltage activities, especially in the field of umbilical cables.

b) Schedule of maturity for contractual obligations and off-balance sheet commitments

- Contractual obligations

<i>in millions of euros</i>	Total 2004	Due payments by maturity		
		Less than 1 year	1 to 5 years	Over 5 years
Long-term debt	13	-	12	1
Long-term convertible bond loan	135	-	-	135
Finance leases	2	-	1	1
Operating leases	52	16	29	7
Commitments to buy or sell forward raw materials or goods	75	75	-	-
Commitments to purchase fixed assets	6	6	-	-
Other long-term obligations	-	-	-	-
Total	283	97	42	144

- Other commitments

in millions of euros	Total 2004	Commitments by maturity		
		Less than 1 year	1 to 5 years	Over 5 years
Credit lines (received)	450	-	-	450
Guarantees given on contracts	259	148	90	21
Discounted notes receivables with recourse	-	-	-	-
Sales of receivables without recourse *	130	130	-	-
Mortgages and secured borrowings **	26	20	6	-
Other commitments	20	16	4	-

*The transferee bank bears the risk of insolvency on the receivables sold, whilst the technical risk and the risk of commercial dispute remains with the transferor.

** Secured borrowings given as loan guarantees.

To the knowledge of the Management, this presentation does not omit any significant off-balance sheet commitments, according to the accounting standards in force.

NOTE 23 Market-related exposures

The Group has centralized treasury management to manage, in particular, foreign exchange risk and interest rate risk.

a) Currency risk

Financial instruments held at December 31, 2004 are hedges for exchange risks arising from payables or receivables, either commercial or financial. At December 31, 2004, off-balance sheet financial instruments held to manage currency risks were as follows:

in millions of euros	Buy/lend		Sell/borrow	
	Principal amount	Fair value	Principal amount	Fair value
Forward exchange contracts	93	(5)	(107)	7
Short-term exchange rate swaps	146	(2)	(131)	3

Earliest/latest maturity dates for off-balance sheet financial instruments are:

	Maturity date	
	Earliest	Latest
Forward exchange contracts	January 5 th , 2005	September 8 th , 2006
Short-term exchange rate swaps	January 3 rd , 2005	July 14 th , 2006

Principal amounts represent the face value of financial instruments. Principal amounts expressed in foreign currency are translated into euros at the year-end rate of exchange. Fair value is estimated based on interest rates and exchange rates prevailing at December 31, 2004.

b) Metal price risk

The Group uses futures contracts mainly subscribed to on the London Metal Exchange (LME) in order to reduce its exposure to market fluctuations on its copper and aluminum positions.

At December 31, 2004, 2003 and 2002, the copper and aluminum net positions on futures contracts were as follows:

	2004		2003		2002	
	Tons	Millions of euros	Tons	Millions of euros	Tons	Millions of euros
Open position (long) at purchase cost	37,700	75	38,915	66	47,901	76
At market value	37,700	85	38,915	69	47,901	70
Profit/(loss)		10		3		(6)

These profits (losses) are offset by losses (profits) on firm positions, resulting in a net profit of 18 million euros at December 31, 2004 (net profit of 0.3 million euros at December 31, 2003, and net loss of 3 million euros at December 31, 2002).

NOTE 24 Payroll, staff and staff training rights

		2004	2003	2002
Wages and salaries (including social security/pension costs)	<i>(in millions of euros)</i>	773	799	822
of which remuneration of executive officers of the Group		4.3	3.9	3.4
Employee profit sharing		-	-	-
Staff of consolidated companies at year end	<i>(in number of staff)</i>	17,662	17,068	17,139
Staff training rights*	<i>(in hours)</i>	85,770	-	-

* Cumulated number of training hours acquired by staff (French companies only) at December 31, 2004. No staff requests for training had been received at December 31, 2004.

NOTE 25 Related party transactions

Related party transactions mainly comprise transactions with equity affiliates and non-consolidated subsidiaries. The main items affected are as follows:

a) Income statement

<i>in millions of euros</i>	2004	2003
Net sales	20	4
Cost of sales	(39)	(51)
Interest expenses	-	-
Interest income	1	1

b) Balance sheet

<i>in millions of euros</i>	2004	2003
Trade receivables and related accounts	4	3
Other accounts receivables	2	-
Trade payables and related accounts	8	8
Other payables	1	-

NOTE 26 Contingencies

There are a certain number of disputes arising from the normal course of business that the Management considers will not have a significant impact on the Group's income, given its provisioning policy, the availability of insurance cover, the probability of judgment being entered against Nexans and the amount of the claims. The most significant disputes relates to corvettes for South Africa.

Nexans supplied cables for corvettes for the South African navy. Part of the supplies were subcontracted to a South African manufacturer. After installation of the cables on the first two corvettes, it was found that the cables supplied by the subcontractor were non-compliant. All the cables already installed were removed and replaced. Damages claimed by the client now amounts to approximately 36 million euros, which amount is contested by Nexans. Nexans has already recorded expenses of 5 million euros in its financial statements at December 31, 2003. The allocation of damages amongst Nexans and the parties involved (in particular the clients, the insurers and the subcontractor) has not yet been determined. However, in view of the general uncertainty as to the liability of each party, Nexans considered it was prudent and reasonable to increase the provision in its December 31, 2004 financial statements.

Three other disputes or proceedings should be mentioned, of which two involving the competition authorities, for which either it has been decided not to make any provisions or in respect of which the information available does not allow any evaluation to be made of the probability of claims actually being made or of the amounts involved. Nevertheless there is a risk that these claims may have a significant impact on the accounts in the future.

- In France, the Direction Nationale des Enquêtes (National Investigation Agency) of the Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes (Department of Competition, Consumer Affairs and Repression of Fraud) started an investigation in 2003 into contracts awarded by EDF for the supply of high-voltage cables.
- In Germany, the Bundeskartellamt (German Competition Authority) also started an investigation in 2003 into practices in the cable industry.

In addition, a previously reported case relating to an agreement alleged by the Conseil de la Concurrence (the French Competition Authority) to exist between Nexans France and a certification company, aimed at eliminating an importer of 120 ohm cables from the French market, was decided in 2004. Judgment was awarded against both parties on December 22, 2004 and Nexans ordered to pay a fine of 100,000 euros.

No official notification of a complaint has been received for the first two matters and no provision has been recorded by the Group. However, in view of the very limited information available relating to these matters, Nexans is unable to predict how they may evolve or what their impact may be on Nexans' income or operations. Although it is not yet possible to ascertain the impact of these claims, Nexans currently does not consider that they will have a significant impact on its consolidated financial position. However, it is unable to guarantee this.

The Group is not aware of any other extraordinary facts or claims that Management feels are likely to significantly affect its financial position or its income.

NOTE 27 Main consolidated companies

Compagnies by country	Principal activities	Percentage of control	Percentage of interest	Consolidation method*
France				
Nexans**	Holding	100%	100%	Consolidating
Nexans Participations	Holding	100%	100%	
Nexans France	Energy and Telecom	100%	100%	
Nexans Interface	Telecom	100%	100%	
Eurocable	Energy	100%	100%	
G.I.R.M.	Copper Trading	97.54%	97.54%	
Société Lensoise de Cuivre	Electrical wires	100%	100%	
Société de Coulée Continue du Cuivre	Electrical wires	100%	100%	
Nexans Wires	Electrical wires	100%	100%	
Rips	Energy	100%	100%	
Tréfileries Laminoirs de la Méditerranée	Electrical wires	100%	100%	
Alsafil	Electrical wires	100%	100%	
Belgium				
Nexans Benelux	Energy	100%	100%	
Nexans Harnesses	Energy	100%	100%	
Nexans Cabling Solutions NV	Telecom	100%	100%	
Euomold NV	Energy	100%	100%	
Opticable SA NV	Telecom	75%	75%	
Germany				
Nexans Deutschland GmbH	Holding	100%	100%	
Nexans Deutschland Industries GmbH & Co. KG	Energy and Telecom	100%	100%	
Lacroix & Kress GmbH	Electrical wires	100%	100%	
Kabelmetal Electro GmbH	Energy	100%	100%	
Nexans Superconductors GmbH	Energy	100%	100%	
Metrofunkabel Union GmbH	Distribution	100%	100%	
Nexans Auto Electric GmbH	Energy	100%	100%	
GPH GmbH	Energy	100%	100%	
North Europe				
Nexans Nederland BV	Energy	100%	100%	
Nexans Norway A/S	Energy and Telecom	100%	100%	
Nexans Distribusjon A/S	Distribution	100%	100%	
Nexans Suisse SA	Energy and Telecom	100%	100%	
Electro-Materiel SA	Distribution	100%	100%	
Hi Wire Ltd	Electrical wires	100%	100%	
Tri Wire Ltd	Electrical wires	100%	100%	
Kelverdeck Ltd	Energy	100%	100%	
Nexans UK Ltd	Energy and Telecom	100%	100%	
Nexans Ireland Ltd	Energy	100%	100%	
Nexans IKO Sweden AB	Energy and Telecom	100%	100%	
Nexans Jydsk Denmark	Energy and Telecom	100%	100%	
Axjo Kabel AG	Energy	100%	100%	
Matema AB	Energy	100%	100%	

*The companies are fully consolidated except if specified.

**Companies listed on a stock exchange.

Compagny by country	Principal activities	Percentage of control	Percentage of interest	Consolidation method*
South Europe				
Nexans Italia SpA	Energy and Telecom	99.99%	99.99%	
Nexans Wires Italia SpA	Electrical wires	100%	100%	
Cabloswiss	Energy	100%	100%	
Nexans Portugal Fios Esmaltados	Electrical wires	100%	100%	
Nexans Iberia SL	Energy and Telecom	100%	100%	
Nexans Hellas SA**	Energy and Telecom	71.75%	71.75%	
Nexans Turkiye İletişim Endüstri ve Ticaret AS	Energy and Telecom	100%	100%	
Americas				
Nexans Canada Inc.	Energy and Telecom	100%	100%	
Nexans Brasil S/A	Energy and Telecom	99.95%	99.95%	
Nexans USA Inc.	Holding	100%	100%	
Nexans Magnet Wire USA Inc.	Electrical wires	100%	100%	
Nexans Energy USA Inc.	Energy	100%	100%	
Nexans Inc.	Telecom	100%	100%	
Africa & Middle-East				
Liban Câbles SAL	Energy and Telecom	94%	94%	
International Cables Company Ltd	Energy and Telecom	95%	89.30%	
International Specialized Cables Company Ltd	Energy and Telecom	95%	89.30%	
Nexans Maroc**	Energy	72.67%	72.67%	
Tanzania Daesung Cable Co.	Energy	51%	43.87%	Equity basis
Asia				
Nexans (Shanghai) Electrical Materials Co. Ltd	Telecom	100%	100%	
Nexans Tianjin Magnet Wires & Cables Co. Ltd	Electrical wires	80%	80%	
Shanghai Nexans Kang Hua Cable Co. Ltd	Telecom	70%	70%	
Nexans Shanghai Wire & Cables Co. Ltd	Energy	100%	100%	
Nexans Korea Ltd**	Energy and Telecom	86.01%	86.01%	
Kukdong Electric Wire Co. Ltd**	Energy and Telecom	53.95%	53.95%	
Daeyoung Cable	Energy and Telecom	86.01%	86.01%	
Daesung Vietnam Power Cable Co.	Energy	59.05%	50.79%	
Vina Daesung Cable Co.	Telecom	54.80%	47.13%	
Nanning Huasun Cables Ltd Co.	Telecom	36%	30.96%	Equity basis

*The companies are fully consolidated except if specified.

**Companies listed on a stock exchange.

NOTE 28 Consolidated income statement presented under the French intermediate balance format

<i>at December 31, in millions of euros</i>	2004	2003	2002
Net sales	4,900	4,046	4,302
Gros current earnings	239	195	209
Net amortization charge and increase in reserves	(103)	(104)	(153)
Income from operations	135	91	56
Financial income	(30)	(31)	(31)
Current income before taxes	105	60	25
Restructuring costs	(36)	(41)	(90)
Other revenues (expenses)	9	(2)	23
Non-recurring income	(27)	(43)	(67)
Income tax	(20)	8	10
Amortization of goodwill	4	(14)	(2)
Minority interests	(5)	(10)	(5)
Net income (Group share)	57	1	(40)

NOTE 29 Post-closing events

Pursuant to the policy instigated in the United States prior to the summer of 2004, and in line with the Company's intention to get out of the winding wires business as indicated in early 2004, Nexans signed a non-binding Memorandum of Understanding on February 2, 2005 with the Superior Essex Group with regard to the setting up of a joint venture merging Nexans' European winding wires and varnishing businesses and the winding wires business of Superior Essex in the United Kingdom. The resulting entity will be controlled by Superior Essex, which will hold the majority, with Nexans retaining a significant minority stake.

Moreover, this non-binding Memorandum of Understanding provides for negotiations between the two parties with regard to the acquisition by Superior Essex of Nexans' 80% stake in Nexans Tianjin Magnet Wires & Cables Co Ltd, a winding wire joint venture in China. The deal is subject to consultation with the relevant staff representative bodies, customary checks and audits, third party agreement and final approval.

The negotiations taking place as part of this agreement in no way affect the valuation of the assets indicated in the consolidated financial statements.

Statutory Auditors' report*

on the consolidated financial statements for the period ended December 31, 2004

To the Shareholders,

In accordance with our appointment by your General Meetings, we have audited the accompanying consolidated financial statements of Nexans for the period ended December 31, 2004.

The consolidated financial statements have been approved by the Board of Directors of your Company. Our responsibility is to express an opinion on these financial statements, based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with French generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies, in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw your attention to the change in accounting policy set out in Note 1a regarding the implementation of opinion 04-05 of the French National Accounting Council on the provisioning of costs for long service benefits.

Justification of our assessments

In accordance with the requirements of article L. 225-235, paragraph 2 of the Commercial Code relating to the justification of our assessments, we draw to your attention the following matters:

Change in accounting policy

As mentioned in the first part of this report, Note 1a to the financial statements mentions the implementation of opinion 04-05 of the French National Accounting Council on the provisioning of costs for long service benefits, from January 1st, 2004. As part of our assessments we ensured that the change in method and presentation were justified.

Accounting estimates

Your Company recognizes deferred tax assets in its consolidated balance sheet on the basis of business plans, as described in Notes 1p and 6d to the financial statements. We assessed the information and assumptions upon which those estimates were made, reviewed the calculations made by the Company and compared the accounting estimates for previous periods with actual figures, to ensure that the estimates were consistent with those for the previous period and with those used to test for asset impairment. We also reviewed the processes used by your management to accept these estimates.

As part of our assessment of these estimates, we ensured that the methods used and the resulting accounting estimates were reasonable. The assessments were an integral part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of our unqualified audit opinion, expressed in the first part of this report.

Specific verification

We also verified the information provided in the Group's management report. We have nothing to report with respect to its fair presentation and its conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris, March 10, 2005

The Statutory Auditors

Barbier Frinault & Autres
Ernst & Young

RSM Salustro Reydel

Alain Gouverneyre

Benoît Lebrun

2005 outlook and objectives

INFORMATION ON CONSOLIDATED NET SALES OF THE 2005 FIRST QUARTER

Sales totaled 1,166 million euros (at current metal prices*) for the first quarter of 2005.

This figure complies with IFRS 5 (on discontinued operations) and therefore does not include the sales of the European and Chinese winding wire businesses, which are the subject of a planned joint venture/sale to Superior Essex announced in February 2005 and due to be completed within the first half of the year.

At constant non-ferrous metal prices** first-quarter sales totaled 958 million euros, an increase of 3.5% compared with the first quarter of 2004, restated at comparable accounting methods and exchange rates (+2.5% on a comparable scope of consolidation). Based on an identical number of working days, these percentages would be respectively +5.2% and +4.1%.

Within an unsteady European economy, this growth demonstrates the Group's ability to significantly build on its positions in high added-value sectors which are less susceptible to economic fluctuations (copper telecom infrastructure cables, high-voltage and umbilical cables, automotive cables and harnesses, distribution) and to profit from its strengthened presence in higher-growth areas - North America and the Rest of the World.

The first quarter of 2005 also saw an improvement in margins - reflecting a reduction in fixed costs and a stabilization of raw materials prices following the disruption in the first quarter of 2004 caused by the substantial increases in non-ferrous metals and plastic prices.

Consolidated sales by business sector

in millions of euros	At constant metal prices			At constant metal prices and exchange rates		
	First quarter 2004 published	First quarter 2004/IFRS 5	First quarter 2005	First quarter 2004	First quarter 2004/IFRS 5	First quarter 2005
Energy	582	582	632	589	589	632
Telecom	126	126	134	125	125	134
Electrical Wires	241	209	190	242	210	190
Other	2	2	2	2	2	2
Total	951	919	958	958	926	958

* At current metal prices, first-quarter sales for 2004 totaled 1,091 million euros (published) and 1,062 million euros (IFRS 5, see page 80).

** To neutralize the effect of variations in the purchase price of non-ferrous metals and thus measure the effective underlying sales trend, Nexans also calculates its sales using a constant price for copper and aluminum.

• Energy: growth of +4.5% at constant consolidation scope

(main activities - at constant metal prices and exchange rates)

in millions of euros	First quarter 2004/IFRS 5	First quarter 2005
Infrastructure	203	232
Building	247	250
Industry	130	139

The strong growth in sales of energy cables for infrastructure was driven by energy equipment demand in North America and Brazil and by replacement orders following the winter storms in northern European countries.

Building cables held up well, reflecting stable sales in Europe, declining sales in the North American market, and very significant growth in Distribution sales in Europe.

The special cables business remains problematic, especially in Germany and France, while sales of automotive harnesses remain strong.

• **Telecom: growth of +6.1% at comparable consolidation scope**
(at constant metal prices and exchange rates)

<i>in millions of euros</i>	First quarter 2004/IFRS 5	First quarter 2005
Infrastructure	45	54
Private Local Area Networks (LAN)	47	51
Industry	32	29

The Telecom activity continues its recovery, with a strong increase in sales driven by growth in copper infrastructure cables and related accessories.

Sales of cables for private Local Area Networks continue to progress in North America, with evidence of a slight recovery in Europe. Cables for industry have suffered from increasingly tough competition between telecom equipment manufacturers.

• **Electrical Wires: down -5.7% at comparable consolidation scope**
(at constant metal prices and exchange rates)

<i>in millions of euros</i>	First quarter 2004/IFRS 5	First quarter 2005
Wirerod	136	128
Bare wires	50	45
Winding Wires (excl. transaction with Superior Essex)	23	17

Sales in the Electrical Wires sector fell back, reflecting the impact of the slowdown in industrial investment in Europe, which in turn depressed this sector's end markets (wirerod and bare wires for other cable suppliers and the automotive industry; winding wires for engine manufacturers, the multimedia industry, household appliances, etc.).

More specifically, the decline in the Winding Wires activity which is currently the subject of negotiations with Superior Essex (and therefore not consolidated) has led the Group to anticipate a capital loss on disposal of around 20 million euros as well as a lower than anticipated reduction in debt levels (45 million euros, rather than the 50 to 60 million euros initially forecast). This capital loss has no effect on the Group's operating margin.

Consolidated sales by geographic area

<i>in millions of euros</i>	At constant metal prices			At constant metal prices and exchange rates		
	First quarter 2004 published	First quarter 2004/IFRS 5	First quarter 2005	First quarter 2004	First quarter 2004/IFRS 5	First quarter 2005
Europe	710	680	701	715	685	701
North America	161	161	156	160	160	156
Asia	47	45	47	50	48	47
Rest of the World	33	33	54	33	33	54
Total	951	919	958	958	926	958

The progress in sales in Europe (+2.3%) is satisfactory despite stagnant German and French markets.

The 2.5% increase in North American sales, at comparable consolidation scope, was driven by growth in the energy infrastructure and private telecom Local Area Network businesses, offsetting a slight slowdown in cables for the building industry and wirerod sales. Sales in Asia remained stable at comparable consolidation scope: buoyant growth in cables for shipbuilding was offset by the effect of competitive pressures in the telecom sector.

The Rest of the World area was boosted by very significant investments undertaken by energy suppliers, especially in Brazil.

Consolidated sales by business sector at current metal prices

<i>in millions of euros</i>	At current metal prices		
	First quarter	First quarter	First quarter
	2004	2004/IFRS 5	2005
Energy	626	626	710
Telecom	130	130	142
Electrical Wires	333	304	312
Other	2	2	2
Total	1,091	1,062	1,166

OBJECTIVES FOR 2005

In 2005, in the hypothesis of stabilization of the raw materials and energy costs, Nexans aims at an organic growth of 3 to 4% (at constant metal prices and exchange rates). This should generate an increased operating margin.

The restructuring efforts, mainly focused on Europe, should be brought to a level of 40 million euros meanwhile capital expenditure should represent 135 million euros.

The Group will pursue its strategy, in order to develop the growth engines it has identified, build a sustainable profitability, and strengthen its attractiveness.

Condensed parent Company financial statements

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Condensed income statement

<i>in thousands of euros</i>	2004	2003	2002
Operating revenues	12,500	9,140	5,046
Operating expenses	(23,249)	(15,779)	(12,792)
Operating income	(10,749)	(6,639)	(7,746)
Revenues from investments in subsidiaries and associates	-	13,414	38,588
Other financial revenues	95,567	111,694	90,792
Financial expenses	(96,756)	(110,582)	(89,331)
Financial income	(1,189)	14,526	40,049
Non-recurring income	-	-	15
Income tax and employee profit sharing	(293)	(117)	-
Net income	(12,231)	7,770	32,318

Condensed balance sheet

at December 31, in thousands of euros

	2004	2003	2002
ASSETS			
Financial assets	1,246,076	1,180,875	1,132,446
Accounts receivable and other current assets	14,448	10,936	9,733
Cash	303,725	209,164	281,449
TOTAL ASSETS	1,564,249	1,400,975	1,423,628
LIABILITIES AND EQUITY			
Capital stock	23,190	23,129	23,121
Additional paid-in capital	1,101,843	1,099,074	1,070,813
Net income	(12,231)	7,770	32,318
Reserves for liabilities and charges	-	-	-
Financial debt	431,036	254,939	284,132
Payables and other current liabilities	20,411	16,063	13,244
TOTAL LIABILITIES AND EQUITY	1,564,249	1,400,975	1,423,628

Information relating to subsidiaries and associates

at December 31, 2004 in thousands of euros	Capital stock	Shareholders' equity other than capital stock, including net income	Percentage of ownership (%)	Book value of securities held	
				Gross value	Net value

A - Detailed information relating to subsidiaries and associates with book value in excess of 1% of Nexans' capital stock

1 - Subsidiaries (more than 50% of capital stock held by Nexans)

France

Nexans France	70,000	25,019	100	237,400	237,400
Nexans Participations	233,975	549,924	99.99	848,000	848,000

Foreign subsidiaries

None

2 - Direct associates (10% to 50% of capital stock held by Nexans)

France

None

Foreign associates

Nexans Korea	19,000,000 ⁽¹⁾	87,165,952 ⁽¹⁾	32.02	16,940	16,940
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B - Information relating to other subsidiaries and direct associates

1 - French subsidiaries

None

2 - French associates

None

3 - Foreign associates

2,281 2,281

(1) Amount in thousands of KRW (Korean Won). Exchange rate at December 31, 2004: 1 KRW=0.00071 euros.

Outstanding loans and advances	Guarantees given by Nexans	Net sales for last financial year	Net income (loss) for last financial year	Dividends received during the financial year
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37,546		858,473	(6,477)	
71,382		–	20,463	

		139,249,043 ⁽¹⁾	1,157,001 ⁽¹⁾	
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Explanatory notes

(extract from notes to the parent Company financial statements)

PRINCIPLES AND SUMMARY OF ACCOUNTING POLICIES TAX INFORMATION

The balance sheet and the income statement as of December 31, 2004 have been prepared in accordance with the principles and valuation methods applicable in France and in compliance with the assumption of going concern, consistency of accounting policies from one period to the next, cut-off of the different accounting periods.

The Company has implemented regulation CRC 00-06 (regulation on liabilities) with effect from January 1st, 2002.

As a general rule, accounting entries are booked in compliance with the historical cost method.

Investments in shares in subsidiaries and affiliates, and other financial fixed assets investments

The gross value of investments is stated at their acquisition cost (excluding incidental expenses) or at their assignment value.

A provision is booked whenever the carrying value at the balance sheet date is lower than the historical cost.

The carrying value is determined on the basis of the value in use, resulting from a multi-criteria valuation which may take into account the revalued net assets as well as yield.

Treasury stocks bought as part of a share buyback program, as authorized by the General Shareholders' Meeting, are reported in "Other financial assets", as far as there is no intention of use specified by the Board of Directors.

At the end of 2001, Nexans signed a tax-pooling agreement with its French subsidiaries in which it owns directly or indirectly more than 95%. This agreement, which became effective on January 1st, 2002, was signed pursuant to the option made by Nexans to adopt a French group tax-pooling regime in accordance with article 223 A and subsequent articles of the French "Code Général des Impôts". The option is renewable every five years, the current period expiring December 31, 2006. For every taxation period, the contribution of each subsidiary to the corporate income tax payable on the consolidated net income of the tax-pooling group, corresponds to the corporate income tax and other contributions which each subsidiary would have been liable to pay if it had been taxed separately.

As part of the tax-pooling agreement, in respect of which Nexans SA is liable to pay the global tax charge, a tax loss carry-forward was generated for the 2004 financial year, which represents an unrecognized tax asset of 78.6 million euros (of which 25.5 million euros calculated at reduced tax rate).

Statutory Auditors' report*

on the financial statements for the period ended December 31, 2004

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings, we hereby report to you, for the period ended December 31, 2004, on:

- the audit of the accompanying financial statements of Nexans SA,
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and results of the Company for the year then ended, in accordance with the accounting principles generally accepted in France.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the French Commercial Code relating to the justification of our assessments, we draw to your attention the following matters:

Accounting estimates

Your Company records a provision for impairment of its investments and loans to subsidiaries when their net book value, estimated on the basis of their value in use, is lower than their gross value, as described in note 2.1 to the financial statements.

Our work consisted in assessing the data and assumptions on which those estimates were made, reviewing the calculations made by the Company, and reviewing the acceptance process by management of those estimates. When assessing the accounting principles implemented by your Company, we ensured that those estimates were reasonable assessment. The assessments and integral part of our audit of the financial statements were taken as a whole and therefore contributed to the formation of the unqualified audit opinion expressed in the first part of this report.

Specific verifications and information

We also performed specific statutory verifications, in accordance with the auditing standards generally accepted in France. We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with the law, we verified that the management report contains the appropriate disclosures as to the identity of the shareholders holding interests and voting rights.

Paris and Neuilly-sur-Seine, March 10, 2005

The Statutory Auditors

Barbier Frinault & Autres
Ernst & Young

RSM Salustro Reydel

Alain Gouverneyre

Benoît Lebrun

*This is a free translation into English of the original Statutory Auditors' report on the financial statements for the period ended December 31, 2004, signed and issued in the French language and provided solely for the convenience of English speaking readers.

Factors relating to risks, non-recurring events, disputes

Risk identification and management

In addition to regular business reviews of the divisions and subsidiaries by the head office and to monthly reporting by division managers, Nexans has implemented certain procedures designed to identify and manage risks.

The role of the Internal Audit Department is to identify, analyze and evaluate risks and to check that internal procedures are being implemented and are reliable.

Accordingly, the Internal Audit Department undertakes audits to verify that the measures that have been implemented are effective and adapted to potential risks.

A risk "roadmap" was launched in 2002, which was conducted jointly by the Internal Audit team and a firm of consultants. The aim was to identify risks and areas of risk and evaluate their impact on the financial position of the Nexans Group and its income.

Risks were identified through interviews with Executive Committee members, the managers of corporate functions, product line managers and country managers.

Risks were evaluated according to the frequency with which they are likely to occur and the gravity of the consequences which may result from the occurrence of the risk. The level of risk was evaluated and graded before and after application of existing internal procedures.

A new risk "roadmap" was drawn up in 2004 with specific emphasis on controlling and monitoring issues flagged as sensitive, as well as monitoring recommendations made pursuant to audits carried out.

A Disclosure Committee was set up in October 2003. Its members are the Chief Financial Officer, the two managers of the Management Control and Consolidation Department, the General Counsel and the corporate and securities law manager, the Internal Audit Director, the Risk Manager and two risk area controllers.

The Committee's objective is to identify information that the Company must disclose to its shareholders and the market.

Its remit covers:

- identification and evaluation of any significant non-financial information,
- compiling significant information,
- identifying and defining matters that should be investigated by the internal audit team to assess and if necessary improve the reliability of the procedures in place and the information provided.

This work is carried out through a detailed questionnaire sent out regularly to all entities in the Group.

The highest risk levels identified amongst those risks as being specific to the activity of Nexans or the Nexans Group, were the following:

Risks relating to Nexans' business

Risks linked to the seasonal nature of Nexans' business

Nexans' activities are subject to seasonal fluctuations. Consequently, income generated during the first six months of the year is generally lower than in the second half of the year. Historically, this difference can largely be explained by the following factors:

- a large number of Nexans' products are linked to the construction of outdoor infrastructure. Orders relating to these products therefore tend to be placed when climatic conditions are more favorable and in particular in the second and third quarters of the year,
- customers generally place major orders for delivery during the fourth quarter, at the end of the annual budget period, for public projects in particular,
- Nexans' working capital requirements increase significantly during the first quarter of each year due to the increase in stocks needed to carry out orders already placed or expected during the second and third quarters. The increase in working capital requirements during the first and second quarters generally leads to an increase in debt levels and thus financial expenses. During the third and fourth quarters, a decrease in Nexans' working capital requirements and debt levels is generally observed.

Risks relating to commercial operations

Contract conditions, risks of defects

The nature of Nexans' business exposes it to claims for product liability and claims for damage to property or third parties allegedly caused by its products.

Nexans gives performance guarantees for its products which may be for a considerable period of time. Furthermore, the guarantees given to Nexans pursuant to contracts for supply of the materials and components used in its products may be less extensive than the guarantee Nexans gives to its customers, for example, in the optical fiber sector.

7 to 8% percent of Nexans' sales is derived from contracts for the supply and installation of cables as part of turnkey infrastructure projects. These contracts relate primarily to land-based and submarine HV cables. Individual contracts often have a high value and contain penalty and liability clauses in the event Nexans is unable to comply with the delivery schedule or with quality requirements (for example, technical defects requiring intervention after installation due to product non-conformity resulting from production anomalies).

The amount of penalties involved, the size of claims for damages or the financial impact on the project due to delays, if these clauses are invoked, could have a significant negative impact on Nexans' financial situation and income.

The Group has put in place a stringent product quality control system to limit these risks. A large number of Nexans' units are ISO 9001 or 9002 certified as appropriate. Overall quality is a driving force behind the continuous improvement plan that is part of the Corporate Program + initiative.

Methodologies used in Program + are strictly aligned on ISO 9000-2000 certification criteria. Every month, units monitor a set of indicators that evaluate the progress being made in terms of quality and customer satisfaction. Customer satisfaction surveys are also being introduced. In addition, large contracts are subjected to a systematic risk evaluation procedure.

Efforts are also being made to educate sales teams about risks inherent in sales contracts and in the negotiation of contract conditions, with the involvement of the Group's legal department.

Furthermore, Nexans currently holds liability insurance that it considers to be in line with sector standards, but cannot guarantee such insurance offers sufficient coverage for claims made against the Group (see page 94).

Customer risks

Nexans' activities are spread across a variety of core businesses (energy, telecommunications, electrical wires), and it has customers of many different types (distributors, equipment manufacturers, industrial operators, public operators) in a wide range of countries. This diversity acts as a safeguard for the Group as a whole. No customer accounts for more than 3% of consolidated sales, the Group's largest customers being Sonepar (distribution), EON in Germany and Electrabel in Belgium (both energy operators).

Nonetheless, given the level of operating income and the difficult market conditions, the loss of a customer, in particular in niche markets such as shipbuilding and aerospace which are more concentrated, could have an impact on Nexans' income.

Historically, the level of bad debt has been stable.

Many sales contracts of certain Nexans Group subsidiaries, both in France and abroad, are covered by a short-term credit risk insurance policy with Coface.

Risks linked to supplies

Copper, aluminum and plastic are the main raw materials used by Nexans. Therefore price variations and the availability of products have a direct effect on the Group's business. Nexans has so far always been able to obtain adequate supplies at reasonable prices. A global copper shortage or interruptions to supplies could have an adverse effect notwithstanding that Nexans, to reduce the risk,

has broadened its sources of supply as much as possible. The situation is in some ways similar for PVC. The inability to source raw materials at reasonable prices could therefore adversely affect Nexans' business and income.

The Group's policy is always to have at least two suppliers for any raw material or component used in manufacturing. There are nonetheless a few cases of sole supply, particularly in the materials used to make high voltage cables. There is a threat of higher raw material, energy and transportation costs in 2005 with the possibility of a significant impact on Nexans' business and income.

Risks relating to the competitive environment of Nexans

The cable industry remains relatively fragmented both regionally and internationally, and the cable, wire and cabling system markets are highly competitive. The number and size of Nexans' competitors vary depending on the markets, the geographical area and the product line. Consequently, the Group faces several competitors for each product line. Furthermore, for certain product lines and in certain regional markets, Nexans' main competitors may have a stronger position or have access to greater know-how or resources than Nexans.

In recent years, cable makers have had to contend with a global crisis in the telecommunications markets and the steady increase in trade of certain types of cable with low added value between countries in a particular region.

A number of market players have launched restructuring programs to reduce excess production capacity. Apart from these corrective measures however, there have been no radical changes to the structure of the industry and it remains relatively fragmented both regionally and globally.

As a certain number of products (cables, wires or accessories) must comply with industry specifications and are interchangeable with the products of its main competitors, both nationally and internationally, Nexans faces stiff competition on most markets in terms of delivery time, service, and increasingly stringent specifications for its products.

The principal competitive factors in the cable industry are: the quality of customer relations, product availability, geographical coverage and the range of products offered, the specific characteristics of each product, as well as the ability to regularly generate cost reductions (competitive prices).

Against this background, Nexans must constantly invest and improve its performance in order to retain any competitive advantages it may have in certain markets. Furthermore, Nexans continues its efforts in R&D, logistics and marketing in order to differentiate itself from the competition. In view of the context, Nexans invests between 30 and 40 million euros per annum on restructuring.

Risk relating to interest rate, exchange rate and metal price fluctuations

Access to funding and the management of risks relating to exchange and interest rates are managed centrally by a department at head office (the Central Treasury) for all subsidiaries in countries where this is allowed by the local legislation. A centralized cash management system, which pools the cash of its subsidiaries, maximizes cash use as subsidiaries' credit balances in the main currencies are transferred to the parent Company's central cash pooling account. The key subsidiaries that do not have access to the centralized cash management system are located in Turkey, the Lebanon, Egypt, Morocco, China, South Korea and Brazil. These subsidiaries, which have their own banking relations, are nevertheless required to comply with the Group's risk management procedures relating to exchange rates, interest rates and the purchase of raw materials. The Financing Department, which is part of the Financial and Administrative Department, manages access to funds, as well as exchange rate and interest rate risk. The Group's policy for managing risk associated with non-ferrous metals is managed by a team which reports to the Financing Department. This policy is applied by those subsidiaries that purchase raw materials.

Access to funds

In 2004, access to funds was mainly guaranteed by drawings on a syndicated credit line, the issue of commercial paper on the French market, and from July by the proceeds of a convertible bond issue.

In July 2004, Nexans issued OCEANE type convertible bonds for 135 million euros maturing on January 1st, 2010, redeemable at par value (save in the case of conversion, exchange or cross-default). This issue has an annual coupon of 3.125% and a conversion price of 38 euros representing a 30% premium on the stock price as of the date of issue.

At the end of the year, the syndicated loan of 475 million euros negotiated by Nexans with a consortium of banks in January 2003 was cancelled and replaced with a transaction of the same overall

duration (5 years), but which is more attractive in terms of cost and structure.

The margin and commitment fees have been reduced and the margin and commission no longer depend on the Group's Standard & Poor's rating but on the Group's debt as a multiple of EBITDA: the margin and commitment fee vary in accordance with the debt to EBITDA ratio (referred to as the leverage ratio), so that for the current leverage ratio of 1.5 X EBITDA the amounts would respectively be 0.475% and 0.19% per annum.

In view of the convertible bond issue in July 2004, the amount of the syndicated loan was limited to 450 million euros. Further, the Group did not renew a bilateral credit line of 55 million euros which expired in October.

The syndicated credit is subject to several covenants (negative pledge, pari passu and cross default) and to financial covenants (consolidated net debt/EBITDA < 2.5 X, and consolidated net debt/total shareholders' equity including minority interests < 1). As of December 31, 2004, as well as at the date of drafting of this report, these ratios are complied with.

If these covenants were not complied with, the undrawn lines would become unavailable and any loan authorizations given would be revoked, either immediately or after 30 days depending on the nature of the covenant breached.

On December 31, 2004, gross debt was 310 million euros broken down as follows: 135 million euros of convertible bond debt, 4 million euros of medium-term bank debt, 99.4 million euros debt on commercial paper. The remaining 71.6 million euros consisted of short-term bank debt (overdrafts and advances).

The rating assigned to Nexans' by Standard and Poor's (BBB-/negative outlook/A3) was confirmed on July 6, 2004 when the Group announced the takeover of the Liban Câbles Group and the acquisition of the Italian company, Cabloswiss.

The 120 million euro receivables assignment program put in place in December 2003 and involving four of the Group's French subsidiaries (Nexans France, Nexans Wires, Société de Coulée Continue de Cuivre and Société Lensoise du Cuivre) became operational and its full capacity was used during 2004.

End of March, 2005, in million of euros

Characteristics of the securities issued or of the loans taken out	Amount drawn at end of March 2005	Fixed or variable rate	Amount of facilities available	Maturity of facilities	Interest hedging
Banks overdrafts	1	Variable rate	90	Day to day	no
Commercial paper	239	Variable rate	500	1 month to 1 year	no
Short-term borrowings	22	Variable rate	NA	1 month to 1 year	no
Confirmed limits	0	Variable rate	450	5 years	no
Medium-term borrowings	4	Fixed rate	7	3 to 5 years	no
Convertible bonds	135	Fixed rate	135	5 years	no

Management of interest rate risk

Nexans monitors interest rates closely so that it can put in place appropriate hedging instruments if necessary.

Gross debt falling due within one year accounts for more than 52% of the Group's total debt; it is at variable interest rates and based on the key monetary indexes (EONIA, EURIBOR and LIBOR). At December 31, 2004, Nexans did not have any interest-rate hedging instruments in place.

The interest on medium and long-term debt is fixed.

At December 31, 2004, in millions of euros

	Day to day to 1 year	1 to 5 years	Beyond 1 year
Financial liabilities	162	13	135
Financial assets	122	0	0
Net position before hedging	40	13	135
Hedging	0	0	0
Net position after hedging	40	13	135

At the end of March, 2005, the net debt position of Nexans renewable within a year was 262 million euros.

At the same date, the average duration remaining until the end of the Company's financial year was 337 days. If interest rates were to vary by 1% the difference in interest on such debt would be 1,919,027 euros.

Exchange rate risk

Nexans hedges the exchange rate risk on its anticipated contractual business and on certain budgeted items. The resulting foreign exchange operations may contain certain open positions. Where this is the case, these positions are limited in terms of the amounts and periods involved. At the end of the financial year, Nexans had no significant unhedged exchange rate positions.

The exchange rate risk is calculated at the level of the Group's operational subsidiaries. The treasurers of the subsidiaries that are part of the centralized cash management system hedge risks via forward currency transactions with Central Treasury and via local banks for other subsidiaries.

Foreign exchange risk on Nexans Central Treasury*

In thousands of euros at the end of March, 2005	USD	NOK	Other
Assets	125,082	109,922	13,786
Liabilities	260,813	31,027	134,675
Net position before hedging	-135,731	78,895	-120,889
Hedges	135,731	-78,895	120,889
Net position after hedging	0	0	0

* Excluding Turkey, the Lebanon, Egypt, China, South Korea and Brazil.

Compliance with exchange rate procedures is verified by a monthly report that is sent to Central Treasury by all subsidiaries exposed to foreign exchange risks which provides details of their firm and estimated flows in each currency. The cover for firm flows eliminates any exchange rate risk. However cover for estimated flows is incomplete by nature since the estimated flow may not be realized or may be different from the estimated flow.

Central Treasury regularly visits the subsidiaries to audit their implementation of procedures to ensure that procedures are fully understood and complied with. The Internal Audit Department also systematically verifies compliance with procedures for rate risk as part of their audits.

The above table showing the foreign exchange risk on Nexans Central Treasury lists all foreign currency sale and purchase transactions outstanding at the end of March, 2005. These transactions are entered into by Central Treasury on behalf of its centralized subsidiaries whose transactions are all managed internally. These subsidiaries represented 91% of Group sales in 2004.

Some bids are made in currencies other than that in which the entity operates. These bids are not hedged, which can give rise to a risk on the margin should there be a variation in the exchange rate between the date of the making of the bid and the date that the contract is awarded.

Risks related to variations in metal prices

Although copper and aluminum prices are very volatile, Nexans considers that its gross operating margin is not significantly exposed to price changes, due to the dual effect of passing on variations in non-ferrous metal prices to customers and the provision of forward cover on the London Metal Exchange (LME). Nexans' margins are nonetheless exposed to variations in the price of copper in some product lines, such as copper cables for cabling systems and products in the General Market sector.

In these markets, any increases are generally passed on to the customer in the selling price, but with a time lag which puts a certain amount of pressure on the margins. The keen competition in these markets can also affect the timescale within which the increase is passed on. In the case of bids, the issue of copper hedging is the same as with foreign exchange risk.

Fluctuations in the price of copper and aluminum nevertheless have a significant impact in terms of financing requirements, as an increase in the price of copper leads to an increase in working capital requirements. Prices have fluctuated significantly over the past five years and in particular in 2004 where the increase in the copper price (+37%) gave rise to a financing requirement of around 80 million euros.

Finally, despite its stringent selection criteria for choosing the partners it works with on the LME, and the prudential rules to which

partners are subject, Nexans may be exposed to counterparty risk in the context of hedging contracts concluded on the LME.

Analysis of sensitivity for 2004

Impact of an increase of 50 basis points in interest rates on the Group's financial expenses for the year

Hypothetical rate of refinancing: (3 month variable)

Euro: 2.7%

US Dollar: 3.5%

Hypothetical average debt:

250 million euros

70 million US dollars

Impact of a difference of 50 basis points on the Group's financial expenses:

1,250,000 euros

350,000 US dollars

Impact of an increase of 100 US dollars in the price of copper on the Group's financial expenses on an annual basis

Nexans' hedging policy limits the impact of outstanding customer accounts receivable.

Hypotheses:

Average price of copper in 2004: 2,347 euros per metric ton

Copper content of customer accounts receivable on the Group's balance sheet: 150,000 metric tons

Cost of financing in euros: 2.7% per annum

Impact on financial expenses: 405,000 euros resulting from a 15 million euros increase in debt.

Risks linked to environmental regulations

Nexans is subject to numerous laws and regulations governing the environment in each of the countries where it operates, in particular in the European Union, the United States and Canada. These laws and regulations impose increasingly strict standards on the protection of the environment, in particular in relation to atmospheric pollution, disposal of wastewater, the emission, use and processing of toxic materials or waste, methods of waste disposal, as well as site cleanup and treatment. These standards expose Nexans to the possibility of claims being made against it, and to significant costs (e.g. claims made on current or past activities or linked to disposed assets).

The Group has at its own initiative set up an internal Environmental Management System that has now been operational for several years. Pursuant to this system, an environmental audit of the Group's industrial sites is carried out, ideally leading to the EHP label being

awarded, denoting compliance with the highest environmental standards. As a consequence, since 2003, the Group has put in place an environmental audit program carried out by a specialized company (SAGERIS).

In 2004, 25 sites were audited and will continue to be audited each year, and if found to be well managed environmentally, will be awarded the EHP label, denoting compliance with the highest environmental standards. Of the 25 sites audited in 2004, 14 were awarded this label: 4 in France, 4 in Germany, 1 in Norway, 1 in the United Kingdom, 2 in the United States, 1 in Belgium, and 1 in South Korea.

The sites that did not reach the level required were given recommendations on how to achieve it and took the necessary corrective action.

In parallel to this system, several sites are involved in the process of ISO 14001 certification. For example, the Paillart site and the Elouges site in France were awarded ISO 14001 certification in 2004.

Nexans is cleaning up certain sites it currently operates as well as sites formerly operated by Nexans that have been sold.

In France, the Government Department responsible for the environment has published a national directory of potentially polluted sites and launched a program to examine and clean up these sites. Five Nexans sites are, to varying degrees, concerned by this program and are currently being investigated or cleaned up.

Also in connection with this program, the Group has taken steps to clean up its Marseille site after pollution by cadmium resulting from railway catenary manufacture. In August 2003, pollution caused by a leak from a storage tank was discovered at the Simcoe plant in Canada. The case has not yet been resolved. The likely outcome is a fine of an amount that is not significant.

In the United States, Nexans is subject to several federal and state environmental laws, which make certain categories of persons as defined by law liable for the full amount of cleanup costs relating to environmental pollution, notwithstanding that no fault may have been committed or that the relevant operations comply with applicable regulations. Nexans has often been cited, together with others, as potentially being liable for pollution pursuant to the 1980 Comprehensive Environmental Response, Compensation and Liability Act. Nexans has been joined to these proceedings although the pollution referred to is associated with waste dumps and did not arise on its manufacturing or production sites.

The potential liability of Nexans in relation to these proceedings has not adversely affected its financial position or income in the past. However, it cannot be guaranteed that there will be no negative effects in the future.

In general, Nexans faces several claims related to environmental issues in the normal course of business. Based on the amounts claimed, the status of proceedings, together with its evaluation of the risks involved and its provisioning policy, Nexans considers

that the risk that these claims will significantly affect its financial position or income is small. The main claims relate to the following: a dispute in Duisburg, Germany, brought by the purchasers of a site and a city council relating to soil and ground water contamination. The soil contamination is long-standing and Nexans' full liability has not been established. Nevertheless, Nexans has recorded provisions to cover any responsibility it may have for cleanup costs.

Nexans applies the following rules when recognizing environmental charges and commitments. A charge against income is recognized if the information and documents available indicate that such a charge is probable, significant and quantifiable. If the foregoing conditions are not satisfied but a charge against income capable of having a significant financial impact remains possible, this possibility will be recorded as a note to the financial statements. If a charge seems highly unlikely, no provisions will be made and no reference will be made thereto. Nexans estimates cleanup costs relating to environment claims on a case-by-case basis and as accurately as possible, based on the available information. At December 31, 2004, the total amount of provisions recorded for environmental risks was 6,891,000 euros. These provisions include in particular the above dispute in Duisburg, the cleanup of a waste dump on the site of its Swedish subsidiary and others costs relating to current or planned cleanup operations of soil after the use of products such as solvents or oil, at Bramsche in Germany, Bonnefamille in France, amongst others. Nexans considers that unprovisioned costs for the cleanup of unaudited sites should not have a significant impact on its income. Nexans cannot guarantee that future events, in particular changes in legislation, the passing of new laws or the development or discovery of new facts or conditions, will not lead to extra costs capable of having an adverse effect on its business, financial position or income.

Nexans' position on asbestos

The manufacture of Nexans products does not involve any contact with asbestos.

In the past (particularly to comply with French army specifications), asbestos was used to a limited extent to improve the insulation of certain kinds of cables to be used for military purposes. It was also used in the manufacture of ovens at two sites in France, but this activity was discontinued several decades ago. The ovens themselves are still used at a few plants for the production of winding wires. The risk of being exposed to asbestos currently only arises in connection with the maintenance of these ovens.

In France, to the Group's knowledge, only one first hearing judgment has been awarded against a French subsidiary of the Group,

based on current case law. This judgment relates to an activity that was discontinued more than 20 years before Nexans inherited it as part of the reorganization of the Alcatel group. There are currently 21 people on professional sick leave with an invalidity coefficient equal to or less than 10% and approximately 310 employees (250 at Nexans Wires and 60 at SCCC) under medical surveillance. Moreover, since 2002, nine procedures have been started (8 at TLM and 1 at Nexans Wires) for professional sick leave related to asbestos.

Outside of France, there are 51 people in Italy who have not been in direct contact with asbestos who have requested early retirement. No other case to date has been brought to the attention of the management of the Nexans Group.

In view of the information available and the risk analysis that has been made, Nexans has made a provision in its December 31, 2004 accounts, relating mainly to the removal of asbestos in the ovens, in accordance with applicable accounting procedures. Nevertheless, the management does not consider that this risk could have a significant impact on its financial position or income.

Insurance against risks

Nexans has had a Group insurance plan in place since 2003. The main kinds of coverage under this plan changed little during the course of 2004 compared to the previous year and were renewed on January 1st, 2005 at similar levels, with the exception of insurance for the space industry which has been affected by a reduction in the capacity available on the insurance market. The main Group insurance plans are as follows:

- direct damages and operating losses,
- general civil operating liability and product liability,
- transportation,
- contractor's all risks insurance for land-based projects,
- aeronautic and space civil liability,
- short-term credit risk: to guarantee certain international and domestic customers' accounts receivable,
- civil liability of Board Members.

The limits on these policies are based on a historical analysis of the Company and on the advice of its brokers. They generally exceed the maximum amount of insured claims experienced by the Group in the past.

It should, nevertheless, be noted that these policies have coverage exclusions that result in limitations on the transfer of risk.

In particular, civil liability resulting from aeronautic or space products where coverage for damage caused to third parties is limited to the occurrence of severe accidents or decisions to ground aircraft requested by national or international civil aviation authorities and excludes all other kinds of liability. Nexans' uninsured

losses in this field continue to be very limited in scale compared to the sales generated. However, it cannot be excluded that other occasional and severe losses may potentially considerably exceed the sales generated and significantly affect Nexans' operating income.

Finally, it should also be noted that there is a trend amongst third parties, customers and suppliers, as well as in the insurance market, towards increased litigation to limit or expand the scope of contractual undertakings. The possibility of legal action being taken creates further uncertainties as to the amount of risk transferred. Nexans does not have a captive insurance or reinsurance subsidiary.

The Nexans Group relies on the expertise of a global network of insurance brokers to assist it in the control and management of the risks to which it is exposed in the countries where it operates. Nexans moreover made an additional commitment to reduce industrial risks by putting in place a special 3-year investment program. This program was drawn up in close cooperation between the Industrial Management Department and experts from our damages insurer. These experts visit our industrial sites on an annual basis, making very specific recommendations on how to improve prevention and safety, and monitor the implementation of these recommendations.

Applicable law and regulations

To the knowledge of the Company, there are no laws or regulations specific to the cable industry as compared to industry in general. The different sites of course comply with applicable national laws and regulations relating in particular to air, water and soil emissions, which vary according to the country where the sites are located.

Disputes

There are a certain number of disputes arising from the normal course of business that the Management considers will not have a significant impact on the Group's income, given its provisioning policy, the availability of insurance cover, the probability of judgment being entered against Nexans and the amount of the claims. The most significant disputes relates to corvettes for South Africa. Nexans supplied cables for corvettes for the South African navy. Part of the supplies were sub-contracted to a South African manufacturer. After installation of the cables on the first two corvettes, it was found that the cables supplied by the subcontractor were non-compliant. All the cables already installed were removed and replaced. Damages claimed by the client now amount to approximately 36 million euros, which amount is contested by Nexans. Nexans has already recorded expenses of 5 million euros in its

financial statements at December 31, 2003. The allocation of damages amongst Nexans and the parties involved (in particular the clients, the insurers and the subcontractor) has not yet been determined. However, in view of the general uncertainty as to the liability of each party, Nexans considered it was prudent and reasonable to increase the provision in its December 31, 2004 financial statements.

Three other disputes or proceedings should be mentioned, of which two involving the competition authorities, for which either it has been decided not to make any provisions or in respect of which the information available does not allow any evaluation to be made of the probability of claims actually being made or of the amounts involved. Nevertheless there is a risk that these claims may have a significant impact on the accounts in the future.

- In France, the Direction Nationale des Enquêtes (National Investigation Agency) of the Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes (Department of Competition, Consumer Affairs and Repression of Fraud) started an investigation in 2003 into contracts awarded by EDF for the supply of high-voltage cables.

- In Germany, the Bundeskartellamt (German Competition Authority) also started an investigation in 2003 into practices in the cable industry.

In addition, a previously reported case in France relating to an agreement, alleged by the Conseil de la Concurrence (the French Competition Authority) to exist between Nexans France and a certification company, aimed at eliminating an importer of 120 ohm cables from the French market, was decided in 2004. Judgment was awarded against both parties on December 22, 2004 and Nexans ordered to pay a fine of 100,000 euros.

In Norway, the company Kvaerner, a competitor of Nexans, started legal proceedings in March 2005 against Nexans Norway alleging infringement of a patent relating to umbilical cables and claiming 310 millions NOK in damages. Nexans currently considers that the claim is unsubstantiated and will contest it vigorously.

No official notification of a complaint has been received for the first two matters and no provision has been recorded by the Group. However, in view of the very limited information available relating to these matters, Nexans is unable to predict how they may evolve or what their impact may be on Nexans' income or operations.

Although it is not yet possible to ascertain the impact of these claims, Nexans currently does not consider that they will have a significant impact on its consolidated financial position. However, it is unable to guarantee this.

The Group is not aware of any other extraordinary facts or claims that Management feels are likely to significantly affect its financial position or its income.

Relations with Alcatel

Prior to Nexans being listed on the stock exchange in June 2001, Nexans and its subsidiaries formed part of the Alcatel group.

In preparation for the stock market listing, various agreements were entered into by Alcatel and Nexans to cover a transitional period until the Nexans Group became fully independent.

Out of the agreements previously described in the Offering Circular, those still in force in 2004 can be summarized as follows:

- Alcatel continues to supply Nexans with optical fiber; no longer pursuant to a framework agreement but further to contracts which no longer bind Nexans to any firm purchase commitments and which provide for the purchase of optical fiber in the quantities it requires and at market prices. The relationship with Alcatel in this field is no different from that Nexans has with other fiber suppliers.
- In Brazil, Nexans is the owner of certain industrial equipment dedicated to copper public network cables, and subcontracted the manufacture and marketing of these cables to Alcatel Brazil, under its supervision, in line with an agreement that came into force on December 1st, 2000 for an initial 2-year period and which was tacitly renewed each year. Nexans notified Alcatel in 2003 of its intention to end this agreement and the agreement ended in June 2004. Nexans transferred all of the equipment located on the shared site to its plant in Lorena.
- In Germany, Nexans leases Alcatel equipment used in the armoring of overhead OPGW cables.

Nexans considers that the business covered by these industrial and commercial agreements is not significant in the context of its overall business.

- Intellectual property rights: following the creation of the Nexans Group, Alcatel granted Nexans a non-exclusive and royalty-free license, with a right to sub-license, pursuant to an agreement dated December 1st, 2000, to use Alcatel patents related to the business activity of Alcatel, but which are also necessary for the operation of Nexans' business. Alcatel also granted to Nexans, pursuant to the same agreement, a non-exclusive and royalty-free license, with no right to grant sub-licenses, to use Alcatel patents relating to single mode optical fiber cables exclusively for products and manufacturing processes already used by Nexans prior to January 1st, 2001. Use is also limited to certain designated sites falling within the scope of Nexans' business but also related to the business of Alcatel (including, inter alia, the single mode optical fiber cable activities). Nexans has granted similar rights to Alcatel under Nexans patents. Neither party gives any warranties on the validity or scope of the rights it grants, nor is either party required to defend its patents in the event of any third party infringement. This agreement remains in force for the life of the rights covered by this agreement.

In the process of the creation of the Nexans Group, Nexans and some of its subsidiaries in Germany, Spain and Canada spun off and sold to Alcatel some of their business and assets falling within the scope of Alcatel's business. In France and the United States, Alcatel and some of its subsidiaries spun off some of their business and assets falling within the scope of Nexans' business and sold them to Nexans. Alcatel and Nexans then mutually agreed to indemnify each other against any liabilities of a subsidiary of the other party, arising in relation to an activity that is no longer part of the business of such subsidiary. Some of these commitments have expired; others will remain in force until 2006. Alcatel sold its 15.04% stake in Nexans' on March 16, 2005.

Main investments

As a result of growth in business, capital investment was 94 million euros in 2004, representing a significant increase (+40%) compared to 67 million euros in 2003.

There was thus significant outlay in the Asia/North America area (27 million euros) with in particular the construction of a new production unit in China. In Europe (60 million euros), expenditure was mainly focused on production capacity in High-Voltage and Aeronautics, as well as on expected cost reductions resulting from rationalization programs, particularly in France. The "Rest of the World" area (7 million euros) continued to expand its product ranges, in particular in the automotive cable sector.

This policy will be continued in 2005 with investment being focused in high-growth geographic areas and segments that have been identified as strategic, while generating cost reductions in lower growth areas.

Shareholders' rights and obligations

Shareholders' Meetings

Shareholders' Meetings are convened and vote in accordance with the conditions laid down by law. When the required quorum is present, the Annual Shareholders' Meeting represents all the shareholders. Its decisions are binding on everyone, including absent or dissenting shareholders.

All shareholders may participate in Meetings either personally, by proxy or by postal vote, subject to providing proof of identity and of ownership of its shares either by registration of the shares or by filing an immobilization certificate for bearer shares at the location stated in the convocation five days before the date of the Meeting. This 5-day period may be reduced by decision of the Board of Directors. The Board Meeting held on March 31, 2005, decided to reduce the period of time during which bearer shares must be immobilized for the 2005 Annual Shareholders' Meeting to 1 day.

All shareholders may also, if the Board of Directors so decides when the Meeting is convened, vote at the Annual Shareholders' Meeting using remote transmission methods (Internet) in accordance with the conditions and methods provided for by law.

Form and registration of shares, identification of shareholders and statutory thresholds

Shares are registered until they are fully paid up.

Fully paid up shares may be held in registered form or bearer at the option of the shareholder, subject to the provisions of paragraph 2) below. In addition to the legal obligation of a shareholder to inform the Company when its holdings exceed certain fractions of the Company's share capital, shareholders are subject to the following requirements:

- 1) A shareholder owning a number of shares in the Company equal to or greater than 2% of the share capital or voting rights must notify the Company of the total number of shares held, within a period of fifteen days from the time the threshold is crossed, by registered letter with return receipt. A further notification must be sent, in accordance with the conditions hereof, each time a multiple of 2% is reached.
- 2) A shareholder owning a number of shares in the Company equal to or greater than 2% of the share capital or voting rights must request the registration of its shares no later than five trading days after the threshold has been crossed. The obligation to register applies to all shares already held as well as the shares held which exceed this threshold. A copy of the request, sent by letter or fax to the Company within fifteen days from the time the threshold has

been crossed, shall be deemed to be notification of the crossing of the statutory threshold. This request must be sent, in accordance with the conditions hereof, each time a 2% threshold is crossed up to 50%.

To determine the thresholds fixed in paragraphs 1) and 2) above, any shares held indirectly and any shares considered as being shares held pursuant to articles L. 233-7 and following of the New Commercial Code shall be taken into account.

In each notification or report filed as referred to above, the person making the notification or sending the report must certify that all shares held, or indirectly considered as being held according to the previous paragraph, have been included, as well as the acquisition date.

In the event of non-compliance with paragraphs 1) and 2) above and subject to applicable law, the shareholder shall lose the voting rights corresponding to any shares which exceed the thresholds and which should have been declared.

Any shareholder whose holding in the share capital falls below one of the thresholds provided for in paragraphs 1) and 2) above must also notify the Company within a fifteen-day time period and in the same manner as described above.

The existence of ownership of shares will be represented by a book entry in the share accounts maintained by Nexans or by an authorized intermediary, in the name of the shareholder.

Transfer of shares registered in an account will be made by transfer from account to account. All account entries, payments and transfers shall be made in accordance with applicable law.

Unless exempted by the laws and regulations in force, the Company may require that the signatures on the declarations, transaction or payment orders be certified in accordance with the law and regulations in force.

The Company may, in accordance with legal and regulatory provisions in force, require that information be communicated to it by any accredited intermediary or organism relating to its shareholders or to holders of securities which confer immediate or future voting rights, including their identity, the number of shares they hold and an indication, where appropriate, of any restrictions on the shares or securities held.

The provisions of the articles of association relating to shareholders' obligations in the event they cross the thresholds were adopted by the Combined General Shareholders' Meeting of October 17, 2000, and have been in force since June 15, 2001.

The Board Meeting held on March 31, 2005, decided to propose to the 2005 Annual Shareholders' Meeting to remove the obligation to hold shares in registered form if certain statutory thresholds are crossed as referred to in paragraph 2) above.

Voting rights

Subject to applicable law and these articles of association, every member of the Meeting shall have a number of votes equal to the number of shares that he possesses or represents. The voting right is exercised by the holder of the beneficial right in shares at all Ordinary, Extraordinary or Special General Shareholders' Meetings.

Double voting rights

A double voting right is attributed to all shares held in registered form, fully paid up shares which have been registered in the name of the same holder for at least three years.

This provision of the articles of association, approved by the Combined General Shareholders' Meeting of October 17, 2000, came into force on October 17, 2003.

The Board Meeting held on March 31, 2005, decided to propose to the 2005 Annual Shareholders' Meeting to reduce from 3 years to 2 years the period of time during which shares must be held in registered form before a double voting right is attributed to such shares.

In addition, in the event of an increase in capital by incorporation of retained earnings, profits or other reserves, the new shares issued, which are held in registered form and that are allocated free to holders of shares in registered form, will benefit immediately from double voting rights, proportional to the number of shares held by such shareholder which have double voting rights.

The double voting right shall automatically cease in respect of all shares which are converted to bearer or which are transferred. However, the period stated above will not be interrupted and the right will not be lost in the event of transfers from one registered shareholder to another registered shareholder by inheritance, whether on intestacy or by will, the sharing of an estate between spouses or a donation inter vivos to a spouse or relatives eligible to inherit.

Limitations on voting rights

Regardless of the number of shares it possesses directly and/or indirectly, a shareholder may not, when voting on resolutions at Shareholders' Meetings, exercise more than 8% of the voting rights of all shareholders present or represented at Shareholders' Meetings. If a shareholder also possesses double votes either on its own behalf or as a representative, the stated limit may be exceeded taking into account only the additional voting rights up to the limit of 16% of the votes attached to the shares present or represented at Shareholders' Meetings. Shares which are held indirectly and those which are assimilated as being shares held

pursuant to articles L. 233-7 and subsequent articles of the New Commercial Code shall be taken into account when determining this limitation.

The limitation determined in the above paragraph shall become automatically null and void as soon as an individual or a legal entity holds at least 66.66% of the total number of shares in the Company, whether individually or together with one or more individuals or legal entities, as a result of a takeover bid by way of purchase or exchange of shares for all the Company's shares. The Board of Directors shall recognize the invalidation of the limitation when the results of the takeover procedure are published.

The foregoing restriction does not affect the Chairman of the Shareholders' Meeting when voting pursuant to proxies received in accordance with the legal obligations contained in article L. 225-106 of the New Commercial Code.

Appropriation of income

The difference between revenue and expenses for the financial year, after provisions, constitutes the profit or loss for the financial year as recorded in the profit and loss account. 5% of the profit, reduced as the case may be by previous losses, shall be paid to a legal reserve. This payment is no longer mandatory once the legal reserve reaches one tenth of the share capital. It shall be resumed if, for any reason whatsoever, the reserve falls below this fraction.

The appropriation of the distributable profit, which consists of the profit for the financial year reduced by previous losses and the payment referred to above, increased by any profits carried forward, shall be decided upon by the Annual Shareholders' Meeting, which on the recommendation of the Board of Directors may retain it in whole or in part, allocate it to general or special reserve funds or distribute it to the shareholders as a dividend.

In addition, the Annual Shareholders' Meeting may decide to distribute amounts taken from the discretionary reserves either to create or supplement a dividend or as an extraordinary distribution. In this case, the decision shall indicate specifically the reserves from which the payments are made. However, dividends will be paid in priority from the distributable profit for the financial year.

The Ordinary General Shareholders' Meeting may grant each shareholder the option of choosing between the payment of the dividend or the provision of interim dividend in cash or in shares for all or a proportion of the dividend distributed.

The Annual Shareholders' Meeting or the Board of Directors, in the case of interim dividends, shall determine the date on which the dividend is to be paid.

General information on the parent Company and its share capital

Company profile

Name and registered office:

Nexans

16 rue de Monceau, 75008 Paris

Legal form and governing laws

A French corporation subject to all the laws governing business corporations in France, specifically the provisions of the Commercial Code and decree no. 67-236 of March 23, 1967.

Trade Register number

The Company is listed in the Paris Trade Register under number 393 525 852. Its APE code is 741J.

Corporate documents

Documents and information on the Company may be reviewed at the Company's registered office located at 16 rue de Monceau - 75008 Paris - France.

Incorporation and expiration dates

The Company was incorporated on January 5th, 1994 under the name of Atalec, for a period of 99 years which will expire on January 7, 2093, and it became Nexans on October 17, 2000.

Corporate purpose (summary of article 2 of the articles of association)

The Company's objects in all countries are: design, manufacture, operation and sale of any and all equipment, machines and software for domestic, industrial, civilian, military or other applications in the field of energy, telecommunications, information technology, electronics, the space industry, nuclear power, metallurgy and in general any and all means of production or means of power transmission or communications (cables, batteries and other components), as well as all activities relating to operations and services which are incidental to the above objects. The acquisition of shareholdings in other companies of any form, in associations, in groups in France or abroad, regardless of their purpose and activity as well as, in general, any and all industrial, commercial, financial, tangible or intangible transactions related, either directly or indirectly, in whole or in part, to any objects of the Company indicated in the articles of association or to any similar or related objects.

Financial year

The financial year begins on January 1st and ends on December 31.

Appropriation of capital and voting rights

Share capital

At December 31, 2004, the share capital was 23,189,947 euros represented by 23,189,947 shares with a nominal value of 1 euro each, further to the exercise of 43,975 stock options between January 1st and June 30, 2004 and the exercise of 17,000 stock options between June 30 and December 31, 2004. An additional 139,000 new shares were created between January 1st, 2005 and March 31, 2005, further to the exercise of 139,000 stock options.

Number of voting rights

At March 31, 2005, there were 98,393 shares carrying a double voting right. Taking into account that the 2,221,199 treasury shares held by the Company (refer to "Buyback of Nexans shares" on page 104) do not carry any voting rights and the existence of shares carrying double voting rights, the total number of voting rights at March 31, 2005 was consequently 21,206,141.

Changes in Nexans' share capital since its incorporation

Date	Transaction	Number of shares issued/cancelled	Nominal value of shares	Nominal amount of share capital increase/reduction	Total amount of share capital	Total number of shares
January 5, 1994	Incorporation (in francs)	2,500	100	250,000	250,000	2,500
October 17, 2000	Share capital increase (in francs)	–	105	12,500	262,500	2,500
October 17, 2000	Conversion of share capital (in euros)	–	16	–	40,000	2,500
October 17, 2000	Division of nominal share value (in euros)	–	1	–	40,000	40,000
October 17, 2000	Share capital increase* (in euros)	24,960,000	1	24,960,000	25,000,000	25,000,000
February 12, 2002	Share capital reduction (in euros)	1,990,031	1	1,990,031	23,009,969	23,009,969
April 17, 2002	Share capital increase reserved for employees (in euros)	111,503	1	111,503	23,121,472	23,121,472
December 12, 2003	Share capital increase further to the exercise of stock options (in euros)	1,500	1	1,500	23,122,972	23,122,972
January 30, 2004	Share capital increase further to the exercise of stock options (in euros)	15,500	1	15,500	23,138,472	23,138,472
July 20, 2004	Share capital increase further to the exercise of stock options (in euros)	34,475	1	34,475	23,172,947	23,172,947
February 2, 2005**	Share capital increase further to the exercise of stock options (in euros)	17,000	1	17,000	23,189,947	23,189,947
March 31, 2005***	Share capital increase further to the exercise of stock options (in euros)	139,000	1	139,000	23,328,947	23,328,947

* With a premium of 1,044,039,360 euros.

** Date on which the Board of Directors last acknowledged stock options exercised prior to December 31, 2005. In the period from January 1st to March 31, 2005, 139,000 new shares were created further to the exercise of 139,000 stock options.

*** On March 31, 2005, the Board of Directors has not yet acknowledged the 139,000 stock options exercised since January 1st, 2005.

Shareholding structure

The information given below is as of March 31, 2005 and is to the best of the Company's knowledge based on:

- the TPI (identifiable bearer shares) at December 31, 2004,
- declarations made to the AMF (the French financial markets authority),
- information received further to the sale by Alcatel of its stake.

The main shareholders at March 31, 2005 were the following:

- Institutional investors (France)	33.5%
- Institutional investors (United States)	29.6%
- Institutional investors (UK)	12.5%
- Other institutional investors (Europe)	4.7%
- Individuals and employees	7.8%
- Treasury stock	9.5%
- Not identified	2.4%

The Company estimated the total number of shareholders to be between 70,000 and 100,000.

On March 31, 2005, Board members held 0.2% of the Company's share capital and voting rights and employee shareholders accounted for 0.97% of the Company's share capital (of which 80% is held via an employee mutual fund or FCPE).

Breakdown of share capital and voting rights

On March 31, 2005	CAPITAL		VOTING RIGHTS ⁽¹⁾	
	Number of shares	Percentage	Number of voting rights	Percentage
Tweedy Browne (investment fund) ⁽²⁾⁽³⁾	2,053,884	8.8	2,053,884	9.7
Brandes (investment fund) ⁽²⁾⁽³⁾	1,208,997	5.2	1,208,997	5.7
FMR Corp + Fidelity ⁽²⁾⁽³⁾	1,166,651	5.0	1,166,651	5.5
Dodge & Cox ⁽²⁾⁽³⁾	1,166,400	5.0	1,166,400	5.5
Other institutional investors ⁽³⁾	13,140,117	56.3	13,236,149	62.4
Employees	226,631	1.0	226,631	1.1
Other individual investors ⁽³⁾	1,596,341	6.8	1,598,702	7.5
Treasury stock	2,221,199	9.5	–	–
Shareholders not identified	548,727	2.4	548,727	2.6
Total	23,328,947 ⁽⁴⁾	100	21,206,141 ⁽⁵⁾	100

(1) Shares held in registered form that have been registered in the name of the same holder for at least three years carry a double voting right. A shareholder's voting rights are limited to 8% (in the case of single voting rights) and 16% (in the case of double voting rights) of the votes associated with shares present or represented when voting on resolutions at an Annual Shareholders' Meeting (see page 97).

(2) Figures established on the basis of declarations of thresholds exceeded by the shareholders indicated above.

(3) Figures established on the basis of the TPI (identifiable bearer shares) of December 31, 2004.

(4) This total includes the 139,000 new shares created further to the exercise of stock options in the period from January 1st, 2005, to March 31, 2005.

(5) This total takes into account 98,393 double voting rights, 139,000 new shares created further to the exercise of stock options and 2,221,199 treasury shares.

To the best of the Company's knowledge, the following legal thresholds were exceeded during the 2004 financial year and up until March 31, 2005:

- FMR Corp and Fidelity International Ltd declared on September 24, 2004 that it had exceeded the threshold of 5.03%, and that it holds 1,166,651 shares,
- Dodge & Cox declared on December 6, 2004 that it had exceeded the threshold of 5.03%, and that it holds 1,166,400 shares.

To the best of the Company's knowledge, no shareholders other than those indicated in the table above hold more than 5% of the share capital or voting rights.

Nexans is not aware of the existence of any shareholders' agreements or concerted action between its shareholders.

- Alcatel declared on March 22, 2005 that it had fallen below the thresholds of 20% of voting rights and 10% and 5% of the share capital and voting rights on March 16, 2005, and that it no longer holds any shares.

Changes in the shareholding structure over the last three years

Shareholding structure	Estimate as of March 15, 2003			Estimate as of March 31, 2004			Estimate as of March 31, 2005*		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Alcatel**	3,476,388	15	16.60	3,476,388	15	28.2	-	-	-
Other									
institutional investors	14,923,885	64.6	71.4	14,714,352	63.6	60.6	18,736,049	80.3	88.8
Employees	171,255	0.7	0.8	224,773	1.0	0.9	226,631	1.0	1.1
Members of the Board of Directors	3,139	NS	NS	3,657	NS	NS	47,044	0.2	0.2
Other individual									
shareholders	2,325,606	10	11.1	2,338,802	10.1	9.6	1,549,297	6.6	7.3
Treasury stock	2,221,199	9.60	-	2,221,199	9.6	-	2,221,199	9.5	-
Not identified	-	-	-	173,301	0.7	0.7	548,727	2.4	2.6

* Taking into account 98,393 double voting rights, 139,000 new shares created further to the exercise of stock options and 2,221,199 treasury shares.

** Alcatel sold its entire shareholding on March 16, 2005.

Existing authorizations given to the Board of Directors to issue securities representing or not representing the share capital of the Company and use made thereof

The table below shows the dates, terms of and limits on the authorizations given at the Annual Shareholders' Meeting to the Board of Directors to allow it, as it deems fit, to issue securities representing or not representing the Company's share capital. The Board of Directors may, with the power to delegate to its Chairman in accordance with applicable law, proceed with authorized issuances in all circumstances and determine the dates and conditions thereof, subject to compliance with the conditions fixed by the Annual Shareholders' Meeting.

Date authorization was granted and form of authorized share issuances	Maximum nominal amount in euros ⁽¹⁾	Expiration date of the authorization	Use
SECURITIES REPRESENTING SHARE CAPITAL			
June 5, 2003 Issuance of shares by the exercise of stock options granted to certain employees or Board members	900,000	April 2, 2006	Board of Directors meeting of November 16, 2004: 403,000 stock options granted
SECURITIES NOT REPRESENTING SHARE CAPITAL			
June 3, 2004 Issuance of securities giving immediate or future access to share capital ⁽²⁾			
With preferential subscription rights:			
• Shares (R8)	15,000,000 ⁽³⁾	2005 AGM	
Without preferential subscription rights:	Individual and aggregate	2005 AGM	Offering by Nexans of bonds convertible into and/or exchangeable for new or existing shares (OCEANE) for a total of 135 million euros/ 3,552,632 bonds at par and at the conversion/exchange rate of 38 euros
• Convertible bonds (R9)	ceiling for R9 and R10:		
• Other marketable securities representing debt giving access to share capital (R10)	Shares: 10,000,000 ⁽³⁾ Debt: 250,000,000		
Issuance of shares by capitalization of premiums, reserves, profits or other reserves (R11)	15,000,000	2005 AGM	
Issuance of shares reserved to members of employee savings plan (R12)	500,000	2005 AGM	

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

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

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

Authorizations to be given to the Board of Directors to issue securities giving immediate or future access to the share capital of the Company to be proposed to the Annual Shareholders' Meeting on June 2, 2005

The Board of Directors will propose several resolutions to the Annual Shareholders' Meeting of June 2, 2005, for the purposes of authorizing the Board of Directors to issue, whether or not subject to preferential subscription rights, securities giving immediate or future access to the share capital of the Company.

The Board of Directors proposes that these authorizations expire upon the holding of the Annual Shareholders' Meeting convened to consider the accounts for the financial year ending December 31, 2005.

The table below shows the terms of and limits on the authorizations to be proposed to the Annual Shareholders' Meeting of June 2, 2005, for the purposes of authorizing the Board of Directors as it deems fit, to issue securities giving immediate or future access to the share capital of the Company. The Annual Shareholders' Meeting will be asked to authorize the Board of Directors, with the power to subdelegate to the Chairman in accordance with applicable law, to proceed with authorized issuances in all circumstances and determine the dates and conditions thereof, subject to compliance with the conditions fixed by the Annual Shareholders' Meeting.

Form of issuances to be authorized ⁽¹⁾	Maximum nominal amount in euros ⁽²⁾
With preferential subscription rights	
• Shares (R8)	15,000,000 ⁽³⁾
Without preferential subscription rights	
• Securities representing debt giving access to share capital (R9)	Debt: 250,000,000 Debt: 6,000,000 ⁽³⁾
Issuance of shares as consideration for contributions in-kind of shares (R11)	Maximum 10% of share capital ⁽³⁾
Issuance of shares by capitalization of premiums, reserves, profits or other reserves (R12)	15,000,000 ⁽³⁾
Issuance of shares reserved to members of employee savings plans (R13)	500,000 ⁽³⁾
Allocation of free shares, whether existing or to be issued, to certain employees of the group (R14)	Maximum 1% of share capital ⁽³⁾

(1) The abbreviation "R" between brackets indicates the number of the resolution proposed to the June 2, 2005 Annual Shareholders' Meeting.

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

(3) The nominal amount of share capital increases that can be realized with or without preferential subscription rights under resolutions 8 to 11 cannot exceed an aggregate total of 15 million euros; however the nominal amount of share capital increases that can be realized under resolutions 8 to 14 cannot exceed an aggregate total of 30,5 million euros.

NB: Possibility to authorize the Board of Directors to increase the number of shares or securities issued pursuant to R8 and R9 subject to a limit of 15% of the initial issuance and subject further to the overall limits fixed in R8 and R9 (R10).

Employee profit sharing and share ownership

Certain Group subsidiaries have implemented employee profit sharing and share ownership agreements. In France, Nexans established an employee share savings plan to enable its employees to invest in a mutual fund composed of the Group's shares.

Stock options

Pursuant to the authorization granted to it by the Combined General Shareholders' Meeting on June 5, 2003, the Board of Directors decided on November 16, 2004 to grant 403,000 options giving holders the right to subscribe to new shares in the Company at a unit subscription price of 27.82 euros, by way of increase in the share capital, to allow managers and employees who play an active role either directly or indirectly in the Company's growth in profitability to share in such results.

As of March 31, 2005, there were 1,339,275 stock options, representing 5.7% of the share capital. Each option, if exercised, grants the right to one Nexans share.

Stock option policy

Following a review by the Appointments & Compensation Committee, the Board of Directors established a stock option policy. Stock options will be granted annually, generally in the autumn. The total amount granted will be between 1 to 2% of the Company's share capital (approximately 250,000 shares per year), one year targeting members of the Executive Committee and other high-level executives and the following year targeting a broader group including, in particular, high-potential junior executives.

Breakdown by holder category of stock options granted during the financial year

	Grant date	Number of stock option holders	Number of options granted ⁽¹⁾	Price (in euros)	Expiration date
Board representatives (G�rard Hauser)	November 16, 2004	1	125,000	27.82	November 15, 2012
Group employees 10 largest stock option holders	November 16, 2004	10	209,000	27.82	November 15, 2012

(1) A quarter of the total number of stock options granted vests in the option holder at the end of each successive 12-month period from the grant date; option may only be exercised on and after November 16, 2005.

Breakdown by subscriber category of shares subscribed during the financial year following the exercise of stock options

	Number of subscribers	Number of shares subscribed	Price
Board representatives	0	–	–
Group employees			
10 largest subscribers following the exercise of options	3	9,000	17.45 euros (November 16, 2001 plan)
	2	1,500	19.94 euros (March 13, 2002 plan)
	1	2,500	11.62 euros (April 4, 2003 plan)

Record of stock options granted

Date of Shareholders' Meeting	Plan no. 1			Plan no. 2	Plan no. 3
	Combined General Shareholders' Meeting of April 2, 2001			Combined General Shareholders' Meeting of June 25, 2002	Combined General Shareholders' Meeting of June 5, 2003
Date of Board of Directors' meeting or grant	November 16, 2001	January 18, 2002	March 13, 2002	April 4, 2003	November 16, 2004
Total number of shares that can be subscribed, including the number of shares that can be subscribed by the following:	531,500	5,000	8,000	644,500	403,000
- board representatives holding stock options (G�rard Hauser)	55,000	–	–	50,000	125,000
- employees, 10 largest stock option holders	181,000	5,000	8,000	204,000	209,000
Starting date of exercise	November 16, 2002	January 18, 2003	March 13, 2003	April 4, 2004	November 16, 2005
Expiration date	November 15, 2009	January 17, 2010	March 12, 2010	April 3, 2011	November 15, 2012
Exercise price	17.45 euros	16.70 euros	19.94 euros	11.62 euros	27.82 euros
Conditions of exercise	Quarter of the total number of options annually			Quarter of the total number of options annually	Quarter of the total number of options annually
Total number of shares subscribed (as of March 31, 2005)	177,750	0	1,500	28,225	-
Total number of options cancelled (as of March 31, 2005)	19,500	3,000	0	22,750	0
Number of options remaining (as of March 31, 2005)	334,250	2,000	6,500	593,525	403,000

Buyback of Nexans shares

Subsequent to its initial share buyback program authorized by the Combined General Shareholders' Meeting of April 2, 2001 and decided by the Board of Directors on September 26, 2001, Nexans still held 6,774 of its own shares at March 31, 2004.

In accordance with the authorization given by the Combined General Shareholders' Meeting of June 25, 2002 and the notice submitted to the Commission des Op rations de Bourse on June 6, 2002 under number 06-692, Nexans launched another share buyback program pursuant to a decision of the Board of Directors of June 25, 2002, representing a maximum of 10% of its share capital, in accordance with article L. 225-209 of the French Commercial Code. In 2002, Nexans consequently acquired 1,909,736 shares at an average price of 12.88 euros per share for a total value of 24.6 million euros, of which 1,500,000 shares were acquired on October 30, 2002 from Alcatel. In 2003, under this same program, Nexans acquired 304,689 shares at an average price of 11.30 euros per share, for a total value of approximately 3.5 million euros.

Nexans has not used the authorization given to it by the Combined General Shareholders' Meeting on June 5, 2003 to buyback its own shares, which was referred to in a Commission des Op rations de Bourse information notice on May 16, 2003 under number 03-441. The Combined General Shareholders' Meeting of June 3, 2004 renewed this authorization based on an AMF information notice of May 3, 2004 under number 04-358.

As of March 31, 2005, the Company still held a total of 2,221,199 of its own shares, representing 9.5% of the share capital. A resolution will be proposed to the Annual Shareholders' Meeting of June, 2005, for the purposes of authorizing the Company to buy its own shares and also to reduce its share capital by cancellation of its shares. In accordance with article 241-8 of the AMF General Regulations, the Company decided to reserve treasury stock acquired prior to October 13, 2004, to acquisitions by way of exchange or delivery of shares.

Statutory Auditors of Nexans

Auditors

- **RSM Salustro Reydel**
part of the RSM International network

8 avenue Delcassé, 75008 Paris, France, represented by Benoît Lebrun.

Date of first appointment and current appointment: Ordinary General Shareholders' Meeting of June 5th, 2003.

Current term expires: after the Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2008.

- **Barbier Frinault et Autres; Ernst & Young Audit**

41 rue Ybry, 92576 Neuilly-sur-Seine Cedex, France, represented by Alain Gouverneyre.

Date of first appointment and current appointment: Combined General Shareholders' Meeting of October 17, 2000.

Current term expires: after the Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2005.

Deputy Auditors

- **François Chevreux**

8 avenue Delcassé, 75008 Paris.

Date of first appointment and current appointment: Combined General Shareholders' Meeting of June 5th, 2003.

Current term expires: after the Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2008.

- **Pascal Macioce**

41 rue Ybry, 92576 Neuilly-sur-Seine Cedex, France.

Date of first appointment: Ordinary General Shareholders' Meeting of February 21, 2000.

Date of current appointment: Ordinary General Shareholders' Meeting of May 9, 2000.

Current term expires: after the Shareholders' Meeting convened to consider the accounts for the financial year ended December 31, 2005.

Fees paid by Nexans to the Auditors

		RSM International Network				Ernst & Young Network			
		in thousands of euros		%		in thousands of euros		%	
		2004	2003	2004	2003	2004	2003	2004	2003
Auditing	auditing of the accounts	786	604	81%	96%	1,290	1,193	60%	85%
	secondary audit missions	156	25	16%	4%	190	206	9%	15%
	sub-total	942	629	97%	100%	1,480	1,399	69%	100%
Other missions	legal, tax, employment	31		3%		659		31%	
	information systems								
	internal audit								
	other								
	sub-total	31	0	3%	0%	659	0	31%	0%
TOTAL		973	629	100%	100%	2,139	1,399	100%	100%

Related party transactions

(year ended December 31, 2004)

Nexans has not entered into any direct agreements with its directors and has not granted them any loans or guarantees. Three agreements falling within the scope of article 225-38 of the French Code de commerce were concluded or remained in force in 2004 between Nexans and one of its director or companies with common directors or managers, or with companies having a shareholding in Nexans carrying more than 10% of voting rights.

These agreements are as follows:

1) Prior agreements remaining in force in 2004

- **The “Underwriting Agreement”, a placement and guarantee contract** approved by the Board of Directors on June 12, 2001, signed at the same date and approved by the General Shareholders’ Meeting of June 25, 2002. It was concluded with Alcatel, this company having a shareholding in Nexans carrying more than 10% of voting rights.

When Nexans was floated on the Paris Stock Exchange, Alcatel, Nexans, Goldman Sachs International, Société Générale and other members of the guarantee syndicate signed this agreement for the purposes of guaranteeing the placement of Nexans shares.

Pursuant to this agreement, Alcatel undertook to sell its shares in Nexans, and the bank syndicate agreed to place and guarantee the placement of Nexans shares in return for a fee paid by Alcatel and based on certain representations and warranties given by Alcatel and Nexans.

2) Agreements entered into during the 2004 financial year

- **The global guarantee agreement**

As part of the bond issuance convertible into and/or exchangeable for new or existing shares (OCEANE), a global guarantee agreement which was authorised by the Board of Directors on July 5th, 2004, was executed on July 6, 2004 with the pool of

banks (including BNP Paribas) for an amount of 105 million euros, with an over-allotment option which if exercised would bring the total amount of the issuance to 135 million euros. Pursuant to this contract, Nexans undertook to issue convertible bonds, and the pool of banks undertook to subscribe to the convertible bonds on the basis of certain representations and warranties given by Nexans. The guarantors are BNP Paribas, Goldman Sachs International and Lazard-IXIS. The commission payable was 2,227,000 euros.

Director involved: Georges Chodron de Courcel (BNP Paribas).

Refinancing of the medium-term syndicated loan

Further to the syndicated medium-term loan for 350 millions euros which was increased to 450 million euros following syndication, the contract with the mandated lead arrangers as well as the syndicated loan with BNP Paribas and Société Générale were authorised by the Board of Directors on November 16, 2004, prior to the signature of the contract with the mandated lead arrangers on November 19, 2004, and the signature of the syndicated loan agreement on December 28, 2004.

- Contract with the mandated lead arrangers

Mandated lead arrangers: BNP Paribas, Société Générale Corporate and Investment Bank.

An arrangement fee of 270,000 euros was paid.

Director involved: Georges Chodron de Courcel (BNP Paribas).

- Syndicated medium-term loan for 450 millions euros executed on December 28, 2004

Mandated lead arrangers: BNP Paribas, Société Générale Corporate and Investment Bank and 14 other banks. BNP Paribas was appointed agent of the facility.

A participation fee of 780,400 euros was paid to the agent of the facility to be allocated amongst the banks prorata to their participation in the facility. BNP Paribas also receives an annual agency fee of 12,500 euros.

Director involved: Georges Chodron de Courcel (BNP Paribas).

Statutory Auditors' report*

on related party transactions, period ended December 31, 2004

To the Shareholders,

As Statutory Auditors of your Company, we are required to report on certain contractual agreements with related parties. In accordance with article L. 225-40 of the Commercial Code, we have been advised of certain contractual agreements approved by your Board of Directors.

We are not required to ascertain whether any other contractual agreements exist, but to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under article 92 of the decree of March 23, 1967, to evaluate the benefits resulting from these agreements prior to their approval.

We conducted our work in accordance with the auditing standards generally accepted in France. Those standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it is derived.

Agreement with BNP Paribas, Mr Georges Chodron de Courcel

Terms and subject

Undertaking agreement

At their Meeting on July 5th, 2004, the Board of Directors of your Company approved an undertaking agreement with the Syndicate of Banks (of which BNP Paribas is a member) in connection with the issue of bonds convertible into or exchangeable with new or existing shares (OCEANE).

Conditions

Under the agreement signed on July 6, 2004, your Company agreed to issue the OCEANE bonds, and the Banking syndicate agreed to underwrite or have the OCEANE bonds underwritten, on the basis of certain declarations and guarantees made by your Company, and a commission payment. The guarantors are BNP Paribas, Goldman Sachs International and Lazard-Ixis.

The commission payable at the term of the agreement amounts to 2,227,000 euros.

Terms and subject

Implementation of a medium-term syndicated loan and lead arranger mandate

On November 16, 2004, the Board of Directors of your Company approved a lead arranger mandate and the issue of a syndicated loan.

Conditions

In connection with the syndication of a medium-term loan of 350,000,000 euros amounting after syndication to 450,000,000 euros, a lead arranger's mandate was signed on November 19, 2004, and subsequently a syndicated loan contract on December 28, 2004.

BNP Paribas has been appointed custodian of this syndicated loan. The participating banks are BNP Paribas, Société Générale, Investment Bank ("mandated lead arrangers") and fourteen other banks.

An arrangement commission of 270,000 euros before tax was paid in 2004 for the lead arranger mandate. A commission of 780,400 euros was paid to the custodian of the loan, which was shared between the banks in proportion to their respective investments. In addition, BNP Paribas receives an annual commission for its custodian services of 12,500 euros before tax.

Furthermore, in application of the decree of March 23, 1967, we were informed that the following agreement, approved during the previous period, continued to be effective during the last period.

*This is a free translation into English of the original Statutory Auditors' report on related party transactions for the period ended December 31, 2004, signed and issued in the French language and provided solely for the convenience of English speaking readers.

With Alcatel, S.A., shareholder of your Company

Terms and subject

The Board of Directors of your Company approved an Underwriting Agreement with Alcatel.

Conditions

Under the terms of this agreement, in connection with the Initial Public Offering (IPO), Alcatel agrees to sell the Nexans' shares it holds, and the Syndicate of Banks agrees to underwrite the Nexans' shares or have them underwritten on the basis of certain declarations and guarantees made by Alcatel and your Company, and against the payment of a commission by Alcatel. The "lock-up" clause on your Company's capital associated with this agreement covers a 270 day period, and the commitments declared by your Company cover a three-year period.

Paris and Neuilly-sur-Seine, March 10, 2005.

The Statutory Auditors

Barbier Frinault & Autres
Ernst & Young

RSM Salustro Reydel

Alain Gouverneyre

Benoît Lebrun

Chairman's report*

In accordance with article L. 225-37, last paragraph of the Code de Commerce (French Commercial Code) (financial year ended December 31, 2004)

In accordance with article L. 225-37, last paragraph, of the Code de Commerce, transposed from article 117 of the loi de Sécurité Financière (French financial security act) of August 1st, 2003, Gérard Hauser, Chairman and Chief Executive Officer of Nexans, a Group holding Company, issues this report on "the manner in which the work of the Board is prepared and organized, as well as the internal control procedures implemented by the Company" and "any limitations the Board of Directors may place on the powers of the CEO." This report concerns the parent company and all Group companies included in the scope of consolidation.

1 – Preparation and organization of the work of the Board of Directors of Nexans, a Group holding Company

1.1 Organization of the work of the Board of Directors

The Board of Directors met eight times in 2004 and more than two-thirds of its members were present at each of its meetings.

The Chairman and Chief Executive Officer notifies the members of the Board at least one week before the meeting.

Several days before the meeting, the directors are provided with a file covering each point that will be discussed and examined.

The Board of Directors is kept informed of the Company's and the Group's business development, financial situation and cash position, prepares the parent Company and consolidated financial statements as well as the management projections, and reviews the budget. It decides on matters affecting the strategy and running of the Company.

All these issues were addressed by the Board during the 2004 financial year.

Presentations are made on a regular basis to the Board of Directors by functional department or area managers to familiarize the directors with Nexans' core businesses and provide a clearer picture of the internal operations of the Company. During the first half of 2004, representatives from the Opticable subsidiary made a detailed presentation to the Board on the business in Belgium, followed by a tour of the site.

The Board examined and approved the strategic plan prepared for 2005 to 2007 at a November meeting specifically dedicated to this project.

The Board was also consulted throughout 2004 on various planned acquisitions and was kept constantly informed of the evolution of these projects.

The Board adopted a new stock option plan and determined the variable portion of the Chairman and CEO's compensation for 2003. Likewise, it set guidelines for calculating the variable portion of the Chairman and CEO's compensation for 2004, on the recommendation of the Appointments & Compensation Committee.

1.2 Corporate governance: rules and regulations of the Board of Directors and the Director's Charter

In 2003, Nexans formally adopted the rules and regulations of the Board of Directors and a Director's Charter.

Nexans complies with and applies the corporate governance principles originating from the Bouton and the Viénot-Bouton reports.

The rules & regulations and the director's charter are given to each new member of the Board when they take office.

The rules & regulations set out the areas of authority of the Board of Directors, its modus operandi and the ethical principles to be followed.

In accordance with the Bouton report, the rules & regulations determine which capital expenditure or significant restructuring plans such as mergers, acquisitions, disposals or proposed financing projects will require the prior approval of the Board of Directors, based on their nature and the amounts involved. The rules & regulations have also strengthened the role and authority of the Committees and defined the criteria for director independence.

The director's charter sets out the rights and obligations of Board members and reiterates the provisions of the articles of association according to which each director must hold at least ten shares in the Company. It establishes the rules requiring directors to refrain from trading in Company shares during sensitive periods leading up to the publication of the accounts.

*Free translation from the original French report

1.3 Appraisal of the Board of Directors

An annual procedure to appraise the Board of Directors with regard to its *modus operandi* was implemented in 2003 to check that important matters are properly reported, dealt with and discussed during its meetings. This procedure was implemented on the basis of a detailed questionnaire, approved in advance by the Board and sent to each director. The questionnaire measures in particular the conduct of the Board's Meetings, the relevance of its composition, the frequency of its meetings, the adequacy and quality of the information provided to it, the support provided to the Board by the Committees, as well as the interaction when discussing various points on the agenda.

The appraisal conducted on the year 2004 showed strong satisfaction with regard to the Board's operating procedures.

There were no proposals to amend the Board's operating procedures. Only a few occasional actions were considered such as a proposed presentation on competition to take place at the next Board of Directors' meeting.

1.4 Committees formed by the Board of Directors

The Accounts Committee

Composition and responsibilities of the Accounts Committee

The Accounts Committee is composed of three members, Messrs. Georges Chodron de Courcel, Yves Lyon-Caen and Jean-Louis Vinciguerra, who presides over this Committee. All three were chosen for their financial and accounting expertise.

Mr. Yves Lyon-Caen replaced Mr. Ervin Rosenberg by a decision of the Board of Directors on June 3, 2004.

Amongst its powers, duties and functions, the responsibilities of the Accounts Committee are as follows:

- to examine the draft accounts that must be submitted to the Board, with a view to checking the methods used to prepare them and making sure that the accounting principles and methods used are both relevant and consistent,
- to examine the scope of consolidation of the companies in the Group,
- to ensure that the Committee is made aware of the internal procedures for identifying off-balance sheet commitments and risks, and to check that such procedures are sufficient to guarantee the reliability of the information resulting from them,
- to monitor sensitive issues,
- to examine the work of Internal Audit, give its opinion and review the main conclusions of the audits conducted,
- to participate in the Auditor selection process and give its opinion to the Board of Directors on their appointment or replacement,
- to define the rules for using the Auditor networks for assignments other than auditing, in accordance with the applicable regulations,
- to carry out any specific investigations it deems necessary, after having informed the Chairman and CEO, if appropriate, contacting key executive managers of the Company, and reporting back to the Board.

In the course of its work, the Accounts Committee may request to meet with any member of the Company's Financial Management and the Statutory Auditors. General Management does not necessarily participate in such meetings.

During the 2004 financial year, the Accounts Committee met on two occasions in the presence of the Chief Financial Officer, the Senior Corporate Vice President, Management Control and Consolidation, the Internal Audit Director and the Statutory Auditor.

The Appointments and Compensation Committee

Composition and responsibilities of the Appointments and Compensation Committee

The Appointments and Compensation Committee is made up of three members, Messrs. Gianpaolo Caccini, Patrick Puy and Ervin Rosenberg, who presides over this Committee.

The following are amongst the responsibilities entrusted to the Appointments and Compensation Committee:

- to examine and make suggestions regarding the assessment of directors' independence, prior to a final decision made by the Board of Directors,
- to propose to the Board new directors and Board members to be co-opted or proposed at the Annual Shareholders' Meeting,
- to propose to the Board the criteria for determining the fixed and variable portions of Board members' compensation; the Committee ensures that these guidelines are consistent with the annual performance appraisal of Board members, the Company's medium-term strategy and market practices, and
- to define the Company's policy relating to stock option or share purchase plans (frequency, people concerned, budget allowance), which it proposes to the Board of Directors, and gives the Board its opinion on plan proposals drawn up by Management.

1.5 Restrictions that may be placed on the powers of the CEO

Apart from the transactions or decisions that require the prior approval of the Board of Directors as defined in the rules & regulations, in particular with regard to mergers, acquisitions, financing proposals or legal limitations, the Board of Directors has placed no restrictions on the powers of the Chairman and CEO, nor are his powers subject to any statutory restrictions.

2 – Internal control procedures

2.1 Nexans internal control procedures

Internal control procedures are currently not regulated in France.

Within Nexans, internal control procedures consist of implementing, at the scope of consolidation level, a set of rules intended to reasonably ensure that all transactions comply with applicable laws and regulations and are consistent with the values, policies and objectives defined by the Group.

Nexans takes a pragmatic approach to internal control. Its internal control procedures take into account the specific aspects of its business and are geared to the risks identified with its activities. Nexans has designed its internal control procedures to adapt to managing its potential risks.

All the procedures in force within the Nexans Group, whether or not they relate to financial information, have been established centrally at the holding company level. They are then implemented in each country and entity, and periodic reports are sent to the functional department in charge, which monitors and controls the procedures.

2.2 Organization and description of the internal control procedures in place

2.2.1 Parties involved and structures in place: organization of the Group

Since July 1st, 2003, the Nexans Group has been organized as follows:

The countries are responsible for income from operations. Their performance continues to be monitored by market and by product through a complete monthly financial reporting procedure.

The countries are grouped into **three areas** – Europe, North America, and Asia and the Rest of the World – which are responsible for managing, coordinating and supervising their own operations.

Each area is managed by a commercial development team, an industrial and logistics support team and a financial control team.

Country and area managers are responsible for ensuring that the Group's general guidelines and directives are implemented and that they comply with applicable regulations.

The Group is managed by the **Executive Committee**, which consists of the Chairman and Chief Executive Officer and the following seven members:

- the three Executive Vice Presidents in charge of the areas,
- the Senior Corporate Vice President, Strategic Operations,
- the Chief Financial Officer,
- the Senior Corporate Vice President, Human Resources, and
- the Senior Corporate Vice President, Communications.

The last four people are in charge of the Group's four functional departments, which are the Strategic Operations Department, the Financial and Administrative Department, the Human Resources Department and the Corporate Communications Department.

The role of the Executive Committee is to define and manage Group strategy, to allocate the necessary resources to implement it, to set objectives for the entities that make up the Group and to monitor the achievement of such objectives.

The corporate-level functional departments are also involved in internal control.

The Strategic Operations Department, which is responsible for the strategic development of the entire Group, comprises the following:

- *The Marketing Department*

The Marketing Department's mission is to:

- familiarize itself with Nexans' various markets, businesses and products,
- define Nexans' position in each of its market segments,
- formulate product and market strategies in collaboration with the countries and areas,
- establish development priorities and plans, and
- establish Nexans' strategic plan.

To achieve this, the Marketing Department relies on a central marketing team and product managers in the countries. It also relies on the existing financial reporting system.

- *The Development and Economic Intelligence Department*

The mission of the Development and Economic Intelligence Department is to:

- monitor competition,
- participate in the Group's external growth strategy, and
- contribute to creating and implementing the Group's strategic plans.

- *The Industrial Management Department*

The Industrial Management Department manages the area and country-level Industrial Management Departments, which are responsible for the performance of Nexans manufacturing plants.

Its responsibilities were reviewed in May 2004. The Industrial Management Department now covers the following areas:

- Support the industrial activities in Nexans' areas:
 - to assist the areas, activities, countries and entities in improving their industrial performance,
 - to help Nexans' areas, activities, countries and entities run industrial projects,
 - to review capital expenditure and approve capital expenditure requests,
 - to conduct industrial inspections,
 - to promote, monitor, and become familiar with the production sites involved in ongoing improvement programs (3-year plan, Program +, Best Practices, etc.) and
 - to define, collect and publish key performance indicators; to communicate internal benchmarks and recommendations.
- Risk and environment
 - to define and promote Nexans' rules concerning environmental regulations (recycling of cables, disposal or recycling of manufacturing waste, etc.),

- to manage the label EHP, denoting compliance with the highest environmental standards, awarded to Nexans' manufacturing sites, and
 - in co-ordination with the Risk Manager, to ensure contacts are maintained between insurers and Nexans' sites for manufacturing-related risks.
- Definition and management of Nexans' industrial strategy
 - to define and propose the optimal industrial solutions consistent with Nexans' markets,
 - to promote and propose improvements in Nexans' industrial performance (location of factories, manufacturing processes, etc.),
 - to contribute to Nexans' strategic plan as well as updating and monitoring the plan, and
 - to propose or supervise rationalization plans.

The Industrial Management Department is also very involved in managing Nexans' industrial equipment resources, managing and monitoring capital expenditure, supervising industrial projects, and assessing new tools and manufacturing processes.

- *The Technical Management Department*

The Technical Management Department manages all the Group's research and development efforts, in particular through its Competence Centers and the Research Center.

- *The Information Systems Department*

Conscious of the importance of information systems as a factor in Nexans' competitiveness, a Steering Committee has been formed within the Information Systems Department to assist the Executive Committee when deciding on budgetary priorities and Group strategy.

- *The Purchasing Department*

The mission of the Purchasing Department is to define and control the implementation of procedures for the purchase of goods and services within the Group with a view to rationalizing cost, quality, time, technology, etc.

Taking into account case-specific circumstances or economic trends, the Chairman and Chief Executive Officer also has the power to implement new operating procedures designed to strengthen internal control and compliance with Group procedures. As such, he decided in March 2004, for example, to establish a **Group Bid Review Committee** to review all bids in excess of 25 million euros. The purpose of the Group Bid Review Committee is to review all contractual terms (commercial, legal, financial and technical). It is composed of the following individuals:

- the Chief Financial Officer, who is also the Chairman of this Committee,
- the Director of Treasury and Non-Ferrous Metals Management,
- the Area Manager,
- the Area Controller,
- the General Counsel,
- the Risk Manager,
- the Operational Manager(s) appointed by the Area Manager.

Finally, the **Board of Directors** is involved in internal control, notably via the work and reports of the Committees, as described above.

2.2.2 Parties and structures dedicated to internal control

a) *The Accounts Committee*

As a result of the powers it has been granted by the Board of Directors and the rules & regulations, as mentioned above, the Accounts Committee plays a crucial role in implementing internal control processes, exercising such control and monitoring the procedures in place.

Each year, the draft internal audit is submitted to the Accounts Committee for approval, and the main conclusions from the past year are also presented to the Committee.

b) The Internal Audit Department

The Internal Audit Department was created on January 1st, 2002, following a decision by the Chairman of the Group. Although in organizational terms it comes under the Financial and Administrative Department, the Internal Audit Department effectively reports directly to the Chairman. Its work is approved and monitored by the Accounts Committee.

The Internal Audit Department helps the Group to attain its objectives by systematically and methodically assessing the suitability of management processes in terms of risks, control, and corporate governance and by making recommendations to improve these processes, which it is responsible for monitoring.

An audit charter was thus implemented and updated in November 2004. This charter specifies the responsibilities of the Internal Audit Department.

The ongoing responsibilities of the Internal Audit Department, covering financial and administrative as well as operational matters, are as follows:

- to identify, analyze and measure risks,
- to ensure that internal control mechanisms are in place and functioning, and to ensure compliance with procedures,
- to conduct financial audits,
- to conduct operational audits in cooperation with the departments concerned, to suggest corrective actions and methods of implementation, and
- to identify and promote best practices.

Accordingly, the Internal Audit Department conducts audits to verify that the measures that have been implemented are effective and adapted to potential risks.

A risk "roadmap" was launched in 2002, which was conducted jointly by the Internal Audit Department and a firm of external consultants. The aim was to identify risks and areas of risk including all risks identified by management as well as their concerns in matters of control, and to evaluate their impact on the financial position of the Nexans Group and its income.

The risk roadmap was reviewed in 2004. It focuses in particular on controlling and monitoring issues identified as sensitive, as well as following up on recommendations made as a result of internal audits.

Risks were identified through interviews with Executive Committee members, the Managers of Corporate Functions, Product Line Managers and Country Managers.

Risks were evaluated according to the frequency with which they are likely to occur and the gravity of the consequences that may result from the occurrence of the risk. The level of risk was evaluated and graded before and after application of existing internal procedures.

An audit plan was drawn up on the basis of the risk roadmap. The Audit Plan covers a broad spectrum, including:

- cash management and exchange rate risks,
- non-ferrous metal hedging risk,
- purchasing process,
- inventories process,
- sales process,
- projects (particularly capital expenditure and restructuring),
- legal, insurance, safety/security and environment,
- information systems, and
- human resources.

The Accounts Committee reviews and updates this Audit Plan annually.

After each audit is conducted, the Internal Audit Department issues a report that contains recommendations that it diligently follows up. Each report is sent to the Chairman and CEO, the Chief Financial Officer, the appropriate member(s) of the Executive Committee and the audited entity.

In addition, an annual report of the work carried out by the Internal Audit Department is submitted to the Board of Directors, the Accounts Committee and the Executive Committee.

During the 2004 financial year, compliance audits were conducted in certain subsidiaries in France and abroad. Specific audits were also conducted, in particular with regard to capital expenditure and monitoring restructuring expenses.

Changes in the regulatory environment relating to internal control have led to specific efforts by the Internal Audit Department.

c) The Risk Manager

The role of Risk Manager encompasses both managing insurance matters and risk management in general.

The Risk Manager's responsibilities are as follows:

- to propose a strategy for managing operational, commercial, industrial and financial risks by seeking the optimum balance between insurance cover, prevention and other measures and the acceptance of certain risks,
- to buy insurance providing optimum cover at the best possible price,
- to implement and manage the global insurance program,
- to manage the network of brokers and other external consultants,
- to set up and coordinate a network of internal insurance specialists within each entity in the Nexans Group, and
- to propose and monitor the introduction of measures other than insurance for risk prevention and management.

The scope of the areas covered calls for close cooperation with the functional departments at the corporate level and management at the area level to define and put in place financially viable solutions in line with the directives laid down at the Group level.

The Risk Manager also works closely with the Internal Audit Department.

d) The Disclosure Committee

This Committee, set up in October 2003, is composed of the Chief Financial Officer, the two managers of the Management Control and Consolidation Department, the General Counsel and the Manager of Corporate/Stock Market Law, the Internal Audit Director, the Risk Manager and two Risk Area Controllers.

The Committee's objective is to identify information that the Company must disclose to its shareholders and the market.

Its remit covers the following:

- identification and evaluation of any significant non-financial information,
- producing a questionnaire aimed at the subsidiaries to identify risks; evaluating the methods in place for sending information back to the parent Company,
- compiling significant information, and
- identifying and defining matters that should be investigated by the internal audit team to assess or improve the reliability of the procedures in place and the information provided to the parent Company.

2.2.3 Specific aspects of internal control procedures relating to financial and accounting information

a) Main players and links between them

The **Corporate Financial and Administrative Department**, which includes eight functional departments:

- the Management Control and Consolidation Department,
- the Treasury and Non-Ferrous Metals Management Department (merger of the Finance and Cash Management Department with the Non-Ferrous Metals Department in January 2004),
- the Internal Audit Department,
- the Legal Department,
- the Tax Department,
- the Investor Relations Department,
- the Mergers and Acquisitions Department,

as well as the Risk Manager.

All these departments report to the Chief Financial Officer.

In addition, the Financial Departments in each country report to both the Country Manager and the Corporate Financial and Administrative Department.

This system ensures coordinated and consistent processing of financial information.

b) Key points concerning the procedures relating to financial and accounting information

Financial and accounting information is generated in consolidated form as follows:

1 – Preparation of financial and accounting information

All information is obtained from the accounting systems of the legal entities, whose accounts are maintained according to local accounting principles and then restated in accordance with the accounting principles and methods used by Nexans to prepare the consolidated financial statements. French accounting standards (French GAAP) was used by Nexans up until December 31, 2004, and IAS/IFRS has been used since the beginning of 2005, pursuant to EC regulation 1606/2002.

The breakdown by sector and product line is based on the legal entities' financial statements. These accounts are prepared according to standard accounting principles defined in numerous procedures. In particular, to ensure consistency of information, each line of the operating statement for the entity and for its product lines is precisely defined in the accounting manual used by all the entities in the Group.

A full quantitative presentation will be provided in a specific document along with the annual report after its review by Nexans' Auditors.

2 – The process

In the final quarter of each year, a budget is drawn up by the entities in each product line. The budget is discussed by the Local and Area Management and is presented to the Group's General Management for final approval, after which it is broken down by month. Each month, the entities prepare a report broken down by product line, the results of which are analyzed by the management in the business review. The figures are compared with the budget and with the previous year's results. The consolidated results by area and by product line are analyzed by the Group's General Management at an area meeting.

Consolidated financial statements are prepared quarterly. A special procedure (called "Balance Sheet Committees") applies to year-end accounts. Country managers participate in Balance Sheet Committee meetings, where the key decisions are made with regard to balance sheet closure.

Off-balance sheet commitments are reviewed by the Consolidation Department based on information provided by the entities, the Treasury and Non-Ferrous Metals Management Department and the Legal Department.

3 – The procedures

Seventy-six procedures relating to financial and accounting information, and more generally corresponding to the areas falling under the responsibility of the Financial and Administrative Department, are currently in force within the Nexans Group.

In addition to the accounting and financial rules implemented within the Group, these procedures also deal with sensitive issues or identified risk factors specific to Nexans' business that could have an impact on its assets or income.

This is the case, for example, with the management of risks associated with exchange rates, interest rates and the fluctuation of non-ferrous metal prices that are controlled by the Treasury and Non-Ferrous Metals Management Department, which reports regularly to the Corporate Financial and Administrative Department.

Checks are carried out by the Auditors and the Internal Audit Department to make sure that internal control procedures are working properly and that they are in compliance.

c) Rules specific to the management of risks linked to non-ferrous metals

In view of the importance of non-ferrous metals (copper, aluminium) to Nexans' various business lines and the risks associated with price fluctuations, Nexans has put in place a special procedure for managing non-ferrous metals, spearheaded since January 2004 by a team attached to the Corporate Treasury Department which oversees the implementation of these procedures.

The basic rules are as follows:

- the principle is the systematic hedging of metal prices as soon as the risk arises,
- this principle is applied by each legal entity for which position limits are set. These limits are reviewed regularly according to the development of each entity's business. It is part of the Internal Audit's task to ensure that the limits are respected, and
- this principle is reflected in the consolidated financial statements by the recording of outstanding commitments.

Hedging is managed centrally by experienced teams used to trading on the European and North American markets. Trading on these markets is carried out through first-rate brokers whose financial stability is regularly checked to minimize counterparty risks.

d) Centralized Cash Management

Nexans has put in place a centralized system for the main subsidiaries to manage cash flow, which is organized around the following:

- international cash pooling,
- centralized bank commitments, and
- centralized foreign exchange risk management.

2.2.4 Details of other internal control procedures

There are approximately sixty additional internal control procedures covering areas such as:

- Business Ethics and Conduct – the Group has established a code of ethics entitled “Nexans Business Ethics and Conduct,” which specifies certain principles and rules of conduct,
- human resources – a new procedure relating to personal safety in the at-risk geographic areas was implemented in March 2004,
- communications,
- purchasing,
- information systems,
- quality,
- intellectual property,
- insurance,
- legal,
- the industry and the environment.

A charter has been drawn up relating to the management of industrial risks covering the protection of property, accident prevention, human safety, security and environmental safety.

The aims of this charter are to:

- identify and quantify the risks to which Nexans is exposed,
- define priorities and recommend prevention and control measures to reduce the frequency and magnitude of such risks,
- organize insurance arrangements accordingly, and
- organize crisis management plans.

The implementation of the above is managed by the Industrial Management Department in liaison with the Financial and Administrative Department, the Risk Manager, and the Legal Department for insurance matters, with extensive interaction between the corporate departments and designated people at various levels of the organization.

A reporting and monitoring system exists for environmental matters, relying mainly on a questionnaire sent annually to the country industrial managers/plant managers, and which is supplemented by audits carried out by a firm of external consultants.

March 9, 2005

G rard Hauser
Chairman and Chief Executive Officer
Nexans

Statutory Auditors' report*

prepared in accordance with the final paragraph of article L. 225–235 of the Commercial Code on the report by the Chairman of the Board of Directors on internal control procedures relating to the preparation and processing of financial and accounting information for the period ended december 31, 2004

To the shareholders,

As Statutory Auditors of Nexans, and in accordance with the provisions of the final paragraph of article L. 225-235 of the Commercial Code, we hereby present our report on the report prepared by the Chairman of your Company in conformity with the provisions of article L.225-37 of the Commercial Code, for the period ended December 31, 2004.

It is the responsibility of the Chairman to give an account in his report of the manner in which the work of the Board of Directors is prepared and organized and on the internal control procedures implemented in the Company.

Our role is to inform you of any observations we have on the disclosures and statements contained in the Chairman's report with regard to the internal control procedures applied for the preparation and treatment of financial and accounting information.

We carried out our work in accordance with the auditing principles generally accepted in France. Those principles require that we verify the fairness of the information given in the Chairman's report on the internal control procedures applied for the preparation and treatment of financial and accounting information, in order to obtain an understanding of the objectives and general organization of internal controls, and of the work upon which the information provided in the report is based.

We have no comments to make on the disclosures and statements concerning the Company's internal control procedures used for the preparation and treatment of financial and accounting information provided in the report by the Chairman of the Board of Directors, prepared in conformity with the provisions of the final paragraph of article L. 225-37 of the Commercial Code.

Neuilly-sur-Seine and Paris, March 10, 2005

The Statutory Auditors

Barbier Frinault & Autres
Ernst & Young

RSM Salustro Reydel

Alain Gouverneyre

Benoît Lebrun

**This is a free translation into English of the original Statutory Auditors' report on the report by the Chairman of the Board of Directors for the period ended December 31, 2004, signed and issued in the French language and provided solely for the convenience of English speaking readers.*

Person responsible for the reference document

Paris, April 28, 2005

"To my knowledge, the information provided in the reference document is true and gives all elements necessary for investors to evaluate the assets, the business, the financial situation, the revenue and the outlook of the Company. No information has been omitted which is likely to affect the reliability of this reference document".

The Chairman of the Board,
G rard Hauser

Report of the Statutory Auditors on the reference document

This is a free translation into English of the Statutory Auditors' report on the registration document issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' reports on financial statements and consolidated financial statements, referred to in this report, include information specifically required by French law in all audit reports, whether qualified or not, and this is presented after the opinion on the financial statements. This information includes explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the annual and consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the annual and consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France. In addition, the procedures and practices utilized by the Statutory Auditors in France with respect to such financial statements included in the reference document, may differ from those generally accepted and applied by Auditors in other countries.

In our capacity as Statutory Auditors of Nexans and in compliance with article 211-5-2 of AMF general regulation, we have verified, in accordance with French professional standards, the information in respect of the financial position and historical financial statements included in the accompanying reference document.

This reference document is the responsibility of the Chairman of the Board, Mr. G rard Hauser. Our responsibility is to issue a conclusion on the fairness of the information contained therein with respect to the financial position and financial statements.

We conducted our examination in accordance with French professional standards. This examination consisted in assessing the fairness of the information on the financial position and financial statements and to verify their consistency with the audited accounts. We also read other financial information contained in the reference document in order to identify any significant inconsistencies with information in respect of the financial position and financial statements and to bring to your attention any obvious misstatements we noted based on our general understanding of the Company gained through our audit. The prospective information presented by management is based on their intentions and not on a properly prepared individual component or item.

The annual and consolidated accounts drawn up by the Board for the year ending December 31, 2002 were issued with an unqualified opinion by Barbier Frinault & Autres and Ernst & Young Audit, in accordance with French professional standards.

- In the Statutory Auditors' Report on the annual financial statements and on the consolidated financial statements for the year ended December 31, 2002, Barbier Frinault & Autres and Ernst & Young Audit drew shareholders' attention to the matter discussed in note 2 of the notes to the annual financial statements and note 1a to the consolidated financial statements, describing the changes in method resulting from the initial implementation, beginning on January 1st, 2002, of 2000 - 06 CRC rule on liabilities.

We issued an unqualified opinion on the annual and consolidated accounts drawn up by the Board for the year ending December 31, 2003 and 2004 in accordance with French professional standards.

- In our Statutory Auditors' reports on the consolidated financial statements for the year ended December 31, 2003, we drew shareholders' attention to the matter discussed in note 1a of the notes to the financial statements, describing the changes in method occurred during the financial year and resulting from the implementation, beginning on January 1st, 2003, of 2002 – 10 CRC rule on tangible, intangible and financial assets.

- In our Statutory Auditors' reports on the consolidated financial statements for the year ended December 31, 2004, without qualifying our opinion, we drew shareholders' attention to the matter discussed in note 1a of the notes to the financial statements, describing the changes in method occurred during the financial year and resulting from the implementation, beginning on January 1st, 2004, of 04 – 05 recommendation on accounting and evaluation principles on pensions and other long-term benefits.

We have audited the consolidated accounts for the year ended December 31, 2004, which were restated ("restated consolidated accounts") in accordance with International Financial Reporting Standards ("IFRS"), as adopted in the European Union and the professional standards applicable in France. In our opinion, expressed in our special purpose audit report on the IFRS restated consolidated accounts, the restated consolidated accounts have been prepared, in all material respects, in accordance with the basis set out in the accompanying notes. We drew attention to following matters:

- in the Note 1.2 that explains why there is a possibility that the accompanying restated consolidated accounts may differ from the comparative information in the consolidated financial statements for the year ended December 31, 2005,
- moreover, because the restated consolidated accounts have been prepared as part of the Company's conversion to IFRS as adopted in the European Union in respect of the preparation of the 2005 consolidated financial statements, they do not include comparative information relating to 2003, nor the explanatory notes required by IFRS as adopted in the European Union, which would be necessary to provide, in accordance with these standards, a fair view of the assets, liabilities, financial position and results of the consolidated group of companies.

On the basis of our examination, we have nothing to report on the fairness of the information on the financial position and the accounts included in the reference document.

Paris and Neuilly-sur-Seine, April 26, 2005

The Auditors

Barbier Frinault & Autres
Ernst & Young

RSM Salustro Reydel

Alain Gouverneyre

Benoît Lebrun

The reference document also includes the following reports:

- *The Statutory Auditors' reports on the annual and consolidated accounts at December 31, 2004 (respectively shown on pages 87 and 77 of the reference document), which includes the basis of their assessment in accordance with article L.225-235 of French company law (Code de Commerce).*
- *In accordance with article L.225-235 of French company law (Code de Commerce), the Statutory Auditors' report on the report prepared by the Chairman of the Board of Nexans (page 118 of the reference document), which describes the internal control procedures for the preparation and treatment of accounting and financial information.*
- *The special purpose audit report of the Statutory Auditors on the IFRS restated consolidated accounts for the accounting period 2004 (refer to separated booklet attached to the reference document).*

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This reference document was filed with the "Autorité des Marchés Financiers" (French stock market authorities) on April 28, 2005, in accordance with article 211-6 of Book 2 of the General regulations of the AMF. It may be used in connection with a financial transaction only if supplemented by a transaction memorandum which has been reviewed by the AMF. *

*Free translation from the original French version of the AMF certificate

This document is a free translation from French into English and has no other value than an informative one. Should there be any difference between the French and English version, only the text in French language shall be deemed authentic and considered as expressing the exact information published by Nexans.

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