

2002 financial and legal information

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

(Free translation from the original French report)

The purpose of this report is to present the income and activity of the Nexans Group and its parent Company during the financial year ended December 31, 2002. It is based on the parent company's financial statements and consolidated financial statements for the year ended December 31, 2002.

1 - OPERATIONS DURING 2002

1.1 Nexans (Group parent Company)

Nexans' shares are listed on the Premier Marché of the Paris Stock Exchange and are part of the Euronext's SBF 120 index. Its share capital is held by Alcatel (approximately 15%), institutional investors (62%), private investors (11%), treasury stock (approximately 8%) and unidentified investors (4%).

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

Nexans also receives royalty payments from the Group's companies to cover R&D costs. These royalty payments are then redistributed among subsidiaries based on their level of participation in R&D programs of collective importance for the Group.

Following a share buyback program authorized by the Combined General Shareholders' Meeting on April 2, 2001 and decided by the Board of Directors on November 16, 2001, Nexans' parent Company held 1,990,031 of its own shares on December 31, 2001. The Board of Directors cancelled these shares on February 12, 2002, reducing the share capital to a total of 23,009,969 shares.

Furthermore, an increase in share capital stock reserved for employees, decided by the Board of Directors on November 16, 2001, was fully completed on April 17, 2002, increasing the share capital to 23,121,472 euros through the creation of 111,503 new shares with a par value of 1 euro each. This

capital increase was implemented at a price of 16 euros per share. 1,428 employees subscribed to this increase in a total amount of 1,748,048 euros.

Moreover, following the Ordinary Annual Shareholders' Meeting held on June 25, 2002, Nexans' Board of Directors decided to implement a new share buyback program representing a maximum of 10% of the share capital.

1,909,736 shares were purchased as part of this program, for a value of approximately 24.6 million euros, including 1,500,000 shares bought back from Alcatel, which reduced its stake in Nexans' capital to 15.04%.

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

1.2.1 Income of Nexans

Income from operations for the year ended December 31, 2002, amounted to 5,045,745 euros, and was derived mainly from services invoiced to Group subsidiaries.

Net income for the year was 32,308,212 euros, as compared to 60,104,873 euros for the previous year, and was made up mainly of financial income of 40,048,792 euros, derived mainly from dividends paid out by Nexans France and Nexans Participations.

No corporate income tax was payable in respect of this financial year, as compared to 293,475 euros in 2001. Shareholders' equity totaled 1,126,252,017 euros, as compared to 1,136,912,171 euros for the previous year.

1.2.2 Income of Nexans, its subsidiaries and controlled companies

ENERGY

Energy division sales at constant copper price amounted to 2,141 billion euros (down 2.2%, and 3.6% on a comparable

basis compared to 2001). This slight fall demonstrated the division's ability to resist in a particularly difficult economic period. In the field of land-based infrastructures, excluding France and Italy, Nexans reaped the benefits of buoyant demand on the European and North American markets, which saw growth in investments for modernizing, improving and extending its low- and medium-voltage networks. Orders rose for land-based energy networks in the high-voltage cable activities, while business fell sharply in the submarine cable sector. However, there was significant growth in the umbilical cables market. In low-voltage cables for the building sector, business held up well overall in the residential segment. However, the industrial buildings market was affected by lower investments. Market conditions were particularly difficult in France, Germany and the US, where lower volumes were accompanied by significantly lower prices. On the other hand, there was a moderate increase in business in Scandinavia and Canada.

In the industrial applications cable market, business was sustained by deliveries of cables for the tracks for the magnetic levitation train in Shanghai (Transrapid project) and by higher sales of cables for shipbuilding markets in Asia. All other segments were affected by the economic recession in Germany and lower investments in oil-related sectors. On the other hand, the strength of the German high-end automotive market boosted the cable harnesses' sales. Income from operations amounted to 71 million euros at December 31, 2002, a 13% decline compared with 2001. This decline is due to a sharp and sudden drop in orders for value added cables for the industrial sector, and to the poor performance of low-voltage cables for industrial buildings, despite increased profitability in the infrastructure cables for power utilities.

TELECOM

Sales at constant copper price in the Telecom division slumped 30.9% to 577 million euros (down 31.6% from sales in 2001 on a comparable basis). In 2002, business in the public network cables and special cables for Telecom equipment manufacturers continued the sharp downturn begun in the fourth quarter 2001, falling to a new low in the last quarter of 2002. Against this backdrop, a significant restructuring effort has been undertaken to adapt production capacity and facilities to new market conditions. The restructuring measures launched by December 31, 2002, will lead to an 18% staff cut in the division.

Business in public network cables was down 39% for the year. In optical fiber cables, sales fell 57% due to lower volumes and a fall in the price of fibers, which impacted on the price of cables. The 27% drop in copper cable sales can be blamed mainly on the absence of major export contracts after telecom operators shelved plans to develop their networks. However, there was high demand for maintenance services of European networks.

On the US private network cable segment, the slowdown in demand continued and particularly affected fiber cables. Restructuring measures undertaken in 2001 significantly lowered this segment's breakeven point, and allowed a return to profitability despite the fall in volumes. In Europe, where the market has fallen some 30%, Nexans has also reduced its production and increased market share, thanks to the improvement of its product offering.

There is greater disparity in cables for industry. Cables for telecom equipment manufacturers and operators were penalized by the market's collapse, with the exception however of ADSL cables, which benefited from higher demand linked to the development of high speed Internet. Business in the aeronautic sector was affected by fewer airplane orders, but sales in the oil, gas and seismic research sectors remained significant. Income from operations recorded a 35 million euros loss compared to a 30 million euros profit in 2001. This downturn is attributable to a plunge in the market, and was only partially offset by the reduction of indirect costs linked to restructuring measures carried out during 2002. On a full-year basis, the effect should be more favorable in 2003.

ELECTRICAL WIRES

In 2002, sales at constant copper price in the Electrical Wires division amounted to 1,066 million euros, falling 3.3% as compared to 2001. When restated to include tolling services, (metal belonging to the client), sales fell by around 7%.

The division was hit by the continued downturn in the winding wires sector. The European market declined 2%, with the lighting, motors and transformer segments being most affected. Nonetheless, Nexans registered good results in self-bonding wires. The Group's reorganization of its European activities in the standard wires segment, which cut production in Italy in 2002, will mainly affect German and French plants in 2003. In North America, after a 15% drop in 2001, sales fell 7% in 2002, especially in the area of wires for transformers.

Consequently, significant losses were recorded and a restructuring program led to the closure of the Mexico plant (Missouri), announced in December 2002.

In the wirerod sector, sales outside Nexans remained stable as increased market share offset the effects of the market's slump. High capacity levels driven by increased intra-group sales and by efforts to improve efficiency – stemming partially from investments made in 1999/2000 – facilitated the significant rise in profitability.

On the bare wire segment, plunging volumes in the telecommunication sector were offset by higher sales in the automotive industry and by increased sales of special alloy wires (catenaries, etc.).

Income from operations dropped 20% to 12 million euros. This fall was due essentially to lower sales volumes in the winding wires segment and a significant drop in prices in the US.

DISTRIBUTION

Sales at constant copper price in the Distribution division amounted to 312 million euros (down 8.5% from 2001 and 5.2% on a comparable basis) while income from operations amounted to 16 million euros (5.9% lower than in 2001, and up 11%, on a comparable basis). This excellent performance stems from cost cutting measures carried out partly in Switzerland and in Norway as part of the restructuring program launched in 2001.

2 - PROGRESS MADE AND DIFFICULTIES ENCOUNTERED

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

The Group pursued its "Program +" initiative, designed to improve performance and reduce manufacturing costs.

It was deployed in 10 additional sites, bringing the total number participating to 25. Given the economic context, efforts focused mainly on waste reduction and over-consumption. Furthermore, twin benefits were derived from improvements in the manufacturing process. Production time was cut without further investments being made in areas such as umbilical cables, where demand is high. Additionally, work in progress was reduced. These efforts

generated significant savings of around 24 million euros. This program will be extended in 2003.

As part of the above-mentioned improvement of the manufacturing process and in an effort to reduce the Group's debt, a major project designed to ensure more efficient stock management was launched. It is also aimed at reducing inventories, notably by reducing the seasonal effect that substantially raises inventory levels up until the end of summer. Average inventories have dropped from 14.7% of sales to 14.2% and the difference between the highest and lowest points was only 15% in 2002, compared with 30% in 2001. These measures have been extended to all of the Group's companies and will allow Nexans to attain its goals for even further reduction in 2003. Following its successful implementation in Belgium, Norway and in 2 units in United States, the SAP Cable solution was introduced in France in all 17 sites of Nexans France in 2002. This implementation was a success in a company with a particularly complicated structure. However, given its high implementation costs and the need to cut expenses given economic conditions, Nexans has decided to postpone its deployment within the Group's other units.

In 2002, Nexans began deploying its electronic interface on the Internet network in France, Switzerland and Sweden (www.nexans.com/e-service). Nexans' e-service provides its clients with the greatest online cable library. It will be extended throughout Europe in 2003 as a support tool for exports. Furthermore, Nexans is featured on the Voltimum installer portal, which is now operational in six major European countries.

The difficulties encountered by Nexans stem from the rapid decline of its markets, notably in the Telecom division. This has resulted in reduced capacity in many of the Group's sites, leading in turn to a significant drop in production and underemployment of resources. Consequently, the Group has decided to cut back on production capacity, the cost of which is currently estimated at 130 million euros. This reduction is in addition to restructuring measures already launched in 2001 in respect of which provisions were booked in 2001. The corresponding charge for the financial year 2002 amounted to 90 million euros. These measures led to the termination of 833 employees in 2002. A further 570 are due to leave in 2003 pursuant to measures which had been taken by December 31, 2002. Additional provisions of about 40 million euros will be booked to cover these measures in 2003.

3 - RESEARCH AND DEVELOPMENT

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

In 2002, R&D programs amounted to 48.2 million euros or slightly more than 1% of sales, practically the same figures as the previous year (49.7 million euros).

Nexans R&D teams (approximately 450 scientists, engineers and technicians using high performing equipment) were dedicated to long-term projects (comprehension of physical phenomena, development of innovative materials) as well as to short and medium-term R&D projects, such as the design and testing of new cables and related accessories and lower manufacturing costs for existing products. 53 patents were registered for different areas of activity within Nexans, reflecting the dynamism of its research teams.

2002 saw the full implementation of the Nexans Research Center (NRC) in Lyon, a facility which groups together approximately thirty international researchers and postgraduates. Inaugurated in March 2002, it is now fully operational and its teams have already obtained important results in several areas of activity, including energy and telecom cables, and winding wires. NRC's research focuses mainly on polymeric materials and their applications. By way of example, a project relating to the production of Plastic Optical Fibers (POF) is ongoing.

4 - OUTLOOK

In the Energy division, business looks set to remain stable in 2003. Cables for the infrastructure market should perform well, particularly as a result of satisfactory orders in land-based high-voltage cables and umbilical cables. Cables for the OEM segment may see an upturn in sales, in particular in the areas of safety cables, in the automotive industry and continued growth in shipbuilding. On the other hand, low-voltage cables for industrial buildings will probably continue to be penalized by the low level of investment in the industry.

Negotiations are underway for the acquisition of the companies Kukdong (Korea) and Furukawa (Brazil) and should be finalized in the first half of 2003. Kukdong, with annual sales

of around 90 million euros, will help Nexans reinforce its position as the world leader in cables for the shipbuilding industry. While Furukawa, with approximately 50 million euros in annual sales, will improve Nexans' geographical presence, facilitating its development on the energy sector in South America where the Group is absent.

In the Telecom sector, market conditions will probably remain difficult, continuing the trend witnessed in the second half of 2002. In public network cables, a redeployed exports sales force and falling inventories at telecom operators in 2002 should lead to increased sales in 2003. Furthermore, Nexans should benefit from the ADSL cable market, which will continue to develop in Europe.

Moreover, in cables for private networks, Nexans will benefit from the restructuring of its industrial and sales units, offering improved service and innovative products. The market should be for products with a strong value added component, thanks in particular to renewed investment in IT infrastructures, following a long period during which such investments had been postponed. Consequently the lower breakeven point will significantly increase profitability.

In the Electrical Wires sector, Nexans should consolidate its good position on the wirerod market in 2003. This will offset its performance on the winding wire and bare wire markets, which remain difficult. Nexans does not expect any improvement in this segment, at least not in the first half.

Given these conditions, sales levels should remain close to those of 2002, as the difficult economic environment persists. Savings generated by industrial restructuring should have a positive effect on net income in the second half of 2003. Nevertheless, costs indirectly linked to these measures, stemming from the re-installation of machines in other factories, will weigh heavily on operating income during the first half.

Overall the Group expects a higher operating margin, which combined with lower restructuring costs should see it posting similar net income levels in 2003.

In any case, as in 2002, thanks to continued strict management of operations, on a comparable basis, Nexans should see a reduction in debt levels, which already reached the very low level of 52 million euros at the end of 2002. With a robust financial structure, largely restructured and capable of generating positive cash flows, Nexans is well positioned to improve its future performance once the current recession ends.

5 - SIGNIFICANT EVENTS OCCURRING SINCE THE END OF THE FINANCIAL YEAR

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

6 - SIGNIFICANT ACQUISITIONS DURING THE FINANCIAL YEAR

In 2002, Nexans took indirect control of Gehard Petri GmbH & Co. KG, which has since changed name to GPH GmbH. This company had sales of 19 million euros in 2001 and is specialized in the design, manufacture and sale of medium- and low-voltage accessories for energy networks.

In June 2002, Nexans sold the Swiss company AGRO AG to the Kaiser AG group. AGRO AG specializes in the manufacture of material for electrical installations, and has annual sales of 20 million euros. This company was part of the Group's Distribution division.

On December 23, 2002, Nexans Participations sold its 4.99% stake in Sedilec (holding company which owns 100% of CGE Distribution) to Sonepar France.

At the end of financial year 2002, Nexans owned 99.99% of Nexans Participations and 99.99% of Nexans France.

7 - PROPOSED APPROPRIATION OF INCOME

The Ordinary Annual General Shareholders' Meeting will be invited to approve the appropriation of net income for the financial year, totaling 32,318,212 euros, as follows:

- Prior year's retained earnings	55,640,864 euros
- Net income for the year	32,318,212 euros
- Appropriation to legal reserve	(11,128) euros
Total distributable profit	87,947,948 euros

Appropriation of income

- Distribution of dividends (0.20 euro per share)	4,624,294 euros
- Additional tax due on the distribution ("précompte")	70,634 euros
- Retained earnings after appropriation	83,253,020 euros
Total	87,947,948 euros

The Ordinary Annual General Shareholders' Meeting will be invited to approve the distribution of a dividend of 0.20 euro per share, with a tax credit of 0.10 euro per share for those shareholders eligible to receive it, which will bring the total dividend to 0.30 euro per share. Total dividends to be payable will amount to 4,624,294 euros based on the number of shares making up the share capital on December 31, 2002.

The dividend will be paid the week after the Ordinary Annual General Shareholders' Meeting has approved the financial income statement for the financial year ended December 31, 2002.

If Nexans still holds treasury stock at the time of payment of the dividend, the amount corresponding to dividends not paid of these shares as well as the surplus additional tax due on the dividend distribution, if any, will be added to retained earnings.

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

	Net dividend	Tax credit	Gross dividend
1999	0	0	0
2000	0.8 euro	0.4 euro	1.2 euro
2001	0.43 euro	0.215 euro	0.645 euro

No dividends were distributed for the financial years 1998 and 1997.

8 - NON TAX-DEDUCTIBLE EXPENSES

No non tax-deductible expenses, as defined in Article 39 of the French Tax Code, were incurred during the financial year 2002.

9 - DIRECTORS' INTERESTS AND COMPENSATION FOR THE FINANCIAL YEAR

In 2002, the gross remuneration paid to the Chairman, before tax and including benefits and Directors fees, was 1,166,273 euros. Members of the Board of Directors were granted Directors' fees in remuneration of their office as Directors of the Board and of the Accounts Committee and Compensation

Committee. Consequently, Georges Chodron de Courcel and Jean-Louis Vinciguerra received 26,000 euros, and Ervin Rosenberg and Patrick Puy received 23,000 euros. Gérard Hauser, Bertrand Durrande, Gianpaolo Caccini, Robert Mahler and Jacques Garaialde received 20,000 euros in Directors' fees for 2002.

Directors' fees were paid to Board members on January 17, 2003.

10 - MANAGEMENT BY NEXANS OF THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF ITS ACTIVITY

10.1 Environmental consequences of business activity*

Nexans' policy on environmental issues is the responsibility of the Industrial Department which reports directly to the Vice-President for Strategic Operations.

The regulations which are formulated and the objectives which are fixed are applicable throughout the Group, including to foreign subsidiaries.

On December 31, 2002, provisions for environmental risks amounted to 6,551,000 euros.

Nexans estimates that environment-related investments for 2002 will total between 2 million euros and 2.5 million euros. These figures do not include the cost of equipment for the protection of the environment which are part of industrial investments for which the Nexans Group has no separate figures for 2002.

10.2 Social aspects

The only employees of the Nexans holding company are the members of the Executive Committee, only seven of which are employees. All are high-level executives who manage their own work and receive a fixed remuneration. They are not subject to any minimum number of working hours.

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

For this reason, the Group does not currently have any consolidated data or any information referred to this at the Group level.

Changes in number of employees

Consolidated Group

2000	18,186 employees
2001	18,000 employees
2002	17,139 employees

These changes take into account the integration of 237 German employees in 2002 after the acquisition of the Petri GmbH group in June 2002, and in Vietnam, pursuant to the acquisition of the Korean group Daesung in 2001, and staff reductions of 1,098, including 533 due to restructuring measures in France and Germany, as well as the sale of the Swiss company AGRO AG in June 2002.

The Board of Directors

* See the chapter dedicated to environmental responsibility on pages 18-19 of this Annual report.