

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 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 global risk review was launched in 2001, which was conducted jointly by the Internal Audit Department and a firm of consultants. The review was aimed at identifying risks and areas of risk and evaluating 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 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 manager of corporate/stock market law, the Internal Audit Director, the Risk Manager and two risk area controllers.

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

Its remit covers:

- identification and evaluation of any significant non-financial information,
- producing a questionnaire to be addressed to subsidiaries to identify the risks; evaluating the methods in place for passing information up to head office,
- compiling significant information,
- identifying and defining matters that warrant the intervention of the Internal Audit team to assess and if necessary improve the

reliability of the procedures in place and the information provided.

The highest risk levels identified amongst those risks identified 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. This 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.

Six to seven 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.

Nexans' activities are spread across a variety of core businesses (energy, telecommunications, electrical wires), and it has customers of many different types (distributors, industrial operators, etc.)

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), E.ON in Germany and Electrabel in Belgium (both energy operators).

Nonetheless, our current low operating income linked to particularly difficult market conditions makes Nexans more vulnerable to the potential loss of a customer, particularly in niche markets such as shipbuilding and aerospace which are more concentrated.

Historically, the level of bad debt has been stable; the risk is analyzed on a customer-by-customer basis and a statistical analysis of accounts receivable is made for small amounts and updated quarterly.

The 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 far 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.

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, cablemakers 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 also implemented a significant 130 million-euro restructuring plan in 2002 and 2003, and plans to spend some 30 million euros a year on restructuring in the future.

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 subsidiaries' cash 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, 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 specialized department which reports to the Chief Financial Officer. This policy is applied by those subsidiaries that purchase raw materials.

Access to funds

In 2003, access to funds was mainly guaranteed by drawings on a syndicated credit line and by the issue of commercial paper on the French market. The syndicated loan covers an amount of 475 million euros in two tranches: one short-term tranche for 190 million euros and one five-year tranche for 285 million euros. In addition, Nexans has another bilateral credit line for 30 million euros.

Consequently, the Group has access to 505 million euros in funding via these confirmed credit lines.

Both its bilateral, short-term and medium-term credit contracts and the syndicated credit lines are subject to several covenants (negative pledge, pari passu, and cross default), and to financial covenants (consolidated net debt/EBITDA < 2.5 consolidated net debt/total shareholders' equity including minority interests < 0.7). As of December 31, 2003 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.

Outstanding debt on commercial paper was 65 million euros at December 31, 2003.

The balance of gross debt amounted to 84 million euros including 7 million euros of medium-term debt.

On February 4, 2003, Standard and Poors downgraded the rating for Nexans' short-term and long-term issues from BBB/A2 to BBB-/A3 outlook stable. At the same level of indebtedness,

the downgrading will increase the Group's financial expenses. The commitment fees and the margin applicable to the 475 million-euro syndicated loan vary depending on the Group's long-term rating. The lower rating has increased average commitment fees by 7 base points and average margins by 15 base points. Nexans has remained on the commercial paper market and its outstanding debt has remained steady at between 65 and 162 million euros.

Standard and Poors gave Nexans an "outlook negative" rating on July 30, 2003 and maintained this rating after the Group published its provisional results on February 2, 2004. This led to a slight increase in the cost of our credit lines. On December 18, 2003, Nexans put in place a 120 million-euro receivables assignment program involving four of the Group's French subsidiaries (Nexans France, Nexans Wires, Société de Coulée Continue de Cuivre and Société Lensoise du Cuivre). The aim of this program is to provide more diversified access to sources of funding at a better price than via the syndicated loan.

At February 28, 2004, in millions of euros

Characteristics of the securities issued or of the loans taken out	Amount drawn as of February 28, 2004	Fixed or variable rate	Amount of facilities available	Maturity of facilities	Interest hedging
Bank overdrafts	4	Variable rate	90	Day to day	no
Commercial paper	190	Variable rate	500	1 month to 1 year	no
Short term borrowings	0	Variable rate	0	1 month to 1 year	no
Confirmed limits	0	Variable rate	220	1 year	no
Confirmed limits	0	Variable rate	310	5 years	no
Medium term loans	7	Fixed rate	7	3 to 5 years	no

Risk management

Management of interest rate risk

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

Debts falling due within one year account for more than 96% of the Group's total debt; they are at variable interest rates and based on the key monetary indexes (EONIA, EURIBOR and LIBOR). At December 31, 2003, Nexans did not have any interest-rate hedging instruments.

At December 31, 2003, in millions of euros

	Day to day to 1 year	1 to 5 years	Beyond
Financial liabilities	119	7	0
Financial assets	104	0	0
Net position before hedging	22	0	0
Hedging	0	0	0
Net position after hedging	22	7	0

The pricing of all the short-term debt of the Group is based on monetary short term indexes (EURIBOR or LIBOR).

The interest on medium and long term debt is fixed. As of January 30, 2004, the net debt position of Nexans that was to be renewed within a year amounted to 203 million euros. On January 30, there were 336 days remaining until the end of the Company's financial year. If interest were to vary by 1% and the debt level remain the same until the end of the year, the difference in interest relating to the said debt would amount to 1,894,666 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 can keep certain positions open. 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 those subsidiaries that are part of the centralized cost management system hedge risks via forward currency transactions with Central Treasury and via local banks for other subsidiaries.

The Central Treasury issues a monthly report relating to all subsidiaries with foreign exchange risks, indicating their open net position in each currency. The management of the Group receives monthly reports on the Group's position from the Central Treasury, which collates the information received from the subsidiaries.

Foreign exchange risk on Nexans Central Treasury

<i>in thousands of euros</i>	USD	NOK	Other
Assets	106,434	109,831	9,403
Liabilities	140,156	7,572	94,351
Net position before hedging	-33,722	102,259	-84,948
Hedges	33,722	-102,259	84,948
Net position after hedging	0	0	0

It is Group policy to systematically hedge the foreign exchange risk arising from firm commercial flows (purchases and sales) and financial flows. Identification and analysis of the risk are undertaken at subsidiary level and controlled by Central Treasury through a monthly reporting of all subsidiaries that incur this type of risk. The above chart shows that all the risks identified by subsidiaries are hedged through forward foreign exchange contracts thereby eliminating the foreign exchange risk on firm flows. However, the foreign exchange risk arising from bids is not

hedged, and this could generate a cost for the Group if the exchange rate changes between the time the bid is submitted and the time it is accepted by the customer.

Risks linked to metal prices

Although copper and aluminum prices are very volatile, Nexans considers that its gross operating margin is not significantly exposed to these prices, 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. It should also be noted that as with foreign exchange risk, the risk of fluctuation in the price of copper and other metals is not hedged in the case of bids. 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 varied substantially over the past five years, and these changes have had a significant impact on the Group's net debt level and financial expenses. 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 base points in interest rates on the Group's financial expenses for the year.

Hypothetical rate of refinancing (3 month variable):

Euro: 3.60%

US dollar: 2.90%

Hypothetical average debt:

150 million euros

50 million US dollars

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

750,000 euros

250,000 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 2002: 1,784 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: 3.5% per year

Impact on financial expenses: 525,000 euros

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 clean-up 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 facilities is carried out, ideally leading to the EHP label being awarded, denoting compliance with the highest environmental standards. In 2003, the Group put in place an environmental audit program carried out by a specialized company (Sageris). Fifteen sites were audited in 2003 and 25 will be audited in 2004.

Of the 15 sites audited in 2003, four were awarded the EHP label - Chauny SCCC and Mehun-sur-Yèvre in France, Neunburg and Floss in Germany - bringing the total number of sites having attained the label to seven.

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, several sites (Mehun-sur-Yèvre and RIPS Calais in France, Charleroi and Opglabbeek in Belgium) were awarded ISO 14001 certification in 2003.

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 (Jeumont, Lens, Draveil, Marseille and Chauny) 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. This could possibly lead to a fine of an amount not significant to the consolidated financial statements. 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 and its evaluation of the risks involved, the Group 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 pollution costs.
- Other claims have been brought by authorities following one-off incidents. For example, in 2002 Nexans was involved in a soil contamination clean-up operation authorized by the local authorities in Sweden, following an oil leak. Clean-up costs are estimated at 0.2 million euros,

- There are also certain asset disposal cases which could involve environmental costs, for example, the cost of cleaning up the Bonfamille site (RIPS) for which a provision of 0.134 million euros has been made.

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 in the financial statements.

If a charge seems highly unlikely, no provisions will be made and no reference will be made thereto.

At December 31, 2003, the total amount of provisions recorded for environmental risks was 6 million euros. These provisions include the above cases and the cost of current or planned clean-up operations of soil after the use of products such as solvents or oil.

Nexans estimates clean-up costs relating to environment claims on a case-by-case basis and as accurately as possible, based on the available information. For the sites that have been investigated by the French environmental department, in the absence of reliable estimates, Nexans considers that the proportion of the cleanup costs for which provision has not been made should not exceed 3 million euros over 3 years.

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 few ovens.

Today, 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. In this case, there are 18 people on professional sick leave with an invalidity coefficient equal to or less than 10% and approximately 250 employees under medical surveillance. Furthermore, since 2002 there has been one claim (still ongoing) relating to indirect exposure to asbestos not linked to manufacturing, and one claim made by seven employees of TLM for professional sick leave related to asbestos. Outside of France, there are 100 people in Italy who have not been in direct contact with asbestos who have requested early retirement, and in Norway, declarations have been made to the Norwegian health insurance in respect of 78 people over the last twenty years. 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, 2003 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 put in place a Group insurance plan. The main kinds of global coverage effective as of January 1, 2004 are the following:

- 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, and generally exceed the maximum amount of insured claims experienced by the Group in the past.

Nexans has no 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. In addition, its main industrial sites are visited annually by an independent specialist organization which makes recommendations on prevention and safety.

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 any national laws and regulations in force, 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 feels will not result in a significant cost for the Group, given its provisioning policy, the availability of insurance cover, the probability of judgment being entered against Nexans and the amount of the claims. There are disputes which should be specifically mentioned for which no provisions have been made, either because it has been decided this is not necessary or because the information available does not allow any evaluation of the possibility of claims actually being made or the amounts involved, to be made. However, the possibility of these disputes one day having a significant impact on the financial statements cannot be ruled out.

Corvettes – South Africa

Nexans supplied cables for corvettes for the South African navy. A South African manufacturer was subcontracted to supply part of the cables.

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. Nexans supplied the replacement cables, but the allocation of loss, in particular the removal and re-installation costs claimed by the customer (amounting to approximately 18 million euros) amongst Nexans, its customer, the insurers and the subcontractor, has not yet been determined. In addition to the man-

ufacturing cost of the replacement cables, Nexans has already recorded expenses related to this matter amounting to 5 million euros.

Competition Authorities

The proceedings initiated in Norway several years ago against Nexans Norway relating to an alleged price-fixing agreement between distribution companies, has been resolved without significant impact on Nexans' income.

In France, Nexans France received notification of a complaint from the *Conseil de la Concurrence* (the French competition authority) relating to an alleged agreement between Nexans France and a certification company aimed at eliminating an importer of 120-ohm cables from the French market. The facts relate to 1994 and 1995. A preliminary decision was made by the *Conseil de la Concurrence* on September 9, 1998, in which the importer's request for an interlocutory judgment was rejected. Also 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) has started an investigation into contracts awarded by EDF for the supply of high-voltage cables. In Germany, the *Bundeskartellamt* (German competition authority) has started an investigation into practices in the cable industry.

The amounts involved in the first of these matters (120 ohms cable market) are apparently not significant and the claim will be vigorously defended by Nexans. No official notification of a complaint has been received for the two other 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 could significantly affect its assets or its financial position, or the operations or income of Nexans or the Group.

Main investments

The efforts made in 2003 to reduce capital spending resulted in a substantial decrease in the Group's capital investments which amounted to 69 million euros, representing a reduction of 17 million euros compared to the previous financial year. In view of the difficult environment affecting the majority of Nexans' core businesses, capital expenditure in 2003 was confined to initiatives designed to maintain and improve productivity. It was concentrated mainly on the Energy division (40 million euros), the Telecom division (11 million euros) and the Electrical Wires division (9 million euros), mainly as a result of the redeployment of production capacity following the closure of the Mexico plant (Missouri, United States). After two years of high capital investment in 2000 and 2001, the Group's objective for the 2002 and 2003 financial years was to keep capital investment significantly below the level of depreciation, which was 99 million euros in 2003.

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, the following are still in force:

- Alcatel continues to supply Nexans with optical fiber pursuant to a framework agreement. The agreement no longer binds Nexans to any firm purchase commitments but simply provides for the purchase of optical fiber in the quantities it requires and at market prices.
- In Brazil, Nexans is the owner of certain industrial equipment dedicated to copper public network cables, and sub-contracted the manufacture and marketing of these cables to Alcatel Brazil, under its supervision. Nexans has gradually taken over the industrial activity formerly managed by Alcatel but still shares resources and expenses common to both companies. This agreement came into force on December 1, 2000, for an initial 2-year period and is renewable by tacit agreement yearly until 2005, unless terminated by Nexans should it decide to transfer its business to another site.
- 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 agree-

ments 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 sublicense, pursuant to an agreement dated December 1, 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 sublicenses, to use Alcatel patents relating to single mode optical fiber cables exclusively for products and manufacturing processes already used by Nexans prior to January 1, 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, it was Alcatel and some of its subsidiaries that spun off some of their business and assets falling within the scope of Nexans' business and sold them to Nexans. Alcatel and Nexans then 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 obligations have now expired, whilst others will remain in force until 2006. To the best of the Company's knowledge, no sale has taken place since this date. Alcatel's 15% stake in Nexans' share capital does not give Alcatel any control over Nexans, in the absence of any specific agreement and in view of the limitation on voting rights at shareholders' meetings contained in the articles of association of Nexans.

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, via a representative, or by letter 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.

All shareholders may also, if the Board of Directors so decides when the Meeting is convened, vote at the Annual Shareholders' Meeting using any 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 registered 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 that 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 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, 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.

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 registered, 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, as indicated in the paragraph entitled "Number of voting rights" on page 98. In addition, in the event of an increase in capital by incorporation of retained earnings, profits or other reserves, a double voting right is attributed to the new free registered shares created and granted to a shareholder, proportional to the number of shares held by the shareholder which carry a double voting right. 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 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 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. Five percent 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 who 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 - France

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 741 J.

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 5, 1994 under the name of Atalec, for a period of 99 years which will expire on January 7, 2093.

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 1 and ends on December 31.

Appropriation of capital and voting rights

Share capital

At December 31, 2003, the share capital was 23,128,972 euros, representing 23,128,972 shares with a nominal value of 1 euro each. This amount is a result of the exercise of stock options during 2003, as confirmed by the Board of Directors, which, together with other options exercised in 2004, increased the share capital to 23,138,472 euros at January 30, 2004. Between that date and March 31, 2004, 14,000 new shares were created further to the exercise of 14,000 stock options.

Number of voting rights

The provision of the articles of association on double voting rights described on page 96 (notice published in the *Bulletin des Annonces Légales Obligatoires* dated October 27, 2003) came into force on October 17, 2003. The number of shares carrying a double voting right totaled 3,374,936 on December 31, 2003 and 3,374,920 on March 31, 2004. Based on the Company's treasury stock of 2,221,199 shares which does not carry voting rights (see "Buyback of Nexans shares" on page 103) and the existence of shares carrying double voting rights, the total number of voting rights on December 31, 2003 was 24,282,709. Further to the exercise of stock options since this date, the total number of voting rights on March 31, 2004 was 24,306,193.

Changes in Nexans' share capital since incorporation

Date	Operation	Number of shares issued/cancelled	Nominal value of shares	Nominal amount of capital increase/reduction	Total amount of share capital	Total number of shares
January 5, 1994	Incorporation <i>(in francs)</i>	2,500	100	250,000	250,000	2,500
October 17, 2000	Share capital increase <i>(in francs)</i>	-	105	12,500	262,500	2,500
October 17, 2000	Conversion of capital <i>(in euros)</i>	-	16	-	40,000	2,500
October 17, 2000	Division of nominal share value <i>(in euros)</i>	-	1	-	40,000	40,000
October 17, 2000	Share capital increase* <i>(in euros)</i>	24,960,000	1	24,960,000	25,000,000	25,000,000
February 12, 2002	Capital reduction <i>(in euros)</i>	1,990,031	1	1,990,031	23,009,969	23,009,969
April 17, 2002	Capital increase reserved for employees <i>(in euros)</i>	111,503	1	111,503	23,121,472	23,121,472
January 30, 2004**	Share capital increase further to the exercise of stock options <i>(in euros)</i>	17,000	1	17,000	23,138,472	23,138,472

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

** Date of last confirmation by the Board of Directors of stock options exercised to date. Between February 1, 2004 and March 31, 2004, 14,000 new shares were created as a result of the exercise of 14,000 stock options.

Shareholding structure

The information given below is to the best of the Company's knowledge based on the TPI (identifiable bearer shares) at December 31, 2003. It appears that the shareholding structure is similar to that of March 2003.

The main shareholders on December 31, 2003, are:

- Alcatel	15.0%
- Individual shareholders and employees	11.1%
- Treasury stock	9.6%
- Institutional investors (France)	31.7%
- Institutional investors (US)	21.8%
- Institutional investors (UK)	8.8%
- Other Institutional investors	1.3%
- Non-identified	0.7%

Nexans estimates the total number of shareholders to be between 70,000 and 100,000.

On December 31, 2003, the Board members held 0.013% of the Company's share capital and voting rights while employee shareholders accounted for 0.9% (92% of which via an employee mutual fund, or "FCPE").

Breakdown of share capital and voting rights (estimated at March 31, 2004)

	CAPITAL		VOTING RIGHTS ⁽¹⁾	
	Number of shares	Percentage	Number of voting rights	Percentage
Alcatel ⁽³⁾	3,476,388	15%	6,851,276	28.2% ⁽²⁾
Tweedy Browne (investment fund) ^{(3) (4)}	2,127,000	9.2%	2,127,000	8.8%
Brandes (investment fund) ^{(3) (4)}	1,205,000	5.2%	1,205,000	5%
Other institutional investors ⁽⁴⁾	11,382,352	49.2%	11,382,352	46.8%
Employees	224,773	1%	224,773	0.9%
Other individual investors ⁽⁴⁾	2,342,459	10.1%	2,342,491	9.6%
Treasury stock	2,221,199	9.6%	–	–
Non-identified shareholders	173,301	0.7%	173,301	0.7%
Total ⁽⁵⁾	23,152,472	100%	24,306,193	100%

(1) All registered shares 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) or 16% (in the case of double voting rights) of the votes attached to shares present or represented when voting on resolutions at an Annual Shareholders' Meeting (see page 96).

(2) Taking into account the possession of 3,374,888 shares carrying a double voting right, but with statutory limitation of 16% on the exercise of such voting rights at Annual Shareholders' meetings as described above.

(3) Figures established on the basis of declarations on the crossing of thresholds made to the CMF.

(4) Figures estimated on the basis of the TPI (identifiable bearer shares) on December 31, 2003.

(5) This total takes into account the creation of 14,000 new shares between February 1, 2004 and March 31, 2004, further to the exercise of 14,000 stock options.

To the best of the Company's knowledge, the following thresholds were exceeded during the 2003 financial year:

- Following the attribution of a double voting right to the 3,374,888 shares registered for at least 3 years, out of its total shareholding of 3,476,388 shares, Alcatel exceeded the threshold of 20% of the Company's voting rights on October 17, 2003. Notification of the crossing of the threshold was published by the AMF (French financial markets authority) on March 11, 2004, accompanied by a declaration of intent pursuant to Article L. 233-7 of the Commercial Code.
- Following the sale of Nexans shares by various companies of the Société Générale in the course of its Group trading activities, Société Générale fell below the threshold of 5% of the

Company's voting rights on August 8, 2003 and it held, either directly or indirectly, 3.66% of the share capital and 4.049% of the voting rights. Notification of the crossing of the threshold was published by the AMF (French financial markets authority) on August 18, 2003. Société Générale went above and below the 5% threshold several times during the months of May, June and July 2003.

To the knowledge of the Company, no shareholders other than those mentioned in the above table, hold more than 5% of the share capital or voting rights and no registered shareholders have pledged their shares. Nexans is not aware of the existence of any shareholders' agreements or concerted action between shareholders.

Changes in the shareholding structure over the past three years

Shareholding structure	Estimated, as of May 1 st , 2002 (1 st Annual report published)			Estimated, as of March 15, 2003			Estimated, as of March 31, 2004		
	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	5,000,484	21.6	21.6	3,476,388	15	16.6	3,476,388	15	28.2
Other institutional investors	14,228,220	61.5	61.5	14,923,885	64.6	71.4	14,714,352	63.6	60.6
Employees	111,503	0.5	0.5	171,255	0.7	0.8	224,773	1	0.9
Board members	1,960	NS	NS	3,139	NS	NS	3,657	NS	NS
Other individual investors	2,610,778	11.3	11.3	2,325,606	10	11.1	2,338,802	10.1	9.6
Treasury stock	0	–	–	2,221,199	9.6	–	2,221,199	9.6	–
Non-identified	1,168,527	5.1	5.1	–	–	–	173,301	0.7	0.7

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

The table below shows the dates, terms and limits on the authorizations given by the Annual Shareholders' Meeting to the Board of Directors to allow it, at its initiative, to issue securities representing, or not representing, the share capital of the Company. The Board of Directors may proceed with authorized issuances in all circumstances on the dates and on the conditions it determines, subject however to the conditions laid down by the Shareholders' meeting, and may delegate the exercise of these powers to the Chairman as permitted by law.

Date authorization was granted and form of authorized issues	Maximum nominal amount in euros ⁽¹⁾	Expiry date of authorization	Use
SECURITIES REPRESENTING THE SHARE CAPITAL			
June 5, 2003 Issue with preferential subscription rights:			
<ul style="list-style-type: none"> • Shares, bonds and/or marketable securities giving immediate or future access to the Company's shares • Capitalization of reserves, profits or premiums ⁽²⁾ 	25,000,000 euros provided that the maximum amount of any debt securities issued by the Company giving access to the share capital may not exceed 500,000,000 euros	August 4, 2005	None
June 5, 2003 Share issue by the exercise of stock options granted to certain employees or Board members	900,000 euros	April 2, 2006	None
April 2, 2001 Share issue reserved to members of the Group savings Plan	750,000 euros	April 2, 2006	111,503 shares issued on April 17, 2002 representing a total nominal amount of 111,503 euros
SECURITIES NOT REPRESENTING THE SHARE CAPITAL			
April 2, 2001 Debt securities issue	1,000,000,000 euros	April 2, 2006	None

(1) The maximum nominal amount of share capital increases that can be carried out corresponds to the maximum number of shares that can be issued given that the Company's nominal share value is 1 euro.

(2) In the case of capitalization of premiums, reserves or profits, the maximum nominal amount of share capital increases that can be carried out is in addition to the 25 million euros, though this amount may not exceed the total amount that can be capitalized.

Authorizations to be given to the Board of Directors to issue securities giving immediate or future access to the Company's share capital, submitted to the Annual Shareholders' Meeting of June 3, 2004

The Annual Shareholders' Meeting of June 5, 2003 did not give the Board of Directors a general authorization to increase share capital by the issue, without preferential subscription rights, of shares, bonds and/or marketable securities giving immediate or future access to the Company's equity. Accordingly, the Board of Directors proposes to submit a number of individual resolutions to the Annual Shareholders' Meeting of June 3, 2004, to authorize the Board of Directors to issue securities, with or without preferential subscription rights, giving immediate or future access to the share capital (the authorizations to increase the share capital will cancel the general authorization given by the shareholders' meeting in 2003).

The Board of Directors proposes to the Annual Shareholders' Meeting to limit the period of validity of these separate authorizations to the period ending with the holding of the Annual Shareholders' meeting convened to consider the financial statements for the year ending December 31, 2004.

The table below sets forth the conditions and limits on the authorizations to be submitted to the Annual Shareholders' Meeting of June 3, 2004 to allow the Board of Directors to issue securities at its sole initiative giving immediate or future access to the Company's share capital. The Annual Shareholders' Meeting will be asked to authorize the Board of Directors to proceed with the authorized issuances in all circumstances on the dates and on the conditions determined by the Board subject however to the conditions fixed by the Shareholders' meeting, and may delegate the exercise of these powers to the Chairman as permitted by law.

Form of issues to be authorized ⁽¹⁾	Maximum nominal amount in euros ⁽²⁾
with preferential subscription rights:	
• Shares (R8)	15,000,000 euros ⁽³⁾
With elimination of preferential subscription rights:	Individual and global ceiling for R9 and R10
• Convertible bonds (R9)	Shares: 10,000,000 euros ⁽³⁾
• Other debt securities giving access to Company share capital (R10)	Debt: 250,000,000 euros
Issue of shares by capitalization of premiums, reserves, profits and other (R11)	15,000,000 euros
Issue of shares reserved to members of Group savings plan (R12)	500,000 euros

(1) The letter R followed by a number in brackets denotes the number of the Resolution submitted to the Annual Shareholders' Meeting of June 3, 2004.

(2) The maximum nominal amount of capital increases that can be carried out corresponds to the maximum number of shares that could be issued given that the Company's nominal share value is 1 euro.

(3) The maximum total nominal amount of capital increases that can be carried out subject to preferential voting rights or with elimination of preferential voting rights, pursuant to resolutions 8 and 10, shall not in the aggregate exceed 15 million euros.

Employee profit-sharing and share-ownership

Certain Group subsidiaries have put in place employee profit-sharing plans. In France, Nexans has created an employee Group Savings Plan allowing employees to invest in Nexans' shares through a mutual fund composed of shares in the company.

Stock options

The Board of Directors decided on April 4, 2003, to grant 644,500 stock options to 83 employees, pursuant to the authorization given by the Combined General Shareholders' meeting on June 25, 2002. The stock options give the holders the right to subscribe to new shares in the Company created by way of increase in the share capital of the Company, at an exercise price of 11.62 euros. The grant of stock options is intended to allow the employees and managers who play an active role, whether directly or indirectly, in the generation of income, to share in the increase of profitability of the Group.

On March 31, 2004, 1,133,000 Nexans stock options, representing 4.9% of the share capital, existed. Each option, if exercised, grants the right to subscribe to one Nexans share.

Stock option policy

Following a review by the Compensation & Appointments Committee, the Board of Directors has decided on a policy of granting stock options annually, generally in the autumn. The total amount granted would be 1 to 2% of the share capital (approximately 400,000 shares in 2004 and approximately 250,000 shares in subsequent years). Stock options will be made available in one year to the members of the Executive Committee and other high-ranking executives, and in the following year to a broader group including high potential junior executives.

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

	Grant date stock option	Number of stock option holders	Number of options granted ⁽¹⁾	Price (in euros)	Expiry date
Board members (G�rard Hauser)	April 4, 2003	1	50,000	11.62	April 3, 2011
Group's employees 10 biggest stock option holders	April 4, 2003	12 ⁽²⁾	204,000	11.62	April 3, 2011

(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; options may only be exercised on or after April 4, 2004.

(2) Options distributed equally between the employees concerned.

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

	Number of subscribers	Number of shares subscribed	Price
Board members	0	-	-
Group employees Ten largest subscribers following exercise of options	5	7,500	17.45 euros (plan of November 16, 2001)

Record of stock options granted

Date of General Shareholders' Meeting	Plan No1			Plan No2
	Combined General Shareholders' Meeting of April 2, 2001			Combined General Shareholders' Meeting of June 25, 2002
Date of Board of Directors meeting or grant	November 16, 2001	January 18, 2002	March 13, 2002	April 4, 2003
Total number of shares which can be subscribed including the following:	531,500	5,000	8,000	644,500
- Board members stock options holders (Gérard Hauser)	55,000	-	-	50,000
- ten largest employee, manager or director stock option holders	181,000	5,000	8,000	204,000
Starting date of exercise	November 16, 2002	January 18, 2003	March 13, 2003	April 4, 2004
Expiry date	November 15, 2009	January 17, 2010	March 12, 2010	April 3, 2011
Exercise price	17.45 euros	16.70 euros	19.94 euros	11.62 euros
Conditions of exercise	Quarter of the total number of options, annually			Quarter of the total number of options, annually
Total number of shares subscribed at March 31, 2004	29,500	0	1,500	-
Total number of options cancelled at March 31, 2004	12,000	3,000	0	10,000
Total number of options remaining at March 31, 2004	490,000	2,000	6,500	634,500

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 on March 31, 2004.

In accordance with the authorization granted by the Combined General Shareholders' Meeting on June 25, 2002, and the Notice registered with the *Commission des Opérations de Bourse* under Number 02-692, Nexans launched another share buyback program, pursuant to a decision of the Board of Directors taken on June 25, 2002, representing a maximum of 10% of its share capital, in accordance with Article L. 225-209 of the 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, including 1,500,000 shares acquired on October 30, 2002, from Alcatel (in this respect, the obligation on Nexans to retain these shares referred to on page 105, expired on October 30, 2003). In 2003, under the same program, Nexans also 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 to acquire its own shares given to it by the Combined Shareholders' meeting on June 5, 2003, which was registered with the *Commission des Opérations de Bourse* on May, 16, 2003, under N° 03-441.

On March 31, 2004, the Company held a total of 2,221,199 of its own shares, representing 9.6% of share capital. During the Annual Shareholders' Meeting on June 3, 2004, the shareholders will be asked to authorize the Company to implement a share buyback program and to reduce its share capital through the cancellation of the shares purchased.

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 5, 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**

part of the Ernst & Young network

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

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.

Deputy Auditors

- **François Chevreux**

8 avenue Delcassé, 75008 Paris, France

Date of first appointment and current appointment: Combined General Shareholders' Meeting of June 5, 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 thousand of euros		%		in thousand of euros		%	
		2003	2002	2003	2002	2003	2002 ⁽¹⁾	2003	2002 ⁽¹⁾
Auditing	Auditing of the accounts	604		96%		1,193	1,536	85%	94%
	Secondary audit missions	25		4%		206	104	15%	6%
	Sub-total	629		100%		1,399	1,640	100%	100%
Other missions	Legal, tax, employment		N/A		N/A				
	Information systems								
	Internal audit								
	Other								
Sub-total	0		0%		0	0	0%	0%	
TOTAL	629		100%		1,399	1,640	100%	100%	

(1) Total fees paid to the BFA and Ernst & Young Audit networks in 2002 published in the 2002 reference document.

Related parties' transactions

Nexans has not granted its directors any loans or guarantees. Four agreements falling within the scope of Article 225-38 of the French *Code de Commerce* were concluded or remained in force in 2003 between Nexans and one of its directors or companies with common directors or Board members, or with companies having a shareholding in Nexans carrying more than 10% of the voting rights.

These agreements are as follows:

a) Prior agreements remaining in force in 2003

- The acquisition of a block of 1,500,000 shares from Alcatel, which holds more than 10% of the voting rights in Nexans. Nexans agreed not to sell these shares on the market for one year from the acquisition date. This agreement obtained the prior consent of the Board of Directors on October 30, 2002 and was approved by the Annual Shareholders' Meeting of June 5, 2003.
- The "General Relations Agreement" concluded with all Nexans Group subsidiaries, authorized by the Board of Directors meeting held on March 14, 2001 and approved by the Annual Shareholders' Meeting of June 25, 2002, relating to the agreement entered into between Nexans and Nexans Deutschland AG, as Gérard Hauser was a director of both companies until June 25, 2003.

The General Relations Agreements govern the sharing of R&D resources, the exchange of the results and know-how generated from research programs, as well as the provision of administrative services by Nexans to its subsidiaries, particularly for centralized

functions, such as cash central treasury, insurance, purchasing, communications and other specialist services. Pursuant to the General Relations Agreements, each company pays a percentage of its sales, which varies according to the business sector, and Nexans, makes a contribution to the cost of their R&D programs. In respect of administrative services, Nexans receives a fee based on a percentage of sales.

- The "Underwriting Agreement" authorized by the Board of Directors on June 12, 2001 and approved by the Annual Shareholders' Meeting of June 25, 2002, entered into with Alcatel, which holds more than 10% of the voting rights.

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

b) Agreement entered into in 2003

The agreement entered into with Patrick Puy, a director, which was granted prior authorization by the Board of Directors on June 5, 2003, provided that Mr Puy would act as industrial and commercial advisor on the project for the possible acquisition of Alstom's Transmission & Distribution business.

Special Report of the Statutory Auditors*

on Certain Related Parties Transactions, year ended December 31, 2003

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we are required to report on certain contractual agreements with certain related parties.

In accordance with Article L.225-40 of French Commercial Code (*Code de Commerce*), we have been advised of certain contractual agreements which were authorized 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 agreements indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of Article 92 of the March 23, 1967 Decree, to evaluate the benefits resulting from these agreements prior to their approval.

We conducted our work in accordance with French professional standards. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

With Mr. Patrick Puy, Director of your Company

Terms and object

On June 30, 2003, the Board of directors of your company authorized the contracting of an agreement that entrusts an industrial and marketing assignment for the plan of potential take-over of the Transmission and Distribution business of Alstom.

Conditions

Your company concluded this agreement with one of the Directors, Mr. Patrick Puy, on June 11, 2003. For that assignment, your company paid a fee of 110,000 euros during the year 2003.

Furthermore, in accordance with the March 23, 1967 Decree, we have been advised that the following agreements, approved in prior years, remained effective in the year ended December 31, 2003.

With Nexans Deutschland, A.G.

Terms and object

The Board of Directors of your company approved the conclusion of an agreement, called "General Relations Agreement", with Nexans Deutschland. This agreement governs the sharing of research and development facilities, the sharing of the income issuing from research programs, and the administrative services rendered by Nexans to its subsidiaries.

Conditions

Under the terms of these agreements, Nexans Deutschland shall pay a percentage of its sales, varying according to the business sector involved, and Nexans shall contribute to the cost of the research and development programs. For administrative services, Nexans shall be paid a percentage of the company's sales. Under this agreement, Nexans received a payment of 11,412,000 euros and paid 5,832,000 euros for fiscal year 2003.

*Free translation from the original French report.

With the company Alcatel, S.A., shareholder of your company

Terms and object

Your Board of Directors authorized the conclusion of an underwriting agreement with Alcatel.

Conditions

Under the term of this agreement, Alcatel undertook, with the context of an Initial Public Offering, to sell its shares in Nexans while the bank syndicate undertook to place and guarantee the placing of the Nexans shares on the basis of certain representations and guarantees given by Alcatel and Nexans, and in return for a fee paid by Alcatel. This "lock-up" clause was valid for a period of 270 days, and some representations from Nexans to the bank syndicate are unlimited in time.

Terms, object and conditions

Your Board of Directors authorized on October 30, 2002 to purchase 1,500,000 of its own shares outright from Alcatel, with the commitment to keep the corresponding shares for a period of one year as from their purchase. This authorization was turned into account the same day.

Neuilly-sur-Seine and Paris, March 18, 2004

The Statutory Auditors

RSM Salustro
Reydel
Benoît Lebrun

Barbier Frinault et Autres
Alain Gouverneyre