NEXANS

A French limited liability company (*société anonyme*)
with a share capital of 28,604,391 euros
Head office: 8 rue du Général Foy - 75008 Paris, France

Registered with the Paris Trade and Companies Register under number 393 525 852

MANAGEMENT REPORT
PRESENTED BY THE BOARD OF DIRECTORS
TO THE ANNUAL SHAREHOLDERS' MEETING

(Year ended December 31, 2010)

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The purpose of this report is to present an overview of the operations and results of the Nexans Group and its parent company for the year ended December 31, 2010. It is based on the parent company's financial statements and consolidated financial statements at December 31, 2010.

In an attached document prepared in compliance with Article L.225-37 of the French Commercial Code (*Code de commerce*), the Chairman reports on (i) the terms and conditions for the preparation and organization of the work of the Board of Directors and (ii) the internal control procedures implemented within the Group, particularly in relation to financial and accounting information.

Nexans' shares are traded on the NYSE Euronext Paris market (Compartment A) and are included in the SBF 120 index. The Company's estimated ownership structure at December 31, 2010 – broken down by shareholder category and based on disclosure statements received by the Company – was as follows:

- Institutional investors: 84%, of which (i) 9% held by the Madeco Group (Chile), (ii) 5.1% by *Fonds Stratégique d'Investissement* (France), (iii) 5.2% by Dodge & Cox (USA), (iv) 5% by AXA (France), (v) 4.9% by Deutsche Bank AG (Germany), and (vi) 3.7% by Manning & Napier (USA).
- Private investors and employees: 15.5%.
- Unidentified shareholders: 0.5%.

1. Operations during 2010

1.1 Consolidated results of the Nexans Group

1.1.1 Overview

Sales for 2010 totaled 6,179 million euros, up 22.5% on the 5,045 million euros reported in 2009. This increase is largely attributable to the ongoing steep rise in non-ferrous metal prices throughout 2010 following the hike already experienced in 2009. The average implicit billing prices for copper and aluminum were respectively 46% and 8% higher in 2010 than in the previous year.

Based on constant non-ferrous metal prices, constant exchange rates and a comparable scope of consolidation, the Group's total sales edged up 0.4% year-on-year.

Sales in Asia-Pacific, South America and Europe held firm, coming in on a par with 2009, thanks to a much stronger performance in the second half compared with the first six months of the year. Meanwhile, North America and the MERA Area (Middle East, Russia and Africa) posted respective sales growth of 7% and 9% in 2010.

Operating margin amounted to 207 million euros, or 4.8% of sales at constant non-ferrous metal prices (3.4% at current metal prices), compared with 241 million euros, or 6.0% of sales at constant non-ferrous metal prices (4.8% at current metal prices) in 2009.

EBITDA (operating margin before depreciation and amortization) came to 345 million euros in 2010, or 8.0% of sales at constant metal prices, compared with the 2009 figure of 363 million euros, or 9.0% of sales at constant metal prices.

In view of the continuing rise in non-ferrous metal prices during 2010, the core exposure (non cash) effect in the 2010 income statement represented an 89 million euro accounting gain (net of the impact of the reduction in volume of core exposure inventories – see section 1.1.2 on unallocated operations), versus an 18 million euro gain in 2009. In 2008, the steep fall in copper prices during the last quarter of the year led to a core exposure effect corresponding to an accounting charge of 165 million euros. The core exposure effect arises due to the fact that non-ferrous metal inventories are measured at the year-end using the weighted average unit cost method, leading to the recognition in the accounts of the impact of the temporary price difference between the copper actually used in production and the copper implicitly allocated to orders through the hedging mechanism. No such gains or charges would have been recognized if the Group had continued to apply the Last In-First Out (LIFO) method used until 2004 before the transition to IFRS.

Income before taxes more than doubled year-on-year to 110 million euros from 51 million euros in 2009, reflecting the impact of lower restructuring costs in 2010 (67 million euros versus 119 million euros).

After a 26 million euro tax charge, attributable net income amounted to 82 million euros compared with 8 million euros in 2009.

1.1.2 Analysis by business line

(Sales figures by origin at constant non-ferrous metal prices)

ENERGY

The Energy business posted 3,568 million euros in sales, down 1.0% on 2009 based on constant exchange rates and a comparable scope of consolidation (like-for-like).
Sales in the Industry segment continued to recover throughout 2010 (particularly in the sectors that had been the earliest hit by the global economic crisis), climbing 16.1% in the full twelve months. This sharp increase largely offsetsthe impact of an overall falloff in sales in the Energy business' other segments. The Building and Energy Infrastructure segments saw steep downturns in the first half of 2010 (15.9% and 8.9% respectively on an organic basis) followed in the second half by a leveling off in Energy Infrastructure and a 7.3% period-on-period rise (at constant exchange rates) in the Building segment.

Energy Infrastructure cables

Sales of Energy Infrastructure cables retreated 5.7% on a like-for-like basis. However, the second half of the year saw a particularly strong upturn for low- and medium-voltage cables and accessories for the power distribution market.
It was a difficult year for high-voltage submarine cables, but this was partly offset by a solid performance of high-voltage terrestrial cables.

Sales recorded by **high-voltage submarine cables** declined 5.6%, reflecting contract performance difficulties which arose as a result of high production loads at the Halden plant and a number of external incidents and which led to certain production phases having to be re-scheduled. This re-scheduling meant that the Group was unable to finish in due time all the stages of completion required to recognize in full the revenue from the contracts concerned. However, a productivity improvement program was drawn up in 2010 and its initial effects were already felt during the year. Besides, in order to ensure the business development, it was decided to launch a project to increase production capacity at the Halden plant, by creating a second vertical production line that is expected to come on stream during the second half of 2011.

The main contracts that contributed to the 2010 sales figure for high-voltage submarine cables concerned the supply and installation of cables to create power links, such as the high-voltage

direct current undersea link between the Spanish mainland and the Balearic islands (as part of the COMETA project), the Fenno-Skan 2 power interconnection between Finland and Sweden, the Oslofjord II link between Norway and Sweden and the Kontek connection between Denmark and Germany. Other contributions to sales for the year came from contracts to supply infield cables and equipment for the Sheringham Shoal and Lincs offshore windfarms in the United Kingdom and subsea power export cables for the Belwind offshore wind farm project in Belgium, as well as deliveries of umbilical cables such as the one for the Tambaù gas field in Brazil.
The 2010 sales figure for high-voltage submarine cables also included the impact of the last phases of older contracts on which work came to an end during the year, such as the very high voltage undersea link between Saudi Arabia and Bahrain and the subsea power cable contract for BP's Valhall Power from Shore project.
Visibility for high-voltage submarine cables is still very good, with a 980 million euros order book representing more than 24 months of sales. Several major new contracts were won during 2010 for power link projects: a 178 million euro project to link Sicily with Malta, a 64 million euro project linking the island of Euboea with the region of Attica in Greece with a view to developing a wind farm project, a 180 million euro contract for the Estlink 2 link between Finland and Estonia, and a 104 million euro contract to replace the over thirty-year old high voltage link crossing the Oslofjord.

High-voltage terrestrial cables reported a 3.2% contraction in sales compared with 2009, reflecting a steep 15% falloff in the second half of the year mainly due to fewer on-site installation works.
Manufacturing operations remained sustained throughout the year, with production loads allocated evenly between the various plants thanks to increased pooling of the Group's production capacities. The main contracts that contributed to the 2010 sales figure for high-voltage terrestrial cables were power link projects in the Middle East that started up in previous years and continued smoothly throughout the year – including Phase II of the Libya Contract and Phase VIII of the Qatar project – as well as a steady stream of business with incumbent power suppliers in France, Spain and Belgium. The Tottenham plant in Australia ran at capacity during the year, thanks to the contract won in 2009 for supplying a cable to power the country’s largest seawater desalination plant that is currently being built in the State of Victoria.

Nexans notched up two key contract wins in the Middle East during 2010 – (i) a 90 million euro turnkey contract awarded by DEWA to construct Dubai’s first Extra High Voltage (EHV) underground cable system operating at 400 kV and (ii) a 73 million euro contract as part of a turnkey project to modernize Abu Dhabi’s energy infrastructure.
At December 31, the order book amounted to 430 million euros, and taking into also in consideration answers to new tenders, the Group considers it has a good visibility over the next 18 months.

Medium-/low voltage cables posted a 7.7% like-for-like decrease in sales in 2010. However, the second half of the year saw growth of more than 8% at constant exchange rates compared with the first half.

In Europe, sales at constant exchange rates retreated 7.5% overall in 2010 but rose in the second half of the year against the first six months.
Northern Europe (Sweden, Norway and Germany) got off to a difficult start to 2010 due to a combination of particularly adverse weather conditions and relatively lackluster markets in which competition was fierce. The situation leveled off in the second half, however, with business even picking up slightly for the main national power suppliers and export contracts (Russia, India).
France delivered sales growth of 11.5% in 2010, led by the ongoing rollout of ERDF's capital expenditure plan as well as a major international contract with Ghana. Business in Southern

Europe was also boosted by favorable operating conditions, particularly in Greece due to extra domestic business. In Italy, sales were buoyed by several exceptional orders from ENEL as part of the Italian recovery plan. However, these orders were not sufficient to guarantee the long-term future of the Latina plant and in late May the Group announced that it intended to close this site. Sales performance in Spain continued to decline, with figures sharply down on 2009, reflecting an ever-contracting overall market and exacerbated by the government's decision to reduce subsidies for renewable energy projects, such as wind and solar power. At the same time, market conditions were once again tough in the United Kingdom, with sales hampered by strong price pressure in a continuing harshly competitive environment and unfavorable exchange rates which affected the Group's exports to the country.

In North America, sales at constant exchange rates shed 11.9% in the full twelve months of 2010, although stable in the second half, period-on-period.
Demand for infrastructure cables in Canada slowed following the large-scale capital expenditure programs carried out in 2009 in preparation for the Olympic Games. In the United States, unit sales of power distribution cables were once again hit by the persistently weak residential property market, with business volumes down by almost 20%. However, the impact of these flagging markets on the Group's profitability in the area was contained due to the closure of the Quebec plant in the first quarter of 2009.

In the Asia-Pacific Area, sales slipped 10.4% on a like-for-like basis, but climbed 13.1% in the second half of the year against the first six months.
Australia's sales fell 14.9% compared with 2009, with the full-year performance for 2010 dragged down by a 27.7% drop in the first half. In addition to a weak residential housing market throughout the year, which hit sales of underground cables for low-voltage power distribution networks, overall business levels in certain states (particularly Queensland and Victoria) were extremely low in the first half of 2010 as a result of (i) projects being postponed due to adverse weather conditions and (ii) budget restrictions, which led to the stoppage of certain public projects. However, business picked up in the second half of the year thanks to a more even spread of sales between the different states, with period-on-period growth coming in at almost 20%.
South Korea's sales were on a par with 2009. Although competition remained stiff in the domestic market, the Group's subsidiary won a large contract in the Middle East with the South Korean company Hyundai Engineering & Construction.

The MERA Area delivered a sharp 24.3% rise in sales in 2010 (with growth reported for both halves of the year), fueled mainly by the ramp-up in sales output by the Group's new Russian plant.

In Russia, despite production of low and medium-voltage infrastructure cables only starting up in September 2009, the Ouglich plant is now fully operational. In addition, cable trading activities carried out on behalf of the Group's other units were up sharply following a more or less total stoppage in early 2009 due to the economic crisis.
Sales in Morocco fell 8.4% year-on-year, as a result of a sharp decrease in purchases by the national power supplier and a slowdown in major tourist infrastructure projects. This steep falloff in domestic business was only partially offset by continued expansion in sales to West Africa.
In Egypt, sales were down 4.3% for the full twelve months of 2010 on the back of a near-18% fall in the first half. Demand for the supply of infrastructure cables for medium-voltage distribution networks was flat in the first six months but picked up in the second half. The domestic market for high-voltage cables was buoyant, however, although the Group's Egyptian facility could not fully tap the potential of this situation in 2010 due to a lack of production capacity. In a bid to address this issue the Group has decided to pursue its capital expenditure programs for this facility with a view to increasing the plant's production capacity for high-voltage cables. Lastly, export sales started up to neighboring African countries, notably for low-

voltage bundled cables.
In Lebanon, sales decreased 17.9% for the year as a whole but climbed more than 10% at constant exchange rates in the second half compared to the first. Projects that started up following the previous postponement of orders by the national power supplier were not sufficient to fully offset the decrease in export sales caused by difficult market conditions in certain Middle Eastern countries (Iraq, Jordan and Syria).

<u>In South America</u> sales fell 24.8% for 2010 as a whole. Performances for the two halves of the year were extremely mixed, however, with sales slumping 41.4% in the first six months and then surging 30% in the second half based on constant exchange rates.

The trends observed in Brazil at the end of 2009 continued into 2010, with the postponement of numerous major overhead power line projects which resulted in almost no production load for the Lorena facility in the first half. At the same time competition heightened. As a result, the Group decided to pool all of its manufacturing capacity for overhead power lines at one site and in the first half of 2010 announced the closure of its Lorena facility, with the transfer of aluminum production lines to the Americana site in Sao Paolo and copper production to the Rio de Janeiro plant. However, deliveries for a number of contracts started up again in the second half of the year, which led the Group to change its initial timeline for transferring equipment from this facility in order to meet the needs of its customers. Meanwhile, sales generated by insulated distribution cables rose steadily during the year despite ongoing difficult market conditions resulting from a fiercely competitive environment and a shortage of certain commodities such as aluminum bars.
In Peru, sales were up 5.1% at constant exchange rates in 2010, with robust demand in the domestic market offsetting weak export sales to Venezuela. However, competition also increased on domestic market with customers favoring aluminum cables.
Argentina's sales were 22.5% lower than in 2009, with the fall mainly stemming from the postponement of a large overhead power line project that was originally scheduled to start up in September 2010.

Power accessories sales rose 9.0% on a like-for-like basis in 2010. Business levels were buoyant in Europe, apart from Spain where conditions were still difficult due to the ongoing economic crisis. France's sales momentum remained strong for connectors and cabinets. Germany and Belgium reported sharp sales rises of 17% and 30% respectively, propelled by the Group's focus on new markets, such as wind power, and new product offerings (e.g., for OEMs).

Industrial cables

Sales of industrial cables advanced 16.1% year-on-year at constant exchange rates, marking a clear upward trend for the third six-month period in a row.
Automotive cables and harnesses were major growth drivers during the year. At the same time, momentum remained strong for the railway and aeronautical segments as well as for high value-added cables for off-shore projects, and business levels for cables for the robotics and mining industries swung back up after a very difficult year in 2009.

Sales of **cable harnesses** jumped by more than 50% for the full twelve months, following on from the recovery begun in mid-2009 and marking a steady growth pattern for the past three six-month periods. Demand held firm both in Germany and the United States, where the Group's business was boosted by measures taken by certain major automakers to streamline their supplier base.

Sales of **special cables for industrial applications** climbed 7.4% like-for-like over the full year. At constant exchange rates, sales were up more than 10% in 2010, period on period compared to the low point reached in second-half 2009.

In Europe, organic sales growth came in at 6.2%. The upward trend began in the first few months of 2010 was confirmed by a further 3.0% rise in the second half against the first six months of the year. However, the picture was mixed across the Area's various segments.

The machine tool market started to pick up gradually at the beginning of 2010 but sales leveled off in the second half in the face of ever-tighter price competition. Italy and Germany are improving their level of profitability, boosted by a recovery in sales volumes combined with the positive effects of measures taken in 2009 to adjust production capacity. However, certain segments – such as safety cables – are finding it difficult to reach breakeven due to heightened competition. Business in France reaped the benefits of an upswing in the nuclear. In petrochemicals segments, an increase in the number of invitations to tender, seems to announce the return of big projects. Large-scale export orders have also been signed for cables for nuclear power plants in China and Slovakia. The railway segment still offers growth opportunities, whereas the shipbuilding segment (mainly for passenger transport in Europe) is experiencing difficulties.

In Asia, sales increased 16.7% like-for-like overall but the different countries making up the Area reported contrasting performances during the year.
Sales in South Korea were lifted by strong momentum in the offshore platform sector, buoyed by Singapore export markets, as well as by projects for Russia, notably for the Group's new ICEFLEX® cables which can withstand extremely low temperatures. It compensated a lower level of activity in the shipbuilding sector.
In China, sales surged 40.4% year-on-year, driven by growth in cables for the railway industry in which the Chinese government has injected substantial amounts of public funds. Sales of cables for the shipbuilding industry were also higher than in 2009, but the decrease in export markets curbed further growth potential.
Australia reported a strong 18.8% sales rise, led by solid growth in the mining industry.

In the MERA Area, sales advanced 37.5% like-for-like. Morocco reported a twofold increase in sales, fueled by the ramp-up in production of aeronautical cables in the new Mohammedia facility. In Turkey, demand remained subdued for instrumentation cables for the oil and shipbuilding industries.

In South America, sales fell 31.4% on a like-for-like basis.
Business levels were low in Brazil. The outlook seems to be brightening, however, as there has been a strong increase in the number of invitations to tender. A first significant order for umbilical cables was taken in 2010 and will be delivered from the Group's Halden facility in Norway.
In Chile, sales edged up 1.9%, with capital spending picking up in the mining sector although competition is still harsh.

Building cables

Sales of cables for the Building segment dropped 5.0% like-for-like in 2010. The discontinuation of building cable production in Germany and the closure of the Vacha plant accounted for around a third of the overall decrease.

Following a decline of around 12% in the first half (excluding the impact of the Vacha facility closure), sales in the second six months of the year rose by 7.3% period-on-period based on constant exchange rates. Substantially all of the Group's geographic regions contributed to this second half rise.

In Europe, sales contracted by almost 10% in 2010, after a 21.0% falloff in the first half. The decrease was partly due to the Group's withdrawal from the German market in 2009. Adjusted for this impact, sales would have declined by only 3.2% year-on-year.
In the countries that were the least hit by the real-estate crisis in 2009, profitability in the Building segment nonetheless deteriorated due to volume reductions and strong pressure on selling prices. This was particularly the case in the first six months of the year as business rallied in the second half, which helped push up operating margin.
Northern Europe (Norway, Sweden and the Netherlands) held firm, thanks to high value-added product offerings (HFFR cables, heating cables, and specialty cables). France – which accounts for virtually half of Nexans Building cables sales in Europe – registered 4.9% organic growth in second-half 2010.
The cost-reduction measures taken in 2009 in the countries that were the worst hit by the economic crisis enabled to reduce drastically the number of loss making entities.

In North America, sales retreated 5.2%, with the steep 21.1% drop in the first six months partially offset by volume growth in the second half.
In the Canadian market, demand remained stable in 2010 in the residential and commercial segments but tailed off in the industrial segment. As a result of highly volatile copper prices, distributors kept their inventories very low. Against this backdrop, the Group had to adopt a more assertive pricing policy as of the autumn.
In the United States, the market continued to experience strong competitive pressure as well as historically low business volumes. Prices leveled off somewhat in the second half although it is impossible to say at this stage whether this marks the start of a recovery.

In Australia, sales of cables for the retail and wholesale building markets shrank 20% in 2010, with performance in the second half helping to mitigate the impact of the 34.8% slump in the first six months.
The Building segment – which was hit a lot later by the global crisis – seems to have bottomed out in the first half of 2010. The decline in business levels was worsened by a loss of market share with one of the main national distributors, as well as by the fact that the Australian market is increasingly opening up to imports from low-cost South-East Asian countries. In response to this situation, in the second half of the year the Australian facility launched a wave of measures aimed at regaining its lost territory. Second-half 2010 saw a clear upturn in volumes, with sales climbing more than 20% at constant exchange rates against the first six months of the year. In tandem, the restructuring program launched in 2009 at the Lilydale site helped the Group to better weather the difficult economic conditions in the region, and further cost-reduction measures were implemented as from the autumn of 2010.

In the MERA Area, sales increased 1.0% like-for-like in 2010.
Lebanon reported 14.4% growth, fueled by the country's reconstruction efforts.
The Group's Turkish unit suffered a sharp reduction in margins following a marked slowdown in its domestic market in the fourth quarter of 2009 at the same time as its production capacity was stepped up in the area.
Morocco reported a 7.2% sales rise in 2010. The unit launched a geographic redeployment plan for its distribution activities, both in Morocco (entailing the opening of distribution centers in Tangiers, Marrakech and Fez in order to attract new customers in these regions) and elsewhere in Africa (Senegal).

In South America, the Building segment posted organic growth of 30.6%.
In Brazil, sales leaped 78.0%, propelled by social housing development programs launched by the government, particularly in the first half.

Sales in Chile were boosted in the first six months of the year by reconstruction works following the earthquake in February, which resulted in an increase in distributors' inventories against an ongoing highly competitive operating backdrop.
Demand remained robust in Peru, driven by social housing programs and sales of halogen-free cables for public buildings.
In Colombia, sales rose 4.1% on an organic basis, thanks to a very good second half when the Group won back market share from its main competitors and notched up several new contracts for control cables with customers in the oil industry.

Operating margin for the Energy business as a whole came in at 188 million euros in 2010 (representing 5.3% of sales at constant metal prices) versus 229 million euros in 2009 (6.8% of sales at constant metal prices).

The overall reduction in operating margin is due to the combined impact of the following factors:

- Pressurized margins in an economic context where there is still only an unsteady return to higher business volumes, coupled with higher prices for certain commodities, particularly for petroleum by-products used in insulation materials.
- Performance difficulties encountered on certain contracts for high-voltage submarine cables, which meant that the Group lost some of its revenue potential in that segment during the year.
- Gradual adjustment of the Group's manufacturing base in line with the upturn in volumes observed towards the end of the year after several consecutive quarters of sharp falls in business levels.

Operating margin for **Energy Infrastructure** stood at 7.6% in 2010, compared with 10% in 2009. This decrease was due to the above-mentioned difficulties experienced in **high-voltage submarine cables** as well as weak business volumes for **medium-voltage cables** which led to a lower coverage of fixed costs. This situation resulted in the Group pursuing its restructuring program, as planned, with the announcement of the closures of the Lorena plant in Brazil and the Latina facility in Italy.

Profitability for **industrial cables** is improving steadily, with operating margin coming in at 2.6% in 2010 after just breaking even in 2009.

Cables for the **Building** segment reported a 3.2% operating margin in 2010 (versus 5.3% in 2009), with the second half figure coming in 210 basis points higher than the first six months. In Europe, restructuring programs undertaken in 2009 helped to reduce indirect costs and improve profitability for this sector compared with 2009. In North America, Australia and the MERA Area, however, the impact of market conditions and much lower prices could not be offset.

TELECOM

Sales of Telecom cables came to 426 million euros in 2010, on a par with the 2009 figure like-for-like (.-0.3% of organic growth). However, while sales fell for infrastructure cables, the market for LAN cables swung upwards.

Telecom Infrastructure

Sales declined 7.1% like-for-like for 2010 overall, but performance was much stronger in the second half than for the first six months, with period-on-period growth coming in at 15.2% at constant exchange rates.

Europe – which accounted for over 80% of Group sales in this market – reported a 9.2% decrease for the full-year, versus a more than 20% decline for the first six months.

In the copper telecom cables segment – where the Group continues to offer a limited product range to certain incumbent operators – sales were down for most of Nexans' host countries.
In the optical fiber cable segment, sales fell 14.1% for the year as a whole. Following a first half marked by numerous postponements of projects due to a lack of financing and uncertainty in the procedures for allocating capital expenditure between incumbent and alternative operators, the second six months of the year saw a near-20% upturn driven by the gradual restart of certain projects, notably in Sweden.

In Asia (South Korea and Vietnam), sales surged by more than 23% year-on-year. As in Europe, sales of copper cables dropped sharply but in South Korea the Group recovered significant market share in optical fiber cables with the national operator.

In South America, sales advanced 12.8% versus 2009, with performance in the second half offsetting the 5.8% falloff reported for the first six months. In Brazil, the increase was 27.8% thanks to renewed demand from private operators.

Local Area Networks (LAN)

The Group recorded 5.5% organic sales growth in this segment in 2010, following on from the rebound in the second half of 2009.

In the United States (representing over 53% of the segment's sales), 2010 sales were 14.3% higher on an organic basis than in 2009 when they were hit by inventory reduction measures taken by distributors. This impact was no longer felt in 2010 and the segment's business levels held up well despite the crisis in the country's building industry. Also during the year, demand was boosted by the Group's positioning in high value-added products – both 10Gbit copper cables and optical fiber cables.

In Europe, sales decreased by 2.5%. After a difficult start to the year, sales stabilized but were still at fairly weak levels. However, growth in sales from high value-added cables, coupled with the positive effects of the streamlining plan launched in 2009 in France, enabled the region to end the year at very close to breakeven.
Sales in the systems business held firm, buoyed by numerous data center projects for large private corporations in the financial and manufacturing sectors in Western Europe, particularly the United Kingdom.

In Asia, sales inched back 1.8% year-on-year. In China, the move towards an offering focused on higher value-added products and systems fueled 3.9% growth.
Conversely, sales decreased in South Korea, mainly due to new production capacity brought into the market by the Group's competitors.

In Turkey, sales of LAN cables to Europe were up 2.7% on 2009.

In Brazil, sales retreated 13.4% on a like-for-like basis as a result of weak demand and tough competition in the LAN sector.

Operating margin for the Telecom business as a whole came in at 26 million euros (representing 6.0% of sales at constant metal prices) versus 23 million euros in 2009 (5.5% of sales at constant metal prices).

Telecom Infrastructure operating margin stood at 5.1% versus 8.7% in 2009, with second-half performance largely outmatching the first half (8.2% compared with 1.6%). The effect of weak sales volumes both for copper and optical fiber networks in the first half was largely offset in the second half by an upswing in business levels and a better product mix.
LAN operating margin was 6.7% in 2010 whereas in 2009 it came in just below 3.0%. The main drivers of this increase were a better sales showing in North America and the cost-reduction measures implemented in 2009 in Europe, notably concerning the Fumay plant.

ELECTRICAL WIRES

Sales for the Electrical Wires business totaled 289 million euros, up 21.9% like-for-like on 2009.

Wirerods
Like-for-like, wirerod sales jumped 28% in 2010.
In Europe, the manufacturing base has now been optimized for internal requirements and Nexans only has a low level of sales outside the Group (10 million euros). Wirerod operations in Europe returned to profit during the year, helped by the closure of the continuous casting and wire-drawing plant in Chauny at end-2009 and the allocation of business to other sites in France and Germany.
In North America sales surged 33.3% and margins were robust.

Bare wires
Sales of bare wires increased 8.9% at constant exchange rates, mainly led by Germany where growth came in at 27.9%, reflecting a recovery in the automotive sector to which the Group sells special wires.

Winding wires
The winding wires segment in Brazil reported an 18.4% increase in sales in 2010, driven by renewed consumer spending which boosted the household appliance and automotive sectors.

Operating margin for the Electrical Wires business swung from breakeven to a positive 7 million euros in 2010, representing 2.4% of sales at constant metal prices. This performance was chiefly fueled by the business's European activities which have undergone a large-scale restructuring, as well as by brisk sales momentum in North America.

UNALLOCATED OPERATIONS

The Group's various businesses each bear a portion of the cost of the holding company's operations ("head office costs") pro rata to their business levels.

In addition, certain income and expense items cannot be directly allocated to a specific operating activity and are therefore not allocated to the business line concerned. For example, in both 2010 and 2009, the Group had to incur non-recurring expenses for the organization of its legal defense following investigations launched by a number of competition authorities against the Group and other cable manufacturers. At the same time, the closure of certain manufacturing sites and ongoing successful efforts in 2010 to improve its working capital position (notably by speeding up inventory turnover) enabled the Group to significantly reduce its core exposure. This reduction led to a positive 37.0 million euro impact on operating margin – the same as in 2009 – with a corresponding entry recorded under "Core exposure effect" within "operating income". Core exposure is measured at historic value at operating margin level – a value that is lower than its resale value (see Note 1.i. to the consolidated financial statements).

Operating margin for unallocated operations came to a negative 13 million euros versus a negative 11 million euros in 2009.

1.2 Other items of 2010 consolidated results

1.2.1 Core exposure effect

The core exposure effect amounted to a positive 89 million euros at December 31, 2010 (net of the impact of lower inventory volumes – see section 1.1.2 above on unallocated operations), compared with a positive 18 million euros at December 31, 2009.
This effect represents the impact described in section 1.1.1 – "Overview" of measuring core exposure at weighted average cost.
The core exposure effect is not included in the operating margin, as changes in value of inventories that are included in operating margin are measured based on replacement cost, in line with the Group's policy of hedging the price of the metals contained in the cables sold to customers.

1.2.2 Net asset impairment

In the fourth quarter of each year, the Group carries out impairment tests on goodwill, property, plant and equipment and intangible assets, based on estimated medium-term data updated for the various business units.

The tests conducted in 2010 resulted in the recognition of a 43 million euro impairment loss, of which 33 million euros corresponded to partial impairment of the cash-generating unit which groups Nexans' operations in Australia and New Zealand. A sharp increase in imports into the Australian market from low-cost countries led to Olex losing market share with a number of customers who are facing fiercer competition themselves. As the Group considers that this situation might continue in the long term, in first-half 2010 it wrote down a portion of the value specifically allocated to Olex's customer portfolio at the time of the company's acquisition. In the second half of the year an additional impairment loss was recorded against goodwill.

In addition, the goodwill and other intangible assets of the Spanish units were fully written down in an amount of 8 million euros, in view of the fact that the country's economic situation has not improved, particularly in the domestic real-estate market.

The remainder of the impairment losses recognized in 2010 relate to capital expenditure – mainly maintenance outlay incurred for Group operations – that had already been fully written down in prior years and for which the outlook at December 31, 2010 did not justify a reversal of the corresponding impairment losses at that date.

The impairment tests performed in 2009 resulted in the recognition of a 21 million euro net impairment loss, of which nearly half related to a partial write-down of the goodwill allocated to 2 Italian units producing special cables and 5 million euros concerned goodwill recorded for the harness business, following the heavy impact of the economic crisis felt by these businesses in 2009. The remaining impairment recorded in the balance sheet related to capitalized maintenance outlay for Group operations that was already fully written down (mainly for metallurgy operations).

1.2.3 Restructuring costs

Restructuring costs came to 67 million euros in 2010 (see the breakdown provided in Note 23 to the consolidated financial statements) compared with 119 million euros in 2009.

The 2010 figure primarily reflects provisions set aside for plans to close two cable manufacturing plants (Latina in Italy and Lorena in Brazil) which mainly serve the energy infrastructure market.

The Group's infrastructure cables business in Italy rarely managed to break even, despite various corporate restructurings carried out in the past as well as major injections of funds. The ongoing falloff in orders by power network operators – both in the local market and internationally, especially for Spain – left the Group no alternative but to decide to definitely close the site. The planned closure will affect a total of 155 employees.
In Brazil, the Group continued to implement capacity reduction measures during the year due to a steep falloff in the overhead power lines market – which is the main production market for the Lorena site – combined with the Group's overcapacity for copper cables as a result of plants it acquired from the Madeco group in 2008. Following the closure of the Lorena plant, the Group's production capacity in Brazil will be grouped at two sites instead of the former three.

The remainder of the restructuring costs for 2010 correspond mainly to routine closure expenses relating to operations discontinued in 2009, particularly in France.

As was the case in 2009, all of these plans will include assistance measures negotiated with employee representative bodies aimed at reducing the impact of the closures on the employees concerned.

1.2.4 Changes in fair value of non-ferrous metal derivatives

Nexans uses futures contracts negotiated primarily on the London Metal Exchange (LME) to hedge its exposure to non-ferrous metal price fluctuations (copper, aluminum and, to a lesser extent, lead).
Due to the sharp volatility in non-ferrous metal prices, the Group has taken measures to enable a large portion of these derivative instruments to be classified as cash flow hedges as defined in IAS 39. Consequently, when these instruments (i) are used to hedge future transactions (notably copper cathode purchases) that are highly probable but not yet invoiced, and (ii) meet the requirements in IAS 39 for cash flow hedge accounting they are accounted for similarly to foreign exchange hedges that qualify for cash flow hedge accounting as follows: the portion of the unrealized gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity, and the ineffective portion is recognized in income under "Changes in fair value of non-ferrous metal derivatives". Any gains or losses previously recognized in equity are recycled to the income statement in the period in which the hedged item (e.g., the purchase of copper cathodes) affects income.

At end-December 2010, only a few of the Group's units did not yet fulfill the conditions enabling their derivatives to qualify for hedge accounting. For these units, gains and losses arising from fair value adjustments to non-ferrous metal derivatives is recognized in the income statement under "Changes in fair value of non-ferrous metal derivatives".

1.2.5 Net gains on asset disposals

The Group recorded a 15 million euro net gain under this item in 2010, half of which corresponded to gains realized on two transactions: (i) the sale of Nexans Morocco's battery manufacturing business in the first quarter of the year, and (ii) the sale of Nexans' majority stake in the Vietnam-based company LIOA. The remaining half primarily related to gains realized in 2010 on the sale of various plots of land.

1.2.6 Net financial expense

The Group recorded a net financial expense of 84 million euros in 2010, compared with 102 million euros the previous year.
The cost of net debt increased by 11 million euros, reflecting the full-year impact of the Group's June 2009 issue of OCEANE 4% bonds redeemable in 2016, following its decision to continue to extend the average maturity of its debt (see Note 24 to the consolidated financial statements).
Other financial expenses were 29 million euros lower than in 2009, chiefly due to the currency effect, with the Group recording a net foreign exchange gain of 4 million euros versus a net foreign exchange loss of 19 million euros in 2009.

1.2.7 Income taxes

Nexans reported an income tax expense of 26 million euros in 2010 against 39 million euros in 2009.
In 2009, the Group's income tax charge was significantly affected by the fact that no new deferred tax assets were recognized in relation to the losses incurred in certain countries during that year, notably as a result of restructuring costs. In 2010, however, the Group's higher taxable profit (due to (i) the spike in copper prices (core exposure effect – see section 1.2.1 above), (ii) lower restructuring costs), as well as the initial signs of an economic recovery, led to a greater utilization of tax losses carried forward from prior years and the recognition of a higher amount of deferred taxes on tax losses than in 2009.
The effective tax rate for profit-making entities at December 31, 2010 was 18.1% compared with 21.4% at December 31, 2009.

1.2.8 Principal cash flows for the period

Net cash generated from operating activities totaled 207 million euros in 2010 versus 461 million euros in 2009, breaking down as follows:

- 268 million euros in cash flows from operations (before gross cost of debt and tax), which was close to the 2009 figure despite 68 million euros in outflows for restructuring costs in 2010 compared with 44 million euros the previous year.
- A 61 million net cash outflow arising from changes in current assets and liabilities versus a 203 million net inflow in 2009. Ongoing measures to reduce working capital requirement were not sufficient to fully offset the impact of the steep rise in copper prices. Nevertheless, the working capital to sales ratio continued to improve, with average operating working capital requirement (trade receivables plus inventories less trade payables) for the four quarters of 2010 representing 18.5% of sales for the four quarters on an annualized basis, versus 21.3% in 2009.

Net capital expenditure was contained, totaling 116 million euros against 156 million euros in 2009. Dividends paid out by the Group in 2010 amounted to an aggregate 28 million euros versus 56 million euros the previous year.

Overall, at December 31, 2010, the Group's net debt totaled 144 million euros, on a par with the year-earlier figure of 141 million euros.

1.2.9 Balance sheet

At December 31, 2010, the Group's balance sheet showed:

- 2,164 million in equity attributable to owners of the parent, up 288 million euros on December 31, 2009, primarily due to 176 million euros in positive currency translation adjustments.
- Net debt of 144 million euros, giving rise to a gearing ratio (net debt/total equity) of 6.6%.
- Total working capital requirement of 1,057 million euros, up 149 million euros on the December 31, 2009 figure, chiefly as a result of the increase in non-ferrous metal prices.
- Provisions for contingencies and charges – including for pensions – totaling 474 million euros, 16 million euros lower than at December 31, 2009, chiefly due to the utilization of restructuring provisions.
- Non-current assets, excluding deferred tax assets, totaling 1,815 million euros, versus 1,693 million euros at year-end 2009, reflecting a positive 160 million euro currency effect. The goodwill figure (see note 7 to the consolidated statements) at year-end 2010 includes a final 11 million euro adjustment to the goodwill recognized on Madeco's cables business on its acquisition in 2008. The agreement signed in January 2011 which set the additional purchase consideration for the acquisition puts an end to the arbitration proceedings between Nexans and Madeco.

1.2.10 Other significant events of the year

a) Employee share ownership plan

On February 10, 2010, Nexans announced its intention to carry out a new employee share issue involving the issuance of a maximum of 500,000 shares as part of the "Act 2010" employee share ownership plan (see section 8.4 hereafter for further details).

The 2 million euro expense relating to the Act 2010 plan was recognized during the first half of 2010 and includes the impact of valuing the lock-up period applicable to plans in countries where it was possible to set up a corporate mutual fund. In accordance with the recommendation issued by the French National Accounting Board (CNC), the value of the lock-up period was calculated using interest rates applicable in the personal investment market, corresponding to 6.34%. The expense that would have been recorded if the impact of the lock-up period had not been taken into account would have been 4.9 million euros.

b) Changes in scope of consolidation

In 2010, the Group sold its 60% stake in LIOA, one of its two joint ventures in Vietnam. This disposal gave rise to a 4.3 million euro capital gain in the second half of 2010, which was recognized in the income statement under "Net gains on asset disposals" and had a positive 9.5 million euro impact on consolidated net debt.

In 2010, LIOA contributed 11.5 million euros to Nexans' consolidated sales (at current metal prices) and 0.4 million euros to operating margin.

1.3 Nexans SA

1.3.1 Business overview

Nexans SA reported sales of 12,882,063 euros for the year ended December 31, 2010, derived primarily from services billed to its subsidiaries. Net income for the year totaled 28,683,911 euros versus 61,742,534 euros in 2009.

The Company's equity at December 31, 2010 was 1,695,792,131 euros, compared with 1,671,777,697 euros at December 31, 2009.

In accordance with the requirements of Articles L.441-6-1 and D.441-4 of the French Commercial Code, it is hereby disclosed that Nexans SA had outstanding trade payables of 128, 240 euros at December 31, 2009 and 1,148,075 at December 31, 2010, (in this second case not payable as of end 2010 but payable at the first quarter 2011).

1.3.2 Proposed appropriation of 2010 net income and dividend payment

The Annual Shareholders' Meeting will be asked to approve the appropriation of net income for the year – totaling 28,683,911 euros – as follows:

- Retained earnings brought forward	272,832,691 euros
- 2010 net income	28,683,911 euros
- Legal reserve	(59,146) euros
Total distributable income	301,457,456 euros

Appropriation of income

(based on the number of shares comprising the share capital at December 31, 2010, i.e., 28,604,391 shares)

- Dividend payment of 1.1 euro per share, representing a total dividend of	31,464,830 euros
- Retained earnings	269,992,626 euros
Total	**301,457,456 euros**

The Annual Shareholders' Meeting will be invited to approve a dividend payment of 1,1 euro per share, representing a total payout of 31,464,830 euros based on the number of shares making up the Company's capital at December 31, 2010. However, this dividend amount could potentially be increased (and retained earnings correspondingly reduced) by a maximum of 2,051,311 euros in order to take into account the 1,864,828 maximum number of additional shares that could potentially be created, between January 1, 2011 and May 31, 2011 as a result of the exercise of stock options[1].

[1] Plus any shares issued on the exercise of options between May 31 (date of the Annual Shareholders' Meeting) and the dividend payment date, as these shares would also entitle their holders to any dividend payment voted at the 2011 Annual Shareholders' Meeting.

In the event that Nexans should hold any treasury shares at the time the dividend is paid, the amount corresponding to the dividends not paid on these shares will be allocated to the retained earnings account.

In compliance with Article 243 bis of the French Tax Code (*Code general des impôts*), it is specified that all of the Company's shares are of the same category and that all dividends paid will be eligible for the 40% tax relief referred to in Article 158, section 3, subsection 2 of said Code.

The total amount of dividends paid for the last three fiscal years and the total amount of the dividends qualifying for the 40% tax relief were as follows:

	2007 (paid in 2008)	**2008 (paid in 2009)**	**2009 (paid in 2010)**
Dividend per share	€2	€2	€1
Number of shares qualifying	25,372,103	27,970,803	28,101,995
Total payout	€50,744,206	€55,941,606	28,101,995

2. Progress made and difficulties encountered in 2010

The committed drive of Nexans' employees enabled the Group to continue to roll out the measures and action plans begun in 2009 in response to the tough operating environment. The plans already put in place to cut costs, reduce working capital requirement and improve operating performance at the Group's manufacturing facilities were further stepped up in 2010. In parallel, the Group continued to streamline its manufacturing base, announcing plans to close two additional sites – one in Italy and the other in Brazil.
At the same time, in emerging markets, Nexans continued to invest in manufacturing expansion of several plants and also finalized the Greenfield investment in Qatar. Investments were also made in information systems, which are a key element of the Group's operations.
In 2010, Nexans' employees demonstrated their trust in the Group and its future by actively participating in Nexans' fourth employee share issue. The overall take-up rate was 19.4% with a more than 50% increase in the number of employees purchasing shares compared with the previous issue in 2008.

Cost control

In 2010 several factors led the Purchasing Department to rethink its strategic actions and objectives, including:

- Strong fluctuations in several currencies, which required the Group to select suppliers accordingly.
- Tight supply of some plastics raw materials, as certain suppliers that reduced their capacity in 2009 in response to lower consumption levels experienced under capacity in 2010 as orders picked up. This impact then fed through to market prices. The Group's long-standing strategy of avoiding supplier monopolies paid off, enabling it to deal with this new market situation without any impact on production while at the same time limiting the adverse effect on its purchase prices.

The Purchasing Department also stepped up its efforts in the following areas during the year:

- Adapting the copper supply policy to Nexans' new organizational structure for metallurgy operations.

- Rolling out measures taken by the Purchasing Department to new areas such as insurance and quality and product certification.
- Intensifying targeted initiatives in Asia and South America by launching regional invitations to tender.
- Capitalizing on pricing opportunities during the year by incorporating advantageous conditions into gas and electricity contracts with terms of more than one year, in Australia, France, Brazil and North America.
- Continuing to seek out new cost-reduction opportunities (such as for freight).
- Implementing "green" purchasing measures, in cooperation with certain suppliers, such as using wooden drums certified by the PEFC (Programme for the Endorsement of Forest Certification) and carbon offsets for business travel. A large number of suppliers responded favorably to the Group's request to sign a CSR charter.
- Launching a three-year action plan to completely overhaul purchasing systems, in order to facilitate the consolidation of purchasing information and more effectively monitor measures that have been undertaken.

In addition to these initiatives focused on variable production costs, the Group took steps to cut its fixed costs during the year, which enabled it to keep fixed costs at the same level as in 2009. The measures carried out were aimed at offsetting both the impact of inflation (which was double digit in some countries) and the effect of suddenly moving from a period of very low production load to dramatic upturns in some markets.

Support processes and industrial coordination

The Group continued to roll out the Nexans Excellence Way program in 2010. Fifty-seven facilities are now fully involved in the program and have seen improvements in their operations in terms of costs (productivity and waste reduction), employee motivation, health and safety, and customer service. Particular attention was paid during the year to resolving problems on-site and bringing organizational structures into line with manufacturing competency models.

- **Health and Safety**: Improving health and safety conditions is still one of the Group's key priorities. In 2010, the manufacturing facility accident rate was 35% lower than in 2009 and the objective of achieving a frequency rate[1] of less than 10 was achieved (8.9 in 2010). The Group continued to work actively in this area during the year, carrying out a systematic analysis of all serious accidents, organizing awareness days for management teams, and drafting and relaying occupational health and safety standards.

- **Operating efficiency:** This covers essential areas such as containing direct costs, reducing inventory levels and delivering best-in-class customer service. In 2010, the focus was on waste reduction.

  - Monitoring consumption of raw materials – By implementing waste-reduction processes and concentrating on specific sites that produce the highest level of waste, scrap rates were reduced to 4.9% in 2010, from 5.2% in 2009.

  - Inventory reduction – Nexans continued to roll out the Inventory Reduction and Improved Service (IRIS) program in all of its geographic regions during 2010. The Group's inventory coverage rate (inventories expressed in days sales) fell once again in 2010, with the near-3% reduction bringing the overall decrease to 20% in the space of three years. In parallel, the customer service rate held firm at 87% and in 2011 priority will be given to further improving this rate.

[1] Manufacturing facility accident rate = Total number of accidents in the manufacturing facility with sick leave in excess of 24 hours/Total number of hours worked x 1,000,000.

- **Monitoring manufacturing industrial projects:** Major capital spending projects are carefully monitored, right from the approval phase through performance and up to completion. In 2010, a similar process was set up for product localization projects as part of the Group's overall strategy for partnering customers in new host countries.

Also during the year, the Group's Industrial Management Department teams continued to effectively coordinate Nexans' major projects. The Qatar plant – which forms part of the QICC joint venture in which Nexans is a minority shareholder – is now up and running. At the same time, the construction project launched in India by the joint venture set up between Nexans and Polycab is now underway.

Use of optimized information systems

In 2010, Nexans continued to upgrade and increase the security of its information system networks with a view to providing the necessary support in light of changing business trends and the Group's external growth plans. Internet Protocol (IP) telephony is an integral part of these changes. At end-2010, thirty-six sites used video over IP and 1,000 workstations were set up for telephony over IP.

An IT services transformation project was launched at Group level during the year in order to create shared services for the purpose of managing Nexans' strategic applications (e.g., SAP, Exchange, HFM, BI and portals). A single partner has been selected for the data centers and the first stage of the project is the gradual migration of corporate applications into the new system.

In parallel, the Group continued to bring integrated business management applications on stream. For example, SAP was introduced in Canada in September 2010 and the new version of SAP ECC6.0 was rolled out in Australia in January and in New Zealand in September.
The project to migrate SAP 4.6c applications specific to cable operations to the new ECC6.0 version entered the performance phase, with Switzerland chosen as the pilot site. After the pilot phase (i.e., after 2011), this major project will be rolled out to countries including France, Germany, Benelux, Norway, Spain, Greece, South Korea and the United States. The new system is based on a "best practices" brief drawn up by the Group, covering areas such as logistics, production, purchasing and finance. The new version also factors in comments and requests resulting from the Nexans Excellence Way program aimed at improving the monitoring of manufacturing performance.
Several Microsoft Navison projects are also currently being set up for the Group's less complex sites, including in China, Lebanon, Qatar, Nigeria and Egypt. These are based on the new version of Navison which also incorporates the Group's best practices.

In addition, the Group continued to roll out its Customer Relationship Management application in 2010. A total of 500 people who manage the invitations to tender now form part of a single quotation and bid monitoring system.
IT security remains a priority for Nexans and tests conducted in 2010 yielded good results. Several Disaster Recovery Plans were successfully tested in France, Norway, Switzerland, Germany, South Korea, Sweden and Turkey and the Group has launched business continuity plans to raise awareness within the operating entities and prepare contingency procedures to implement in the event of a serious systems malfunction.

Nexans also continued to contribute to the working groups organized by the CIGREF (French corporate IT association), which has enabled the Group to widen its prevention measures based on the experience of other major French corporations.

Main difficulties encountered in 2010

Business volumes troughed during the first half of 2010 and subsequently picked up in most segments in the last few months of the year. This move from several quarters of slack workload to a sudden recovery in orders and the start-up of postponed projects constituted a challenge for the Group during the year.
In parallel, margins were squeezed in certain segments due either to fierce pricing competition or sharp increases in certain commodity prices that were more difficult to pass on to customers than in the past. All of these factors indisputably weighed on the Group's profitability in 2010.

Against this backdrop, it proved particularly complex to manage the restructuring plans in Brazil and in Italy.

Lastly, the Group encountered performance difficulties on several high-voltage submarine cable contracts due to very tight workload schedules at the Halden plant as well as a number of complex projects. However, the Group returned to a more normal situation at the end of the year thanks to a complete organizational overhaul and the strengthening of certain key manufacturing processes.

3. Research and Development

Nexans places a particular focus on innovation and to this end has research teams dedicated to developing new materials and technologies.

Despite the global economic crisis, a high level of financial resources was once again allocated to R&D activities in 2010 (71 million euros for the Group overall, versus 64 million euros in 2009).

Nexans set up a new R&D organizational structure during 2010, with the aim of more effectively meeting customer needs and aligning its innovation capabilities with the Group's new profile following its expansion in recent years. This new structure is based on two levels of responsibility:

- Four Nexans Research Centers, which have been entrusted with carrying out upstream research activities in their specific area of expertise, in conjunction with external partners such as universities and external research centers and organizations. These four Centers are also responsible for fine-tuning new technologies and providing technical support in the various development areas in which the Group is involved. They work for all of Nexans' business units and are therefore fully financed by the Group. Two are based in France – at Lens for metallurgy and Lyon for other cross-linked materials as well as simulation activities. A third Center – for thermoplastic materials – is based in Nuremberg in Germany and the fourth Research Center – which specializes in elastomers – is a new Center set up in Jincheon County in South Korea in line with the Group's aim of internationalizing its research and development activities.

- 24 development networks corresponding to the 24 market segments identified by the Group as strategic in terms of growth. Each of these networks is responsible – in its own specific area of expertise – for designing product development programs, coordinating the work conducted on the programs by the various units concerned and ensuring that the work is performed effectively. They are also tasked with identifying new technologies relating to their market segments as well as regularly liaising with the Group's marketing teams in order to ensure that Nexans' development activities are in line with customer demand. Each network head is supported by a supervisory unit that specializes in the market segment concerned. The aim of decentralizing development activities in this way is to enable Nexans' teams to more closely meet customer needs while drawing on the support provided by the four Research Centers.

Also during the year, Nexans put in place a new management procedure for major R&D projects. Some twenty strategically important projects were earmarked in late 2009 and are now being closely overseen by the Technical Department, which also provides financing for the activities concerned.
Thanks to this new management procedure, key Group projects can be more readily identified and priority action areas defined with a view to speeding up the rollout of new solutions.

The Group's main R&D successes in 2010 included the following:

- Innovative direct current solutions developed: extruded cables and 200kV superconducting extremities.
- New products developed for smart grids.
- Current limiters marketed for protecting medium-voltage power networks.
- Certification of new generation composite core power lines.
- Rollout of INFIT® solutions for fire resistant cables and the halogen-free ALSECURE® range.
- Numerous projects in the Industry segment, including submarine and nuclear cables and cables for solar energy and wind power.

Lastly, Nexans filed 75 patents in 2010, establishing a new record for the Group and confirming the strength of its patent portfolio.

4. Significant events after the reporting period

The Group is not aware of any significant events that occurred after the end of the reporting period.

5. Trends and outlook for 2011

The last quarter of 2010 saw a marked improvement in the economic climate, which fueled a clear upswing in business volumes for all of the Group's operations. However, while business levels are expected to continue to trend upwards in 2011, the Group does not foresee sales reaching their "pre-crisis" levels. Margins are likely to pick up only gradually due to ongoing fierce price competition and the impact of hikes in the prices of certain commodities, as well as to the proportion of medium- and long-term contracts contained in the order book that the Group won at the height of the global downturn.

Against this backdrop, the Group will once again focus on several key action points, including:

- Keeping a close eye on changes in selling prices.
- Continuing its efforts to reduce working capital requirement.
- Optimizing the manufacturing base in order to manage as effectively as possible the strong upturn in volumes for a number of its businesses, particularly project-based work, by making industrial excellence a key competitive advantage for the Group.
- Keeping up the contract performance measures implemented for high-voltage submarine cables, in order to swiftly return to a more normal operating context.
- Continuing to reflect on the future of certain sites if a sustainable recovery for the businesses concerned cannot be envisaged in view of the Group's competitive positioning.

- Rolling out a "customer orientation" sales excellence program.
- Re-launching Nexans' large-scale capital expenditure program, particularly in the international market for major projects.

Sales volumes should continue to rise sharply in 2011, with a particularly sharp increase expected in the first half compared with the same period of 2010. Operating profitability bottomed out in 2010 and is expected to climb steeply in 2011. While noting that the accuracy of any forward-looking data will be affected by the actual scale of the upturn as well as by changes in commodity prices – an area that is outside the Group's control – Nexans considers that it could achieve an operating margin of around 5.5% in 2011.

6. Risk factors

The organizational structures and procedures in place within the Group relating to risk management are described in the 2010 report of the Chairman of the Board of Directors prepared in accordance with paragraph 6 of Article L.225-37 of the French Commercial Code.

6.1 Legal risks

6.1.1 Compliance risk

The Group is not subject to any specific regulations as a result of its business activity. However, in view of its wide geographic reach, it is required to comply with numerous national and regional laws and regulations, notably concerning commercial, customs and tax matters. Any amendments to these laws or regulations or how they apply to Nexans could result in a decrease in the Group's profitability and earnings.

Nexans has set up a project – overseen by the Group Purchasing Department – aimed at ensuring that the products it sells comply with the European REACH Regulation which came into force on June 1, 2007. The Group continued to carry out its compliance process in 2010, particularly with a view to registering certain substances that it uses. This project was rolled out to the Group's European sites during the year, which also involved putting in place a number of procedures and best practices aimed at incorporating regulatory requirements into the processes used for purchasing raw materials, designing new products and manufacturing and selling cables.

6.1.2 Antitrust investigations

The legal risk to which the Group is currently most exposed is the risk relating to investigations by antitrust authorities.

In late January 2009 investigations were launched against Nexans and other cable manufacturers concerning alleged cartel behavior in the sector of submarine and underground power cables and associated equipment and services. These investigations – which are still ongoing – are being conducted by the European Commission, as well as competition authorities in Australia, South Korea (in addition to an investigation into the Group's local operations), the United States and Brazil (launched in 2010). Investigations in Japan and New Zealand have now been closed.

The Group is not in a position to evaluate the possible outcome of these investigations. However, without prejudice to the conclusions of the investigations, given the level of fines imposed by the US and European competition authorities in recent cases and the potential direct and indirect consequences of this type of investigation, it is possible that the investigations may have a material adverse effect on the Group's earnings and consequently its financial position.

The Group has taken several measures to ensure that it complies with all applicable laws and regulations, notably including those concerning competition. One example of these measures is the updates it carried out in 2008 and 2010 to the Group's Code of Ethics and Business Conduct, which sets out the principles that the Group's employees are expected to respect in the course of their work and which is distributed widely throughout the Group.

In addition, in the first half of 2009, the Group adopted a Competition Compliance Program which describes the underlying principles for ensuring that Nexans' employees strictly respect all the provisions of the applicable competition laws. The principles adopted include the requirement to relay Group compliance procedures and standards to employees and ensure that these procedures are strictly respected. The Program also provides for a continuation of in-house training within the Group's entities in the aim of continually raising employee awareness of the risks relating to unfair competitive practices.

An internal audit was performed in 2010 on the Annual Action Plan included in the Competition Compliance Program in May 2009. The audit report – which stated that the Action Plan was progressing and that the internal control systems and procedures put in place are adequate – was presented to Nexans' Accounts and Audit Committee and the Board of Directors in July 2010.

A new Annual Action Plan was approved and relayed to all of the Group's local managers in July 2010. This new plan provides for (i) employee training and awareness-raising measures on competition law to be continued, (ii) all Group employees to be provided with the Group's Code of Ethics and Business Conduct, and (iii) all Group sales teams and their managers to sign an annual certificate confirming that they comply with the rules set out in the Group Competition Law Compliance Guidelines.

The Group also has a set of internal control rules and procedures for managing compliance risks which have been regularly tightened over the past several years (see the Internal Control section of the 2010 Report of the Chairman of the Board of Directors).

The procedures and processes put in place by the Group cannot, however, provide an absolute guarantee that all risks and problems relating to competition law have been or will be completely eliminated or entirely brought under control.

6.1.3 Risks related to claims and litigation

Due to the nature of its operations the Group is exposed to the risk of commercial and technical disputes. Furthermore, as part of its day-to-day business, Nexans is subject to legal risks arising from relations with partners, customers and suppliers. The Group is currently involved in a number of disputes, primarily relating to contractual liability (see section 6.2.1 below as well as section 6.2.7 on environmental risks).

6.2 Business-related risks

6.2.1 Risks related to contractual liability

<u>Product liability</u>

The nature of Nexans' business exposes it to product liability claims and claims for damage to property or third parties allegedly caused by its products. Nexans provides warranties concerning the performance of its products, which may cover a long period of time. In addition, warranties given to Nexans pursuant to contracts for the supply of the materials and components used in the Group's products may be less extensive than the warranties Nexans gives to its customers (for example steel tubes in umbilical cables and the optical fiber in optical fiber cables).

The Group has not recorded a provision for one particular dispute concerning product liability as the recognition criteria were not satisfied. This case concerns cables manufactured by one of the Group's European subsidiaries and sold to a harness manufacturer. The manufacturer then sold the cables to an automobile equipment manufacturer, which in turn sold them to a European automaker. Nexans' subsidiary was not informed of the automaker's technical specifications. The automaker used Nexans' cables along with switches in its wipers systems, and some of the cables allegedly broke. The subsidiary considers that the cables sold met the specifications of its customer, i.e., the harnesses manufacturer.

In January 2008 the automobile equipment manufacturer filed an emergency application against the harness manufacturer to obtain a court order appointing an expert to find and safeguard any available evidence in order to identify the technical cause of the problem. Nexans was involved in this procedure, during which the automobile equipment manufacturer claimed that the cables supplied did not comply with the technical specifications of the harness manufacturer, an allegation both the harness manufacturer and Nexans contest. The court will issue an opinion on the expert's technical report at the end of the procedure. The automaker allegedly undertook a recall affecting around 350,000 installed switches. Finally, the automobile equipment manufacturer confirmed that in 2007 its client, the automaker, filed a 17 million euro claim against it based on the number of vehicles returned at that date. Nexans notified its insurer of this claim at the time.

Although it is not yet possible to ascertain the impact of the above-described case, Nexans currently does not consider that it will have a material impact on the Group's consolidated financial position. It is, however, not in a position to exclude any such possibility.

<u>Contracts related to turnkey projects</u>

The majority of contracts for the supply and installation of cables as part of turnkey infrastructure projects involve high-voltage terrestrial and submarine cable operations, which account for approximately 16% of consolidated sales at constant non-ferrous metal prices. The individual value of these contracts is often high and they contain penalty and liability clauses that could be triggered if Nexans does not comply with the delivery schedule and/or with quality requirements (for example, technical defects requiring major intervention after installation due to product non-conformity resulting from production anomalies).

In addition, a number of turnkey contracts are performed as part of consortia set up between the Group and a manufacturer and/or service provider or with the large-scale involvement of a manufacturer or subcontractor. In this case, Nexans shares, to a certain extent, its partners' performance risks.

Any claims made in relation to turnkey projects could potentially have a material adverse effect on Nexans' earnings and consequently its financial position as (i) they can involve heavy penalties, (ii) all or some of the cables installed may have to be replaced, (iii) claims may be lodged for compensation, (iv) warranty periods may have to be extended, and/or (v) resulting delays may affect the financial structure of the project.

If any such claims arise, Nexans takes their impact into account when calculating the margins the Group recognizes on the contracts concerned, as described in Note 1.g to the consolidated financial statements.

For example, in late 2009 the Group encountered problems on a contract for high-voltage submarine cables when its end-customer – a Chinese State-owned company – disputed the amounts payable for protecting cable that had already been laid (and in working order), claiming that the protection works took an excessive amount of time to complete. In the first half of 2010 Nexans recorded a provision in its financial statements which covered the settlement agreement with the customer concluded beginning 2011 relating to works completed.

Another problem was encountered with this project as a ship operated by a Chinese sub-contractor involved in the cable-laying process accidentally damaged a submarine optical fiber link owned by the Chinese army. The Chinese army impounded the ship and would not allow Nexans' equipment on board to be unloaded. The army then lodged a claim – amounting to some 7 million euros – which has now been resolved.

Finally, Nexans is involved in a dispute with the Chinese subcontractor as the subcontractor is claiming the payment of invoices for the leasing costs of its equipment during the period when it was impounded by the Chinese army. Conversely, Nexans is claiming from the subcontractor compensation for losses caused by the accident (i.e., delays in the project). This dispute was still ongoing at end-December 2010 and has been referred for arbitration in Singapore.

At end-2010, Nexans considered that certain of its contracts could give rise to performance difficulties but these were not sufficiently significant for the Group to recognize provisions in the financial statements or disclose them as contingent liabilities.

Controlling risks

All major contracts entered into by the Group are subject to a systematic risk-assessment procedure and all bids representing over 5 million euros are submitted to the Group Tender Review Committee. Particular focus is placed on ensuring that the Group's sales teams pinpoint the risks inherent in sales contracts and that they involve the Group's Legal Department in contractual negotiations.

In order to mitigate product liability risk, the Group has set up stringent product quality control procedures. A large number of Nexans' units are ISO 9001 or 9002 certified. In addition, each unit monitors a set of indicators on a monthly basis in order to assess progress made in terms of quality and customer satisfaction.

Nexans currently has product liability insurance that it considers to be in line with industry standards, and whose coverage amounts largely exceed any past claims. However, Nexans cannot guarantee that its insurance policies would provide sufficient coverage for all forms of liability claim (see section 6.4 below) as although the coverage amounts are high, they are capped at annual levels and the policies contain standard exclusion clauses, notably concerning the cost of the product itself and late-delivery penalties.

6.2.2 Risks related to dependence on customers

Nexans' activities span a broad range of businesses, encompassing cables for the infrastructure, building and industry markets for both energy and telecommunications purposes, and it has many different types of end-customer – including distributors, equipment manufacturers, industrial operators and public operators – in a wide variety of countries. This diversity acts as a safeguard for the Group as a whole and no customer accounted for more than 4% of consolidated net sales in 2010. However, certain customers may represent a significant portion of a particular production unit's business, and the loss of one such customer could have a significant impact on a local level, potentially leading to the closure of the manufacturing facility concerned.

In addition, given the level of operating income involved and the difficult market conditions, the loss of one customer, particularly in markets with a small number of players, such as shipbuilding, aeronautics, or the automotive industry, could affect Nexans' income.

Lastly, the demand for certain products depends on the economic environment of the related business sector, such as in the oil industry.

6.2.3 Risks related to raw materials and supplies

Copper, aluminum and plastics are the main raw materials used by Nexans, with copper and aluminum accounting for the vast majority of the Group's raw materials purchases. Therefore, price fluctuations and product availability have a direct effect on its business. Nexans has so far always been able to obtain adequate supplies, at commercially reasonable prices. A global copper shortage or interruptions of supplies could have an adverse effect on Nexans' earnings, even though Nexans has diversified its sources of supply as much as possible in order to reduce these risks. The situation is to some extent similar for petroleum by-products such as polyethylene, PVC and plasticizers. The inability to source raw materials at reasonable prices could therefore negatively affect Nexans' business and earnings.

The Group's policy is always to have at least two suppliers for any raw material or component used in manufacturing its products. There may be certain rare cases where the Group uses a sole supplier, particularly in the case of raw materials used for the production of high-voltage cables. With the help of the Research and Development Department, in 2008 Nexans' Purchasing Department launched a program aimed at reducing sole source procurement situations. Nexans did not experience any raw materials shortages in 2010 although its supplies were extremely tight at times.

Copper consumption in 2010 amounted to 450,000 tons (excluding the 60,000 tons processed on behalf of customers). As part of its strategic purchasing policy to secure supplies of certain raw materials, both in terms of volume and price (for example, the LME price plus a premium), the Group has signed a copper cathode purchasing contract with one of its suppliers covering up to the end of 2010. The annual volume purchased under this contract is set at the end of the year for the following year. In early 2011 negotiations were in progress for a new contract covering the period from 2011 through 2013. To cover its remaining copper cathode requirements the Group enters into annual purchasing contracts with other suppliers that include pre-determined volumes. Nexans' commitments under these agreements correspond to approximately 300,000 tons of copper for 2011.

The Group's aluminum consumption in 2010 totaled 149,000 tons. In order to secure its supplies of aluminum wirerods the Group has given firm purchase commitments for minimum quantities of approximately 40,000 tons per year for the period from 2008 through 2012. This policy forms part of an overall partnership with two leading international producers.

Summary of copper and aluminum commitments under take or pay contracts or other agreements:

Raw material	**Commitments (in thousands of tons)**			**Market value**	**Purpose**
	2011	**2012**	**2013**		
Copper	300	200*	100*	LME	*Own use*
Aluminum	40	47	-	LME	*Own use*

** Estimated amount, subject to adjustment.*

As these products are quoted on regulated markets, any hypothetical surplus quantities purchased under firm commitments but not subsequently used can then be sold, although the Group may incur a potential cost resulting from price differentials.

The financial instruments used by the Group to manage its exposure to commodities risks for copper and aluminum are described in paragraph d (Metals price risk) of Note 26 to the consolidated financial statements (Financial risks). The sensitivity of the Group's earnings to copper prices is described in paragraph g (Market risk sensitivity analysis) of the same note.

Other than for certain energy contracts that represent a low value for the Group as a whole, contracts entered into by Nexans for other raw materials are negotiated annually without any firm purchase commitments, and orders are placed monthly on the basis of the Group's requirements.

Risks related to the supply of raw materials are specifically monitored by each purchaser for the product family concerned.

6.2.4 Geopolitical risks in high-growth areas

Certain high-growth regions are important for the Group's development but some of these areas are exposed to major geopolitical risks. In 2010, some 13% of the Group's sales at current non-ferrous metal prices were generated in the MERA Area, and less than 3% in countries which are classified by Coface as having a very unsettled economic and political environment or representing a very high risk.

6.2.5 Risks related to the Group's competitive environment

The cable industry is still 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 market, geographical area and product line concerned. Consequently, the Group has several competitors in each of its businesses. Furthermore, for some businesses and in certain regional markets, Nexans' main competitors may have a stronger position or have access to greater know-how or resources. In Europe, where the Group generates around 50% of its sales, Nexans' main competitors are Prysmian, Draka and General Cable.

In recent years, cable makers have been affected by the crisis in the telecoms market as well as a steady increase in the trade of certain types of low value-added cable among countries in a given region. This has led a number of market players to launch restructuring programs to reduce excess production capacity. Aside from these corrective measures, however, there have been no radical changes to the structure of the industry and it remains relatively fragmented both on a regional and global scale.

At the same time, new players are entering the field, encouraged by the development of new markets, particularly in emerging economies.

Nexans faces stiff competition in certain markets given that a number of the Group's products such as cables, wires and accessories must comply with industry specifications and are interchangeable with the products of its main domestic and international competitors. In the industry market, OEMs (Original Equipment Manufacturers) are shifting away from standardized products, and Nexans therefore has to constantly develop new products in order to accommodate increasingly demanding specifications. The principal competitive factors in the cable industry are cost, service, product quality and availability, geographical coverage and the range of products offered.

In this environment, Nexans must constantly invest and improve its performance in order to retain its competitive edge in certain markets. In addition, Nexans continues to focus on the R&D, logistics, and marketing aspects of its businesses in order to stand out from the competition. At the same time, faced with downward pressure on prices, the Group strives to reduce costs by continuously streamlining its production processes, as well as through plans to boost its manufacturing performance.

6.2.6 Risks related to technologies used

In order to remain competitive, Nexans must anticipate technological advances when developing its own products and manufacturing processes. The growing demand for low-energy consumption, recyclable and less polluting products as well as value-for-money products and services requires the creation of innovative manufacturing processes, the use of new materials and the development of new wires and cables. Most of the markets in which Nexans has a presence tend to favor the use of highly technological products; it is therefore important that Nexans undertakes research providing it with access to the technologies that are required and valued by the market. Moreover, despite the significant work conducted by the Group's Research & Development Department, and the ongoing monitoring of potentially competitive technologies, there is no guarantee that the technologies currently used by Nexans will not ultimately be replaced by new technologies developed by its competitors or that its competitors will not file claims for alleged patent infringement.

Nexans is regularly involved in patent infringement claims filed either by itself against third parties or by competitors against the Group. Until now, the financial consequences of such disputes have not been material for the Group.

6.2.7 Industrial and environmental risks

As a manufacturing group, Nexans is exposed to risks relating to the operations conducted at its production sites as well as major machinery breakdown incidents. The Group draws up systematic audit plans in conjunction with its property and casualty insurer with a view to preventing such risks. In addition, it has set up cost-reduction and restructuring programs at certain sites, which could be problematic to implement or may not generate all the anticipated cost-savings.

In view of Nexans' prominent role in the submarine high-voltage cables market, it needs a cable-laying vessel capable of performing the Group's installation contracts within the required timeframes. As there is a limited market for such vessels, Nexans directly owns a cable-laying vessel, the Skagerrak, which is one of the rare ships in the world specially designed to transport and lay high-voltage submarine cables.

As is the case for any industrial player, Nexans is subject to numerous environmental laws and regulations in the countries where it operates. These laws and regulations impose increasingly strict environmental standards, particularly in relation to atmospheric pollution, wastewater disposal, the emission, use and handling of toxic waste and materials, waste disposal methods, and site clean-ups and rehabilitation. Consequently, Nexans is exposed to the possibility of liability claims being filed against it, and of incurring significant costs (e.g., for liability with respect to current or past activities or related to assets sold).

The Group has an in-house environmental management system that has been operational for several years and whose underlying objective is to enable the Group's sites to achieve EHP certification (*Environnement Hautement Protégé* or Highly Protected Environment). EHP certification is granted following an audit based on an in-depth questionnaire dealing with 12 environmental themes, which is sent to the Group's manufacturing facilities. See section 16.1 of this Management Report for further information.

In the United States, Nexans is subject to several federal and state environmental laws, under which certain categories of entity (as defined by law) can be held liable for the full amount of environmental clean-up costs, even if no fault is determined and the relevant operations comply with the applicable regulations. Nexans is not currently involved in any legal proceedings of this type. However it cannot guarantee that no such proceedings will arise in the future, which could in turn negatively impact the Group.

In general, various environmental claims are filed against the Group in the normal course of business. Based on the amounts claimed and the status of the proceedings concerned, together with the Group's evaluation of the risks involved and its provisioning policy, Nexans believes that there is little risk that these claims will have a material adverse effect on its future earnings or financial position.

At December 31, 2010, provisions recognized for environmental risks amounted to 6.5 million euros (including 2 million euros in connection with the clean-up of sites which are being closed). They primarily include an amount set aside for a lawsuit in Duisburg, Germany, filed by a city council and the purchasers of a plot of land relating to soil and ground water contamination. This soil contamination is long-standing and the related site restoration costs have not yet been determined. In addition, it has not yet been established whether Nexans is fully liable. Nevertheless, the Group has recorded a provision to cover any potential responsibility it may have for clean-up costs.

Provisions for environmental risks also include amounts relating to the clean-up of a landfill site at the Group's Swedish subsidiary as well as other costs for current or planned site rehabilitation and soil clean-up operations due to the use of products such as solvents and oils. Additional expenses may also be incurred for the clean-up of closed sites and sites earmarked for sale, but the Group expects the related amounts to be less than the market value of the sites in question. In addition, Nexans has undertaken site surveys in order to determine whether it needs to launch any site clean-up measures.
The Group believes that any unprovisioned costs for potential site rehabilitation should not have a material adverse effect on its earnings.

Nexans cannot guarantee that future events, in particular changes in legislation or the development or discovery of new facts or conditions, will not lead to additional costs that could have a material adverse effect on its business, earnings or financial position.

6.2.8 Nexans' position on asbestos

The manufacture of Nexans products does not involve any handling of asbestos.

In the past (and particularly to comply with French army specifications), asbestos was used to a limited extent to improve the insulation of certain kinds of cables designed for military purposes. It was also used in the manufacture of enamel wire furnaces at two sites in France, but this activity was discontinued several decades ago.

At end-2010, 60 people in France had been classified as suffering from an asbestos-related occupational illness, of which nine had filed lawsuits against their employers that are still in progress. In addition, 55 employees (25 at Nexans France and 30 at Nexans Copper France – formerly SCCC) are currently undergoing medical supervision. Outside France, a number of employees have been classified as suffering from an asbestos-related occupational illness in the past and the Group is aware of four lawsuits that have been filed concerning such illnesses.

Management does not believe that this risk is likely to have a material adverse effect on the Group's earnings or financial position.

6.3 Financial risks

This section should be read in conjunction with Note 26 to the consolidated financial statements, entitled "Financial risks", which also sets out a sensitivity analysis for 2010.

Liquidity risks

The Group's main liquidity risks relate to:

- its obligation to repay or redeem its existing debt, primarily corresponding to (i) plain vanilla bonds redeemable in 2017, (ii) convertible bonds redeemable in 2013 and 2016, (iii) a trade receivables securitization program set up by two subsidiaries, and (iv) to a lesser extent, short-term debt taken out by a number of the Group's subsidiaries;
- the Group's future financing requirements; and
- the financial ratios in covenants contained in the syndicated credit facility taken out by the Group, and the cross default clauses applicable to the above-described bonds.

Details of the Group's cash resources and requirements (such as cash surpluses, credit lines, financial ratings), together with its policy for managing and monitoring liquidity are described in Notes 24 and 26(a) to the consolidated financial statements.

Interest rate and foreign exchange risks

Nexans does not generally use interest rate hedges as it considers that its financing structure – as described in Note 26(b) to the consolidated financial statements – does not expose it to any specific interest rate risk. A sensitivity analysis concerning changes in interest rates is provided in Note 26(f) to the consolidated financial statements.

The foreign exchange risk to which the Group is exposed is described in Note 26(c). Nexans considers its exposure to foreign exchange risk on operating cash flows to be moderate for the Group as a whole, due to its underlying operational structure whereby most subsidiaries primarily operate in their domestic markets, with the main exception of export contracts in the high-voltage business. Currency hedges are set up by the Group in order for operating units' cash flows to remain denominated in their functional currency. A sensitivity analysis concerning fluctuations in the two main currencies that present a foreign exchange risk for the Group (the US dollar and the Norwegian krone) is provided in Note 26(f).

On account of its international presence, the Group is also exposed to foreign currency translation risk for certain currencies such as the US dollar, the Brazilian real, the Australian dollar and the Chilean peso. This risk is tracked by the Group Finance Department but only a limited number of specific hedges are set up, as the Group considers the cost of these hedges and their impact on cash flows to be prohibitive.

Metal price risks

The nature of the Group's business activity exposes it to volatility in non-ferrous metal prices (copper and, to a lesser extent, aluminum and lead). Nexans' policy is to pass on metal prices in its own selling prices and to hedge the related risk either through a natural hedge or by entering into futures contracts on metal exchanges.
The Group's strategy for managing non-ferrous metal risks, the potential impact of fluctuations in copper prices and the hedges put in place by Nexans are described in Notes 26(d) and 26(f)

to the consolidated financial statements.

Customer credit risk

As well as customer credit risk Nexans is exposed to financial counterparty risk, primarily arising from foreign currency and non-ferrous metal derivatives (see Note 26(e) to the consolidated financial statements).

6.4 Insurance

Nexans has a number of Group insurance programs that have been in place since 2003 and cover companies that are over 50%-owned and over which the Group exercises managerial powers. Entities acquired by Nexans are gradually incorporated into the majority of these programs. In view of the difficulties in applying some of the programs in certain countries, insurance policies are sometimes taken out locally in conjunction with the Group Insurance Department, such as in Brazil and Nigeria.

The insurance programs are negotiated with front-ranking insurers in the form of multi-year policies whenever possible ; they include exit clauses for the insurer. Their coverage limits are based on a historical analysis of Nexans' claims experience and the advice of the Group's brokers and generally exceed the maximum amount of insured losses incurred by the Group in the past. However, the policies do not always cover the entire risk as they may be capped in terms of insured amounts or not include certain types of coverage (for example the value of replacement products is not covered in the Group's third-party liability policy).

The Group relies on the expertise of the global networks of insurance brokers to assist it with controlling and managing the risks to which it is exposed in all the countries where it operates.

The overall cost of insurance policies (excluding personal insurance) taken out at Group level represents less than 0.5% of Nexans' sales at constant non-ferrous metal prices.

Apart from the directors and officers liability policy, the main insurance programs set up by the Group to cover its manufacturing and operating activities are described below.

Property damage – business interruption

The Group is covered for non-excluded property claims as well as business interruption arising from accidental damage to insured assets.

Certain geographic areas have more limited coverage for natural disaster risks, such as areas with a high risk of earthquakes (e.g., Greece, Italy, Turkey, Japan and Lebanon).

During 2010, Nexans continued its drive to reduce industrial risks by setting up a specific three-year capital expenditure program, designed in close collaboration between the Industrial Management Department and expert advisers from the Group's property insurer. These advisers regularly visit Nexans' manufacturing sites, making targeted recommendations on how to improve risk prevention and health and safety procedures, as well as subsequently monitoring that the recommendations have been implemented.

Third-party liability (general, environmental, aeronautical and aerospatial)

These general policies cover the Group's entities for third-party liability claims that may arise during the course of their business or as a result of the products they manufacture. Environmental, aeronautic and aerospatial risks are covered by specific policies.

With respect to third-party liability resulting from aeronautical or aerospace products, coverage for losses caused to third parties is limited to the occurrence of severe accidents or decisions to ground aircraft made by domestic or international civil aviation authorities, and excludes all other types of liability. It is possible that an extremely rare but highly serious claim could considerably exceed the insured amounts (or the policy's coverage) and could therefore significantly affect Nexans' earnings.

Third parties and insurers are turning increasingly toward litigation in order to either reduce or, conversely, expand the scope of contractual undertakings. The possibility of legal action being taken creates further uncertainties as to the amount of risk transferred.

Transport

Transport risks that are covered by insurance concern supplies, deliveries and transfers between sites, irrespective of the type of transport used.

Comprehensive construction insurance for laying terrestrial and submarine cables

Site work relating to the laying of both terrestrial and submarine cables is covered by two specific insurance programs.

Short-term credit risk insurance covering receivables owed by certain domestic and export customers

As part of a renewable multi-year program, Nexans has set up a short-term credit risk policy, which is gradually being rolled out to the Group's entities based on a portion of their sales. At end-2010 around 80% of the Group's countries were included in this program.

Coverage for the Group's cable-ship Skagerrak

The Group's cable-ship, Skagerrak, is covered by hull & machinery/loss of hire and protection & indemnity insurance.

Captive re-insurance company

Nexans has set up a captive reinsurance entity – Nexans Ré – which has been operational since January 1, 2008 and is aimed at optimizing and managing the Group's risk retention strategy, as well as preventing and controlling risks. It reinsures recurring risks, such as property and casualty and business interruption, as well as short-term credit risks and transport risks. It operates on a program-by-program basis, with maximum coverage amounts per loss and a 4 million euro cumulative cap per insurance year.

The risks described in this section are those that, at the date of this report, the Group believes could have a material adverse effect on its operations, earnings, financial position and outlook if they occurred. Nexans may be exposed to other risks that were unidentified at the date of this report, or which do not currently seem to be significant.

7. Corporate officers and senior managers

See also point 1 (Composition of the Board of Directors) in the corporate governance section of the 2010 Report of the Chairman of the Board of Directors.

7.1 Directorships and other positions held by members of the Board of Directors

In accordance with Article L.225-102-1 of the French Commercial Code, the following table lists, at December 31, 2010, the directorships and other positions held by the members of Nexans' Board of Directors in all companies during 2010. It also sets out directorships and other positions previously held but which have expired within the last five years.

	Directorships and other positions held during fiscal 2010 (and still in force at the year-end)	**Directorships and other positions that have expired in the last five years**
Frédéric Vincent Chairman and CEO	– Chairman and CEO of Nexans Morocco	– Director of Electro-Banque, International Cable Company*, Essex Nexans Europe, Nexans Hellas*, Liban Câbles Holding SAL*, Liban Câbles SAL*, Nexans Energy USA Inc.*, Nexans Magnet Wire Redevelopment Corporation*, Nexans Canada* – Chairman of the Board of Nexans USA Inc.* – Chief Executive Officer of Nexans Participations – Chief Operating Officer of Nexans
Gianpaolo Caccini Director	– President of Assovetro, the Italian Association of Glass Manufacturers – Chairman of Saint Gobain Corporation*	– Director of Saint-Gobain, Nybron Flooring International* and JM Huber Corporation* – Chief Operating Officer of Saint Gobain Group
Jean-Marie Chevalier Director	– Professor of Economics at the University of Paris Dauphine – Senior Associate at Cambridge Energy Research Associates (IHS-CERA)	(N/A)
Georges Chodron de Courcel Director	– –Chief Operating Officer of BNP Paribas – Member of the Executive Committee of BNP Paribas – Chairman of Financière BNP Paribas SAS, Compagnie d'Investissement de Paris SAS and BNP Paribas (Switzerland) SA* – Vice-Chairman of Fortis Bank SA/NV* – Director of Bouygues SA, Alstom, F.F.P. (Société Foncière Financière et de Participations), Verner Investissements SAS, Erbé SA*, GBL (Groupe Bruxelles Lambert)*, Scor Holding (Switzerland) AG*, Scor Global Life Rückversichering Schweiz AG* and Scor Switzerland AG* – Member of the Supervisory Board of Lagardère SA – Non-voting director of Exane, Scor SE and Safran	– Chairman of BNP Paribas Emergis SAS and BNP Paribas UK (Holdings) Ltd* – Director of BNL* (Banca Nazionale del Lavoro), BNP Paribas ZAO* – Non-voting director of Scor Vie (renamed Scor Global Life)
Jérôme Gallot Director	– Chairman of CDC Entreprises – Member of the Management Committee of Caisse des Dépôts – Director of ICADE, Caixa Seguros* and Plastic Omnium	– Director of Schneider Electric SA, Crédit Foncier de France, Galaxy Fund, Galaxy Management Services, Informatique CDC SA and CNP Assurances

	Directorships and other positions held during fiscal 2010 (and still in force at the year-end)	Directorships and other positions that have expired in the last five years
	– Member of the Supervisory Board of Schneider Electric SA – Member of the Executive Committee of Fonds Stratégique d'Investissement (FSI) – Non-voting director of NRJ Group	– Member of the Supervisory Board of NRJ Group, CNP Assurances and Compagnie Nationale du Rhône (CNR) – Chairman of Sicav Austral – Director of Caisse des Dépôts et Consignations – Non-voting director of Oseo
Jacques Garaïalde Director	– Managing Director of Kohlberg Kravis Roberts & Co. Ltd* – Chairman of the Board of Directors of PagesJaunes Group – Chairman and Chief Executive Officer of Médiannuaire Holding – Director of Legrand, Tarkett SA and Visma AS* – Member of the Executive Committee of Société d'Investissement Familiale	– Director of Legrand France and Lumina Participation
Véronique Guillot-Pelpel[1] Director	– Judge (*juge consulaire*) at the Paris Commercial Court	(None)
Gérard Hauser Director	– Director of Alstom, Ipsen and Technip – Chairman of the Supervisory Board of Stromboli Investissement SAS	– Chairman and CEO of Nexans – Director of Faurecia and Aplix
Colette Lewiner Director	– Vice-President, Global Leader Energy, Utilities & Chemicals of Cap Gemini – Director of Lafarge, Bouygues, La Poste and TGS-NOPEC Geophysical Company ASA* – Non-executive Chairman of TDF – Member of the Académie des Technologies – Member of the European Commission's Advisory Group on Energy	– Director of Ocean Rig ASA*
Guillermo Luksic Director	– Chairman of the Board of Directors of Quiñenco*, Madeco*, CCU* and Viña San Pedro Tarapacá* – Director of Banco de Chile*, SM Chile S.A.*, LQ Inversiones Financieras S.A.*, Antofagasta plc*, Antofagasta Minerals*, Embotelladoras Chilenas Unidas* and Compañia Pisquera de Chile S.A.* – Advisor to and member of the management bodies of the Ena Craig foundation* and the Centro de Estudios Publicos* (non-profit organizations) – Trustee of the University of Finis Terrae*	– Chairman of the Board of Directors of CNT Telefónica del Sur*
François Polge de Combret Director	– Senior Advisor at Crédit Agricole CIB – Director of Bouygues Telecom – Member of the Supervisory Board of Safran	– Director of Renault, Fonds Partenaires Gestion and Sagem (merged into Safran)
Ervin Rosenberg Director	– Advisor to the Chairman of the Management Board of Compagnie Financière Edmond de Rothschild Banque – Member of the Supervisory Board of Edmond de Rothschild Investment Managers Solutions and Edmond de Rothschild Entreprises Patrimoniales – Chairman and Chief Executive Officer of	– Director of Thomson SA, Carbone Lorraine and Mobility Saint Honoré – Member of the Supervisory Board of Compagnie Financière Edmond de Rothschild Banque and Ifrah Finance – Non-voting director of Compagnie Financière Edmond de Rothschild Banque

[1] Director elected on May 25, 2010

	Directorships and other positions held during fiscal 2010 (and still in force at the year-end)	Directorships and other positions that have expired in the last five years
	Financière Savoisienne	
Nicolas de Tavernost Director	– Chairman of the Management Board of the M6 Group – Member of the Supervisory Board of Ediradio SA (RTL) – Director of Antena 3*, GL Events SA, Club des Girondins de Bordeaux, Extension TV SA, TF6 Gestion SA and Société Nouvelle de Distribution SA	– Director of Business Interactif and Hotel Saint-Dominique (in a personal capacity) – President of the Association of Commercial Television in Europe (ACT)*

* Positions held at foreign companies or in foreign institutions.

7.2 Transactions in Nexans securities by corporate officers and senior managers

In accordance with Article 223-26 of the General Regulations of the AMF (the French financial markets authority), the transactions in Nexans securities carried out during fiscal 2010 by corporate officers and senior managers, as designated by Article L.621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*) are listed in the following table.

	Date of transaction	Type of transaction	Financial instrument	Price (in euros)	Total gross amount (in euros)
Frédéric Vincent Chairman and CEO	04/23/2010	Purchase	Shares	58.9811	88,471.65
Véronique Guillot-Pelpel Member of the Board of Directors	06/17/2010 12/02/2010	Purchase Purchase	Corporate mutual fund units Corporate mutual fund units	52.62 51.3559	83,881.86 12,563.20
Gérard Hauser Member of the Board of Directors	04/23/2010 11/10/2010 11/22/2010	Subscription Sale Sale	Stock options Shares Shares	27.82 53.6 54.25	556,400 53,648 54,259
Frédéric Michelland Member of the Management Committee and the Executive Committee	08/05/2010 08/12/2010 08/25/2010 06/21/2010	Subscription Purchase Purchase Purchase	Corporate mutual fund units (*) Shares Shares Corporate mutual fund units (**)	40.51 50.00 44.7258 54.95	15,000 5,000 4,472.58 17,153.68
Jean-Claude Nicolas Member of the Executive Committee	08/05/2010	Subscription	Corporate mutual fund units	40.51	8,000
Patrick Noonan Member of the Executive Committee	08/05/2010	Subscription	Corporate mutual fund units (*)	40.51	20,000
Pascal Portevin Member of the Management Committee and the Executive Committee	06/21/2010 08/05/2010	Purchase Subscription	Corporate mutual fund units (**) Corporate mutual fund units (*)	54.95 40.51	4,337 20,000
Yvon Raak Member of the Management Committee and the Executive Committee	06/21/2010 08/05/2010	Purchase Subscription	Corporate mutual fund units (**) Corporate mutual fund units (*)	54.95 40.51	17,153.68 20,000
Jacques Villemur Member of the Executive Committee	03/10/2010 04/21/2010 06/21/2010 08/05/2010 11/24/2010	Sale Subscription Purchase Subscription Sale	Shares Stock options Corporate mutual fund units (**) Corporate mutual fund units (*) Shares	56.81 27.82 54.95 40.51 52.60	136,344 111,280 17,153.68 14,000 157,800

(*) Transactions related to the employee share issue carried out in accordance with the Act 2010 employee shareholding plan.

(**) Transactions related to profit-sharing and employer contribution, invested in FCPE Actionnariat Nexans (employee mutual fund).

7.3 Directors' compensation

At December 31, 2010 the Company had 13 directors, all of whom were members of the Board of Directors.

The annual amount of directors' fees was set at 600,000 euros at the Annual Shareholders' Meeting held on May 26, 2009, effective from the fiscal year that commenced on January 1, 2009.

The methods for allocating the directors' fees approved by the Board of Directors include the calculation of a fixed portion and a variable portion, based on the directors' attendance at Board meetings and their membership of Committees.

The Board of Directors set the amount of directors' fees to be allocated between the individual directors as follows:

- a fixed portion of 20,000 euros for each director, including the Chairman;
- an additional 2,000 euros for each director, including the Chairman, for each Board meeting attended, capped at14,000 euros per director;
- 3,000 euros for each member of the Accounts and Audit Committee, per meeting attended, capped at 12,000 euros per year (6,000 euros per meeting for the Committee Chairman, capped at 24,000 euros per year); and
- 3,000 euros for each member of the Appointments and Compensation Committee, per meeting attended, capped at 12,000 euros per year, (4,500 euros per meeting for the Committee Chairman, capped at 18,000 euros per year).

The total amount of directors' fees allocated for 2010 was 495,667 euros. The table below shows the allocation between the individual directors for 2010 and 2009 (in euros).

Board member	**Directors' fees allocated in 2009 (for 2009)**	**Directors' fees allocated in 2010 (for 2010)**
Frédéric Vincent (Chairman)	34,000	34,000
Gianpaolo Caccini	46,000	46,000
Jean-Marie Chevalier	34,000	34,000
Georges Chodron de Courcel	58,000	52,000
Jérôme Gallot	64,000	61,000
Jacques Garaïalde	34,000	41,000
Véronique Guillot-Pelpel*	N/A	21,667
Gérard Hauser	34,000	34,000
Colette Lewiner	34,000	34,000
Guillermo Luksic	24,000	24,000
François Polge de Combret	46,000	46,000
Ervin Rosenberg	34,000	34,000
Nicolas de Tavernost	34,000	34,000
TOTAL	**519,000****	**495,667**

** Director elected on May 25, 2010*
*** Including 41,000 euros paid to Jean-Louis Gerondeau, who was a director until end-2009.*

Non-executive directors do not receive any compensation from the Company apart from directors' fees.

7.4 Compensation and benefits payable to the Chairman and CEO

Nexans has adopted the AFEP/MEDEF Corporate Governance Code applicable to listed companies in France. The Internal Regulations of the Board of Directors, which can be viewed in full on the Nexans website, include an Appendix setting out Nexans' policy on executive directors' compensation, whose principles are based on the recommendations in the AFEP/MEDEF Code.

The Appointments and Compensation Committee recommends to the Board of Directors the compensation payable to the Chairman and CEO, based on rules set by the Committee and ensuring that said rules are consistent with the Chairman and CEO's annual performance appraisal, the Company's medium-term strategy and market practices. When setting the overall structure of the Chairman and CEO's compensation, the Committee draws on reports by independent consultants on market practices for comparable companies.

The criteria used to calculate the variable portion of the Chairman and CEO's compensation is determined at the beginning of each year, for that year, by the Board of Directors, based on recommendations by the Appointments and Compensation Committee. The Board also decides on the amount of variable compensation to be allocated for the prior year based on the achievement of pre-determined criteria.

The variable portion of the Chairman and CEO's compensation is determined as follows:
- Partly by reference to quantitative objectives, based on the Group's operating and financial performance. These objectives are identical to those applied to Group senior managers for the purpose of determining the variable portion of their compensation.
- Partly on a qualitative basis, by reference to specific pre-determined objectives.

For 2010, the quantitative component of the variable portion of compensation payable to the Group's senior managers, including the Chairman and CEO, was based on three financial objectives weighted as follows: (1) operating margin: 50%, (2) working capital requirement: 40%; and (3) return on capital employed: 10%.

Summary

	2009	2010
Compensation due for the year	1,200,074	1,487,412
Valuation of stock options granted during the year	-	799,425[1]
Valuation of performance shares granted during the year[2]	-	-
Total	1,200,074	2,286,837

[1] *Valuation carried out in 2010.*
[2] *As at December 31, 2010 Nexans had never set up a performance share plan.*

Breakdown of compensation and benefits paid to the Chairman and CEO

	2009*		2010	
	Amounts due for 2009	Amounts paid in 2009	Amounts due for 2010	Amounts paid in 2010
Fixed compensation	€677,085	€677,083	€750,000	€750,000
Variable compensation	€482,917	€528,448	€697,340	€482,917
Extraordinary compensation	-	-	-	-
Directors' fees**	€34,000	€34,000	€34,000	€34,000
Other benefits***	€6,072	€6,072	€6,072	€6,072
TOTAL	**€1,200,074**	**€1,245,603**	**€1,487,412**	**€1,272,989**

** Amounts payable to Frédéric Vincent in his capacity as Chief Operating Officer until end-May 2009 and subsequently as Chairman and CEO.*
*** See point 7.3 above (Directors' compensation)*
**** Company vehicle.*

The variable compensation due to the Chairman and CEO for 2010 (which will be paid in 2011) may represent between 0% and 150% of his basic remuneration and the weighting of the quantitative objectives, determined in accordance with Group policy, represents 65%. On February 11, 2011 the Board decided that, for the purpose of calculating Frédéric Vincent's variable compensation, the achievement rate of Group quantitative objectives for 2010 was 89.2%. Consequently, following an assessment of the achievement of his specific and pre-determined qualitative objectives, the Board decided to pay Frédéric Vincent variable compensation totaling 697,340 for 2010.

In accordance with the Group's management incentive policy adopted in 2007, the stock options granted under Plan no. 8 were associated with a long-term incentive plan (LTIP) with a two-year term, which provides for a payment at the beginning of 2011 equal to no more than two thirds of the nominal bonus based on the achievement of quantitative objectives set for 2010. The stock option plan and associated LTIP had a total of 216 beneficiaries within the Group at end-December 2010, including the Chairman and CEO. On February 11, 2011 the Board decided that the Chairman and CEO would not receive any payment under this LTIP as the requisite achievement rate for the 2010 objectives had not been reached. Frédéric Vincent did not receive any payments either under the LTIP attached to Stock Option Plan no. 7.

Stock options granted to the Chairman and CEO in 2010

Plan date and number	Type of options	Value of options based on the method used in the consolidated financial statements	Number of options granted in 2010	Exercise price	Exercise period
Plan no. 9 of March 9, 2010	Options exercisable for newly-issued shares	€799,425	41,800	€53.97	2011-2014 (exercisable at a rate of ¼ per year)

Stock options granted to the Chairman and CEO and other members of the Executive Committee may only be exercised subject to the achievement of performance conditions linked to Nexans' average comparative share performance and the Free Cash Flow generated by the Company. The Appointments and Compensation Committee decides on whether these performance conditions have been achieved at each option vesting date (with 1/4 of the options vesting each year).

The stock options granted under Plan no. 9 were associated with a long-term incentive plan (LTIP) with a two-year term, which provides for a payment to the Chairman and CEO at the beginning of 2012 equal to no more than two thirds of the nominal bonus based on the achievement of four objectives set for end-2011. One of these objectives is based on Nexans' share performance, two are linked to the Group's financial performance compared with its strategic plan, and the fourth is based on the achievement of the qualitative objectives set out in the strategic plan. No payment will be made if the achievement rate for these objectives is less than 70%.

See also point 7.5 below for a description of Stock Option Plan no. 9 and characteristics of stock options and performance shares granted to the Chairman and CEO.

Stock options exercised by the Chairman and CEO in 2010

The Chairman and CEO did not exercise any options in 2010.

Commitments towards the Chairman and CEO

Appointment as Chairman and CEO:	May 26, 2009
End of current term of office as director:	Annual Shareholders' Meeting to be held in 2012 to approve the financial statements for the year ending December 31, 2011

Employment contract	Supplementary pension scheme	Indemnities or benefits related to termination or a change in duties	Non-compete indemnity
No	Yes	Yes	Yes

Employment contract

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, Frédéric Vincent's employment contract, which had been suspended since May 2006, was terminated when he was appointed Chairman and Chief Executive Officer of Nexans in May 2009.

Termination payments

As Chairman and CEO, Frédéric Vincent has received the following commitments from the Company. They were authorized by the Board at its April 3, 2009 meeting and ratified at the Annual Shareholders' Meeting held on May 26, 2009.

In accordance with the Internal Regulations of the Board of Directors, termination payments – i.e. termination and non-compete indemnities – may not exceed two years compensation (fixed plus variable).

Termination indemnity

If Frédéric Vincent is removed from his position as Chairman and CEO, he will be entitled to payment of a termination indemnity representing twelve months of his total fixed and variable compensation subject to two performance conditions, as follows:

(1) An average achievement rate for quantitative objectives relating to the Group's financial performance set by the Board of Directors at the beginning of each year as part of the performance criteria on which the variable portion of Frédéric Vincent's compensation is based, as recorded for a given year by the Board of Directors at the beginning of the

following year. The average rate corresponds to the arithmetic mean of the achievement rates recorded over the last three years preceding the year of departure.

(2) A comparative average stock market performance rate. Nexans' stock market performances will be compared to those of the SBF 120 index and the average rate will correspond to the arithmetic mean of the stock market performance rates over three periods, corresponding to (a) each of the two calendar years preceding the year of departure and (b) the period between January 1 of the year when his entitlement to the indemnity is assessed and the date of the decision to terminate his position. The comparative stock market performance rate for a given period will be equal to the ratio between (a) in the numerator, the average price of the Nexans share over the period divided by the average price of the Nexans share over the previous period and (b) in the denominator, the average value of the SBF 120 index over the period divided by the average value of the same index over the previous period.

If for a given period, the rate thus calculated is lower than 70%, the stock market performance will be considered equal to zero for the period.

To determine the performance index, the rates as calculated in points (1) and (2) will be weighted at 65% and 35%, respectively.

The total amount of termination indemnity paid will be based on the level of performance achieved:
- If the performance index is higher than or equal to 100%, the termination indemnity is paid in full.
- If the performance index ranges between 30% and 100%, the termination indemnity is paid in the same percentage (for example, if the performance index is equal to 70%, the termination indemnity paid is equal to 70% of its maximum amount).
- No termination indemnity is payable if the performance index is below 30%.

The termination indemnity will be payable only in the event of a forced departure resulting from a change of strategy or control, which will be deemed to be the case unless specifically decided otherwise in accordance with the Board of Directors' Internal Regulations and before the Board of Directors' official recording of the achievement of the above-mentioned performance conditions.

Non-compete indemnity

As compensation for an undertaking not to exercise any business that would compete either directly or indirectly with one of the Company's businesses for a period of two years from the end of his term of office as Chairman and CEO, Frédéric Vincent will receive a non-compete indemnity, regardless of the cause of termination of his duties. Said indemnity will be equal to one year of his fixed and variable compensation, i.e., 12 times his most recent monthly base salary plus the corresponding percentage of his bonus, paid in 24 equal and successive installments.

Supplemental retirement plan

Frédéric Vincent is a member of the supplemental retirement plan set up by the Group for certain employees and corporate officers. The regulations for this defined benefit plan were adopted by the Board of Directors in 2004 (and amended on October 1, and November 25, 2008), and make the plan's benefits conditional upon the beneficiary ending his professional career while employed at the Company. The lifetime pension amount, with survivor benefits, is based on the beneficiary's average annual compensation for the last three years. This pension supplements the mandatory and supplementary basic pension schemes and is limited to 30% of the beneficiary's fixed and variable compensation. At its meeting on November 25, 2008, the Board of Directors amended the plan regulations by making plan benefits for new corporate officers conditional upon five years' seniority with the Company. The supplemental retirement plan complies with the recommendations of the AFEP-MEDEF Corporate Governance Code as regards the number of beneficiaries, length of service, and limiting the percentage of the beneficiary's fixed and variable compensation as well as the reference period used for calculating plan benefits.

The total amount of the obligations assumed by the Group for pensions and similar benefits to which Frédéric Vincent is entitled amounted to 4,008,183 euros at December 31, 2010.

Welfare scheme

Frédéric Vincent benefits from the welfare scheme (death, disability and medical expenses) set up for Nexans employees.

7.5 Stock options and performance shares

The Group's long-term compensation policy

Up to and including 2010, the long-term compensation policy set up by the Group consisted of annual grants of stock options. In order to involve a greater number of key executives in the Group's success and increase the conditionality attached to the variable portion of their compensation, since 2007 stock option grants have been associated with a long-term incentive plan ("**LTIP**"), available to a greater number of managers. This combination of cash payments (subject to performance conditions) and stock options and the introduction of annual stock option grants made it possible to reduce the number of options granted each year and therefore, to reduce the dilution of capital.

On February 11, 2011 the Board of Directors decided to change the Group's long-term compensation policy and to submit a proposal at the Annual Shareholders' Meeting to authorize the Board to grant performance shares to the Group's key senior managers (including members of the Executive Committee), as well as a restricted number of shares free of consideration to certain high-potential managers.

The Board has already set the following principles for the Group performance share policy if its proposal is approved by shareholders:

- The categories of beneficiaries will be similar to those for the stock option grants carried out by the Group in the past (i.e. around 250 employees in some thirty countries).
- The grants will include approximately 156,000 performance shares and less than 14,000 restricted (free) shares without performance conditions, representing a dilutive impact of around 0.60% based on the Company's share capital at December 31, 2010.
- Performance shares granted to the Chairman and CEO, other members of the Executive Committee and key senior managers will only vest if the beneficiary still forms part of the Group on the vesting date and will be subject to two pre-determined performance conditions that will be assessed over a period of at least three years. One of the conditions will be based on financial performance (sales margin) compared with a representative panel, and the other will be assessed by reference to Nexans' share performance, again compared with a representative panel.

Detailed information on any performance share plans that may be set up will be provided prior to the Annual Shareholders' Meeting.

Any shares granted to the Chairman and CEO in accordance with this new policy will comply with the recommendations of the AFEP-MEDEF Corporate Governance Code, and particularly with the description set out below.

Description of grants of performance shares and/or stock options to the Chairman and CEO

Since the Company adopted the AFEP-MEDEF Corporate Governance Code, any grants of performance shares and/or stock options to the Chairman and CEO must comply with the recommendations set out in said Code[1]:

Timing	Annual grants, except where decided otherwise by the Board (and appropriately justified), and in exceptional circumstances.
No discount	No discounts are applied on grants of stock options.
Performance conditions	Performance shares and/or stock options granted to Executive Committee members will only vest/be exercisable if the Appointments and Compensation Committee decides that the performance conditions set by the Board at the grant date have been met. Under the terms of the Company's two most recent stock option plans (8 and 9), the stock options granted to members of the Executive Committee may only be exercised subject to the achievement, during the vesting period, of performance conditions linked to Nexans' average comparative share performance and the Free Cash Flow generated by the Company.
Custody Obligation	The Chairman and CEO is required to keep a portion of any shares he receives on the exercise of stock options and must keep a significant and increasing number of any shares acquired on the exercise of stock options or the vesting of performance shares. Under the terms of Plans 7, 8 and 9, executive corporate officers are required to hold one quarter of the shares resulting from the exercise of stock options until the end of their term of office.
Prohibition of hedging instruments	Stock options and performance shares granted to members of the Executive Committee (including the Chairman and CEO) as well as shares resulting from the exercise of stock options may not be hedged.
Recommended "black out" periods	Group procedure on insider trading.

1 As at December 31, 2010 Nexans had never set up any performance share plans.

Stock option plan no. 9 of March 9, 2010

On March 9, 2010, the Board of Directors set up a new stock option plan (Plan no. 9) with an eight-year term, granting a total of 335,490 options to 240 beneficiaries. The exercise price of the options was set at €53.97 and the plan had a dilutive impact of 1.2%. As from the grant date, one quarter of the options vest per year for all beneficiaries, subject to the performance conditions applicable to members of the Executive Committee (including the Chairman and CEO).

Stock options granted in 2010 to the ten employees who received the most options (excluding corporate officers)

	Number of options granted	Exercise price
Plan no. 9 – March 9, 2010	87,000	€53.97

Shares purchased in 2010 following the exercise of stock options by the ten employees exercising the most options (excluding corporate officers)

	Number of shares purchased	Exercise price
Plan no. 3 – November 16, 2004	38,000	€27.82
Plan no. 4 – November 23, 2005	30,750	€40.13
Plan no. 8 – November 25, 2008	350	€43,46

Summary of stock option plans

	Plan no. 1			Plan no. 2	Plan no. 3	Plan no. 4	Plan no. 5	Plan no. 6	Plan no. 7	Plan no. 8	Plan no. 9
Date of Shareholders' Meeting	04/02/01	04/02/01	04/02/01	06/25/02	06/05/03	06/05/03	05/15/06	05/15/06	05/10/07	04/10/08	05/26/09
Grant date	11/16/01	01/18/02	03/13/02	04/04/03	11/16/04	11/23/05	11/23/06	02/15/07	02/22/08	11/25/08	03/09/10
Number of options granted	531,500	5,000	8,000	644,500	403,000	344,000	343,000	29,000	306,650	312,450	335,490
To corporate officers	55,000	-	-	50,000	125,000	-	120,000	-	65,000	45,000	41,800
To the ten employees who received the most options	181,000	5,000	8,000	204,000	209,000	91,000	166,000	29,000	77,500	75,200	87,000
Total number of beneficiaries	85	2	2	83	18	96	29	5	180	216	240
Start date of exercise period	11/16/02	01/18/03	03/13/03	04/04/04	11/16/05	11/23/06	11/23/07	02/15/09	02/22/09	11/25/09	03/09/11
Expiration date	11/15/09	01/17/10	03/12/10	04/03/11	11/15/12	11/22/13	11/22/14	02/14/15	02/21/16	11/24/16	03/08/18
Subscription price	€17.45	€16.70	€19.94	€11.62	€27.82	€40.13	€76.09	€100.94	€71.23	€43.46	€53.97
Exercise terms	One quarter each year	One quarter each year	One quarter each year	One quarter each year	One quarter each year	One quarter each year	One quarter each year	50% from Feb. 15, 2009 and 25% each year thereafter	One quarter each year	One quarter each year	One quarter each year
Number of shares subscribed at Dec. 31, 2010	510,250	2,000	8,000	590,050	209,750	127,984	-	-	-	2,912	-
Number of options cancelled	21,250	3,000	-	27,250	-	19,625	3,000	10,000	10,100	11,975	2,700
Options outstanding at Dec. 31, 2010	-	-	-	27,200	193,250	196,391	340,000	19,000	296,550	297,563	332,790

8. Information concerning the Company and its capital

8.1 Share capital

Share capital at December 31, 2010

At December 31, 2010, the Company's share capital was 28,604,391 euros, divided into 28,604,391 shares with a par value of one (1) euro each. This amount includes the impact of 108,996 stock options exercised between January 1 and December 31, 2010 and the issuance of 482,467 new shares under the August 5, 2010 employee share issue.

Taking into account double voting rights attached to registered shares held by the same owner for at least two years, the number of voting rights at December 31, 2010 totaled 29,062,583.

Changes in Nexans' share capital over the last five years

Date	Transaction	Number of shares issued/cancelled	Par value of transaction	Total amount of share capital (in euros) and number of shares
February 1, 2006	Capital increase following the exercise of stock options	120,100	€120,100	**23,507,322**
March 29, 2006	Reduction of share capital through cancellation of treasury shares	2,221,199	€2,221,199	**21,286,123**
May 12, 2006	Employee share issue	65,797	€65,797	**21,351,920**
June 26, 2006	Capital increase following the exercise of stock options and conversion of OCEANE bonds	312,825 3,534,160	€3,846,985	**25,198,905**
January 30, 2007	Capital increase following the exercise of stock options	66,050	€66,050	**25,264,955**
July 24, 2007	Capital increase following the exercise of stock options	360,975	€360,975	**25,625,930**
January 30, 2008	Capital increase following the exercise of stock options	52,425	€52,425	**25,678,355**
March 28, 2008	Employee share issue	91,525	€91,525	**25,769,880**
June 23, 2008	Reduction of share capital through cancellation of treasury shares	420,777	€420,777	**25,349,103**
June 23, 2008	Capital increase following the exercise of stock options	51,600	€51,600	**25,400,703**
September 30, 2008	Capital increase as consideration for transferred assets	2,500,000	€2,500,000	**27,900,703**
February 11, 2009	Capital increase following the exercise of stock options	36,250	€36,250	**27,936,953**
June 12, 2009	Capital increase following the exercise of stock options	33,850	€33,850	**27,970,803**
February 9, 2010	Capital increase following the exercise of stock options	42,125	€42,125	**28,012,928**
July 27, 2010	Capital increase following the exercise of stock options	89,067	€89,067	**28,101,995**
August 5, 2010	Employee share issue	482,467	€482,467	**28,584,462**
January 14, 2011	Capital increase following the exercise of stock options	19,929	€19,929	**28,604,391**

This table does not include new shares issued since January 1, 2011 following the exercise of stock options as the Board of Directors had not made the required amendments to the Company's bylaws at the publication date of this report.

Potential share capital at December 31, 2010

The following securities carry rights to Nexans shares:

(1) The bonds convertible for new shares and/or exchangeable for existing shares (OCEANE bonds) issued on July 7, 2006. This public issue involved 3,794,037 OCEANE bonds, each with a face value of 73.80 euros, and represented a total value of approximately

280 million euros (the "**1.5% 2013 OCEANE bonds**"). The prospectus for this issue was approved by the AMF on June 29, 2006 under number 06-242. The term of the bonds was set at six years and 178 days. Unless the Company exercises its early redemption option, the bonds will be redeemed in full on January 1, 2013 at a price of 85.7556 euros per bond, representing 116% of their total face value. The bonds bear interest at 1.50% per annum, payable in arrears on January 1 each year and their gross yield-to-maturity is 3.75% (if they are not converted and/or exchanged for shares, and if they are not redeemed in advance). The option to convert or exchange the bonds can be exercised by the OCEANE bondholders from July 7, 2006 until the seventh business day preceding the scheduled or early redemption date.

On June 3, 2009, the conversion ratio of the 1.5% 2013 OCEANE bonds was adjusted in accordance with the provisions of the prospectus reviewed by the AMF. As from that date, if bondholders opt to convert these bonds they will receive 1.02 Nexans shares instead of 1.0 Nexans shares, for each bond converted.

At December 31, 2010, all of the 1.50% 2013 OCEANE bonds were still outstanding.

(2) The bonds convertible for new shares and/or exchangeable for existing shares (OCEANE bonds) issued on June 23, 2009. This public issue involved 4 million OCEANE bonds, each with a face value of 53.15 euros, and represented a total value of approximately 212 million euros (the "**4% 2016 OCEANE bonds**"). The prospectus for the issue was approved by the AMF on June 15, 2009 under number 09-187. The term of the bonds was set at six years and 192 days. Unless the Company exercises its early redemption option, the bonds will be redeemed in full on January 1, 2016 at face value, at a price of 53.15 euros per bond. The bonds bear interest at 4% per annum, payable in arrears on January 1 each year and their gross yield-to-maturity is 4% (if they are not converted and/or exchanged for shares, and if they are not redeemed in advance). The option to convert or exchange the bonds can be exercised by the OCEANE bondholders from January 1, 2015 until the seventh business day preceding the scheduled or early redemption date, at the rate of one share per bond (subject to any adjustments required by law). At December 31, 2010, all of the 4% 2016 OCEANE bonds were still outstanding.

(3) 1,702,744 outstanding employee stock options, representing 5.95% of the Company's capital and exercisable for one Nexans share each.

Except for the above-mentioned OCEANE bonds and stock options, at December 31, 2010 there were no securities that are convertible, redeemable, exchangeable or otherwise exercisable for the Company's shares.

At end-2010, the Company's potential share capital – corresponding to its existing capital plus any shares issued on the exercise of rights to Nexans shares – represented approximately 133% of the Company's capital at December 31, 2010 based on (i) the 28,604,391 shares making up Nexans' capital, (ii) 3,794,037 1.5% 2013 OCEANE bonds (iii) 4,000,000 4% 2016 OCEANE bonds (taking into account the above-mentioned conversion ratio for these bonds) and (iv) 1,702,744 shares to be issued on the exercise of stock options.

See also section 7.5 of this Management Report (Stock options and performance shares).

8.2 Breakdown of share capital and voting rights

On the basis of the information received in accordance with Article L.233-7 of the French Commercial Code, the shareholders holding more than 5% of the Company's share capital or voting rights at December 31, 2010 were[1]:

- Madeco SA (Chile)
- Caisse des Dépôts et Consignations (CDC) via Fonds Stratégique d'Investissement (FSI),
- Axa (France)
- Dodge & Cox (United States)

The following threshold disclosures were filed with the AMF in 2010:

Date threshold crossed	Date of disclosure	Declarant company or intermediary	Number of shares and voting rights held	% capital	% voting rights	Disclosure event
06/07/2010	06/11/2010	Deutsche Bank AG	1,498,304	5.33%	5.25%	Upward crossing of share ownership and voting rights threshold
06/10/2010	06/16/2010	Deutsche Bank AG	1,377,656	4.90%	4.83%	Downward crossing of share ownership and voting rights threshold
06/30/2010	07/06/2010	Deutsche Bank AG	1,454,909	5.18%	5.09%	Upward crossing of share ownership and voting rights threshold
07/29/2010	08/04/2010	Deutsche Bank AG	1,423,383	5.07%	4.98%	Downward crossing of voting rights threshold
08/02/2010	08/10/2010	Deutsche Bank AG	1,399,580	4.90%	4.82%	Downward crossing of share ownership threshold
04/19/2010	11/04/2010	AXA	1,437,724	5.12%	5.05%	Upward crossing of share ownership and voting rights threshold
09/07/2010	11/02/2010	Manning & Napier Advisors, Inc. (1)	1,434,622	5.02%	4.94%	Upward crossing of share ownership threshold
10/11/2010	11/02/2010	Manning & Napier Advisors, Inc. (1)	1,198,145	4.19%	4.12%	Downward crossing of share ownership threshold(2)
11/24/2010	12/01/2010	Dodge & Cox	1,490,102	5.21%	5.13%	Upward crossing of share ownership and voting rights threshold

(1) Manning & Napier Advisors, Inc. (US), acting on behalf of funds and clients.

(2) The AMF document received by Nexans from Manning & Napier on November 2, 2010 stated that at October 11, 2010 Manning & Napier held 1,366,483 Nexans shares representing 4.7% of the Company's capital and 4.1% of the voting rights.
By way of a letter dated November 2, 2010 (updated on November 23, 2010), Manning & Napier disclosed to the AMF that on November 18, 2010 it held 1,045,624 Nexans shares with the same number of voting rights, representing 3.66% of the Company's capital and 3.60% of the voting rights.

8.3 Share buybacks

The Annual Shareholders' Meeting on May 25, 2010 authorized the Company to trade in its own shares subject to terms and conditions set by shareholders at the Meeting. At December 31, 2010, no share buyback program had been initiated by the Board of Directors and therefore the Company held none of its own shares on this date.

8.4 Employee share ownership plan

On August 5, 2010 Nexans carried out an employee share issue involving 482,467 new shares. This issue, which formed part of the "Act 2010" share ownership plan, proposed a "leveraged" structure, whereby employees are able to purchase units in an employee mutual fund at a preferential discounted price and at the same time are provided with a capital guarantee plus a

[1] To the knowledge of the Company and even though any downward threshold statements have been received, the Company BlackRock Inc. (United States), acting on behalf of funds and clients, holds less than 5% of the Company at 2010 year-end.

multiple based on share performance. In countries where the leveraged plan using an employee mutual fund raised legal or tax difficulties, an alternative formula was offered comprising the allocation of Stock Appreciation Rights (SAR).

Out of the total number of shares issued under the Act 2010 plan, 385,030 were subscribed by Group employees through an employee mutual fund and the remaining 97,437 shares were subscribed by Société Générale as part of the alternative formula structure offered to employees.

The purchase price for the Nexans shares concerned was 40.51 euros per share (corresponding to a 20% discount on the average price of the Nexans share quoted during the 20 trading days preceding the issue), representing a total capital increase of close to 19.5 million euros including the premium.

Following the Act 2010 employee share issue, at December 31, 2010 the proportion of the Company's share capital owned by employees was 3.1%, of which 97.8% was held through employee mutual funds.

8.5 Information with a potential impact in the event of a public offer

In addition to the commitments to Frédéric Vincent as Chairman and CEO described in section 7.4 above, certain salaried members of Nexans' Executive Committee are entitled, in the event of termination of their employment contract (for any reason other than gross negligence or misconduct), to an indemnity representing one or two years of their total gross compensation.

Furthermore, the following three commitments contain provisions relating to a change in control of Nexans:

- The syndicated loan agreement in the amount of 580 million euros; this agreement contains a clause for accelerated repayment in certain circumstances, including in the event of a change in control of Nexans.

- The prospectus for the issuance of the "2017 Notes" (2007–2017 5.75% bonds, issued on May 2, 2007 and quoted on the Luxembourg Stock Exchange). Under the terms of the prospectus, bondholders have a put option in the event of a change in control of Nexans leading to a rating downgrade.

- The prospectus for the issuance of the 4% 2016 OCEANE bonds (see section 8.1 here above) provides bondholders with an early redemption option in the event of a change in control of Nexans.

9. CSR- Environmental and human resources data

9.1 Organization of Nexans' commitment to CSR

A **CSR**[1] **Committee was established in July 2009** to track the Company's various sustainable development initiatives and policies. It is chaired by Frédéric Vincent, Group Chairman and CEO, and includes two Management Committee members representing the Industrial and Logistics Departments, Technical/Research and Development, Environment, Purchasing, and Marketing departments, the Corporate Secretary, the heads of Human Resources and Communications, and the Head of the Risk Management Department, who acts as Secretary. The CSR Committee meets twice a year.

Two specialized committees, made up of various **working groups**, have the task of steering and coordinating themes and projects in the following fields:

- **Governance & Social Affairs Committee**
  - Ethics and business conduct
  - Crisis management
  - Responsible purchasing
  - Workplace safety
  - Skills development and training
  - Social dialogue
  - Corporate sponsorship projects
  - Community relations
  - Human resources indicators
- **Environment & Products Committee**
  - On-site environmental management
  - Greenhouse gas emission assessment
  - Soil testing
  - REACH (Registration, Evaluation and Authorization of Chemicals)
  - New product innovation and development
  - Eco-production
  - Life-cycle assessment and eco-declarations
  - Sustainable products and solutions
  - Environmental indicators

The specialized committees also meet twice a year.

[1] Corporate Social Responsibility

9.2 Ethics and business conduct

Nexans revamped its Code of Ethics and Business Conduct in 2009 and updated it in 2010.

This Code is intended to help individuals to act on behalf of the Group in their everyday work in a manner that is beyond reproach. It forms part of the Corporate Social Responsibility program, the reinforcement of which led Nexans' Board of Directors to adhere to the United Nations Global Compact on November 25, 2008.

The Group continued to roll out its ethics awareness program in 2010, with a particular focus on fostering awareness among sales and purchasing teams in order to ensure that the Code's principles are applied in all dealings with customers and suppliers.

The Code has been translated into 16 languages and may be consulted on Nexans' website or on the Group or country intranets. It is given to each new employee when they join the Group.

9.3 CSR and human resources data

Methodology

The Group's human resources teams track and analyze human resources data which is then consolidated by the Group Human Resources Department.

The data provided in this section is based on the following:

- Quantitative human resources data, which the various Human Resources departments in each country compile on a quarterly basis using an internal system which was enhanced in 2010. These indicators – certain of which relate to performance – can be accessed by all of the Group's HR managers through a business intelligence system.
- Qualitative data, which is reported monthly. A summary by topic (excluding any personal information) is passed on to all HR managers through a Group HR collaborative workplace.
- Discussions with country-level HR teams during site visits.
- Analysis of an annual qualitative report on the Group's various HR processes.

The scope of consolidation used for compiling human resources data is the same as that applied for Nexans' consolidated financial statements[1].

A Group-wide timeline is used for monitoring and analyzing human resources data. Similarly, the indicators used are based on standard Group definitions.

In 2010, Group HR worked in conjunction with the Finance Department on harmonizing definitions and allocating the various HR reporting domains between the two departments.

The Statutory Auditors review the process used to consolidate HR data, even though the information is not of a financial nature.

The main difficulty of the overall process is the differences that exist in the level of detail provided in the collected data. For example, North America has only recently started to report detailed information by site with a view to enabling the Area's performance to be more closely monitored.

HR strategy

Nexans' HR strategy forms part of the Group's overarching corporate strategy and is underpinned by two main objectives:

- Acting as a support for furthering the efficiency and effectiveness of the Group's organizational structure (e.g., through job families framework, business processes and performance indicators).
- Improving the effectiveness of the HR function.

The following initiatives have been adopted for the purpose of achieving the two above-described objectives:

- Taking steps to professionalize HR teams by rolling out an HR competency model (which was drafted in 2010) and developing specific HR systems and processes.
- Designing competency models for all of the Group's functions.
- Promoting excellence by rolling out these competency models and skills development programs.
- Bolstering the Nexans University training programs .

[1] Does not take into account Nexans Singapore

- Setting up succession plans for all of the Group's key positions.
- Drawing up an overall compensation policy.
- Putting in place a job grading system.

This overall policy, which is applied taking into account local legal requirements, has the three-fold aim of (i) helping employees to develop their careers in line with the needs of their respective businesses, (ii) building the employability of the Group's people, and (iii) promoting workplace health and safety.

9.3.1 Headcount

- **Headcount by geographic area (number of people holding a contract with a consolidated Group entity in the year indicated)**

	Europe	Asia-Pacific	North America	South America	MERA	Group total
2008	14,575	2,459	1,803	2,535	2,108	23,480
2009	14,277	2,437	1,662	2,203	2,137	22,716
2010	14,618	2,153	2,038	2,403	2,436	23,648

(MERA: Middle East, Russia and Africa)
Employee figures for the harness business in Tunisia, which were included in "Europe" in 2009 (representing 204 people) were reclassified to "MERA" in 2010.

In 2010, total headcount increased by 4.1%, primarily due to the strong recovery in the harness business in Slovakia, Romania and Mexico. The number of employees working in the Group's cables business contracted by some 2%, essentially as a result of the sale of LIOA in Vietnam.

The Group operates across the globe and the weighting of headcount by geographic area has remained relatively stable.

EUROPE

The number of employees based in Europe rose by 3.9% in 2010, representing approximately 62% of total Group headcount versus around 63% in 2009. This increase occurred chiefly due to the market upturn in the harness business, which saw its headcount increase by 20% (mainly in the Slovakian and Romanian sites).
Excluding the harness business, headcount in Europe contracted by 2.2% reflecting the impact of restructuring plans carried out in France and Belgium which was not offset by increases in employee numbers in Sweden, Greece and Norway.

ASIA-PACIFIC

Nexans' employees in the Asia-Pacific Area accounted for 9.1% of the Group's total headcount in 2010, down from 10.7% in 2009, with the decrease stemming from the sale of LIOA in Vietnam. Headcount in the other units within this geographic area were on a par with 2009 except in China which reported a 10% increase.

NORTH AMERICA

Staff in North America represented 8.6% of the Group's total headcount in 2010, up 22.6% on the 2009 figure as a result of the upturn in the harness business which is located in Mexico. The headcount of cables business sites was stable year-on-year.

SOUTH AMERICA

The South America Area employed 10.2% of the Group's total headcount in 2010. The number of employees in this geographic area rose by 9.1% during the year due to an increase in workload and production capacity at the Rio de Janeiro and Americana facilities in Brazil. The other countries in the Area also reported a year-on-year increase in employee numbers, up 4.7% compared with 2009.

MERA

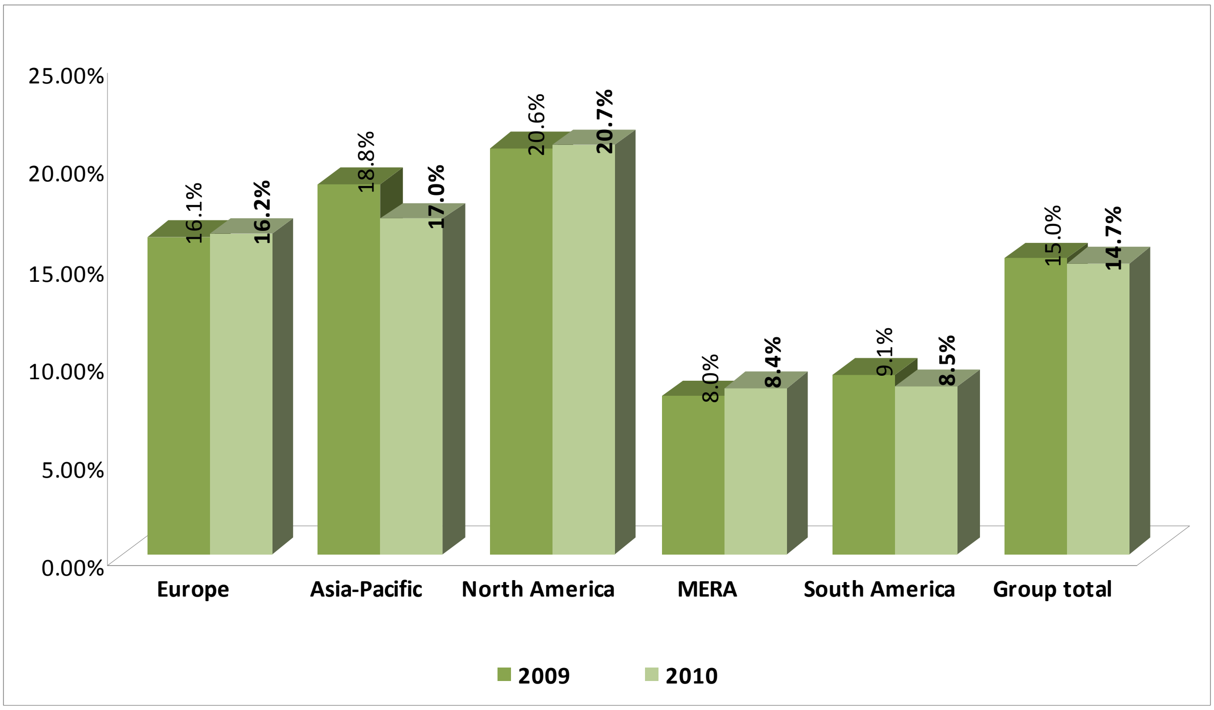
The number of employees in the MERA Area was 4% higher than in 2009 (after the reclassification of Tunisia's headcount) and accounted for 10.3% of the Group total.
Overall increases were reported by:

- The Ouglich plant in Russia (created in 2008), which reached its target headcount.
- The Mohammedia plant in Morocco, which now produces aeronautical cables at its new manufacturing facility as part of its partnership with Airbus.
- The Ksar Hellal plant used by the harness business in Tunisia.

Conversely, the following three MERA countries reported a decrease in employee numbers: Morocco (due to the sale of the batteries business), Egypt (following a restructuring plan) and Turkey (as a result of team reorganization measures)

The analysis of indicators provided below does not include the harness business which has different management features and headcount trends than the Group's other activities. Indicators for the harness business are set out in section 9.3.12 below.

- **Percentage of female employees at December 31, 2010**



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

The proportion of female employees within total Group headcount decreased slightly to 14.7% in 2010 due to the sale of the Vietnam-based company LIOA, where women made up around one third of the workforce. The countries that employ the highest proportion of female workers are China (34.5%), Vietnam (27.6%), the United States (27.3%) and France (22.1%). Almost half of the Group's female employees are based in France, Germany and China with 29% of Nexans' total female headcount working in France.
18.3% of management positions are now occupied by women, with proportions of over 25% recorded in Colombia, China, Vietnam, Turkey, Sweden and Russia. A number of countries place particular importance on gender equality in the workforce, such as in France (involvement in a national think-tank on equal employment opportunities).

- **Promotion of equality and diversity**

The promotion of equality and diversity reflects the policy of non-discrimination applied to all people in all of Nexans' entities, regardless of country of origin or culture, and enshrined in the Group's Code of Ethics and Business Conduct.
An e-learning program has been set up covering the Code's content, with the local HR departments partnering the program's rollout in the various business units.

Nexans' recruitment policies are solely based on candidates' skills and their ability to perform the job concerned and do not involve any form of discriminatory practices whatsoever. For example, in France where Nexans participates in the national think-tank on equal employment opportunities and in Sweden where an equality plan has been drawn up. Likewise, in Australia the Group's businesses comply with the guidelines issued by the Equal Employment Opportunity Commission (EEOC).

- **Personnel changes by geographic area**

	Europe	**Asia-Pacific**	**North America**	**South America**	**MERA**	**Group total**
Natural departures	(733)	(359)	(113)	(251)	(120)	**(1,576)**
Restructuring	(366)	(3)	0	(60)	(39)	**(468)**
Recruitment	872	366	119	508	139	**2,004**
Changes in scope	0	(292)	0	0	(71)	**(363)**
Transfers	(9)	6	0	1	2	**0**
Total	(236)	(282)	6	198	(89)	**(403)**

Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

"Natural departures" include resignations, retirements, individual voluntary departures and terminations, death and the expiration of fixed-term contracts.
The "Restructuring" line concerns persons leaving the Group as part of a redundancy plan (both fixed-term and permanent positions).
"Recruitment" corresponds to persons recruited outside the Nexans Group on fixed-term or permanent contracts as well as persons employed by the Group who previously held temporary contracts.
"Changes in scope" includes persons joining or leaving the Group due to the acquisition or disposal of a business or company (fixed-term and permanent positions).
"Transfers" includes persons who have changed employer within the Group (fixed-term and permanent positions).

In 2010 the number of persons recruited outstripped the number of natural departures. 11% of total natural departures were due to retirement and most of the natural departures occurred in Europe, the Asia-Pacific Area and South America.

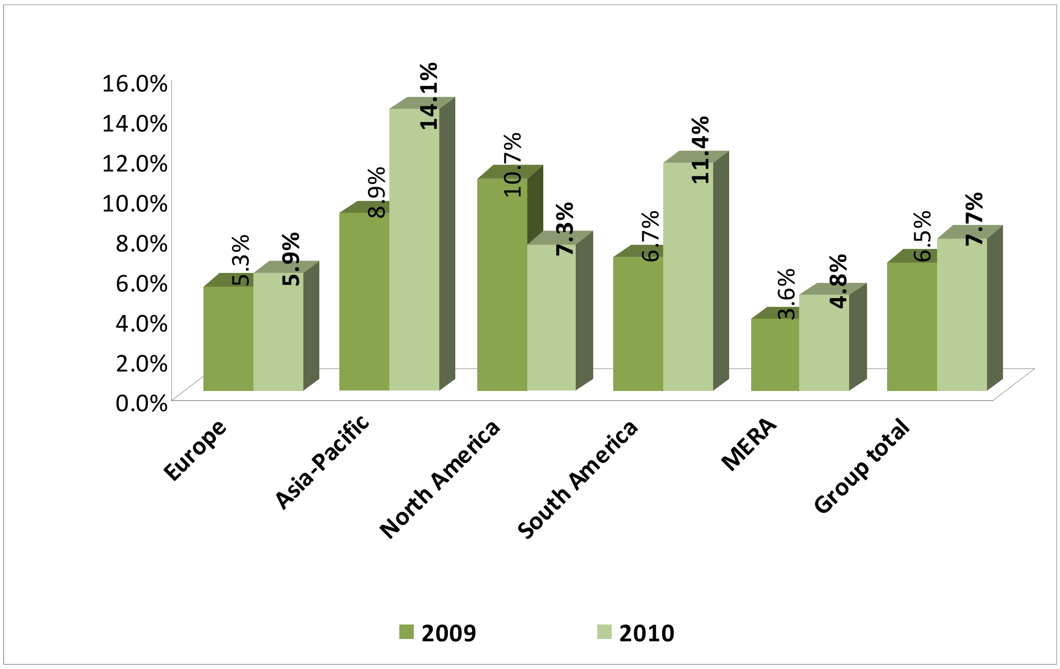
Departures due to restructuring (mainly in Europe) were primarily attributable to the site closures at Vacha in Germany and Chauny in France, as well as the redundancy plans implemented in France, Belgium (at the Euromold Division of Nexans Network Solutions), Australia and Egypt. The restructuring plans announced in 2010 for Australia, Italy and Brazil will lead to employee departures in 2011.

The Group's manufacturing facilities recruited additional employees in 2010 in order to deal with the increase in workload. Around half of these recruitments were on fixed-term contracts with the percentage of employees hired under such contracts totaling 63% in Europe (half of which were in Norway and Germany) and 61% in the Asia-Pacific Area (mainly in China which accounted for 46% of the total). The use of fixed-term contracts provides the Group with the flexibility required to respond to changes in business levels.

Movements in personnel due to "Changes in scope" in 2010 reflected the sale of the Batteries business in Morocco and LIOA in Vietnam.

Companies leaving the scope of consolidation and restructuring plans were also the main underlying reason for the overall net negative figure reported in the above table.

- **Personnel turnover rate**



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

Personnel turnover rate = number of departures (resignations, contract expirations, individual terminations, death) excluding departures due to retirement, restructurings, business disposals and employee mobility transfers/average headcount x 100.

Group-wide, the personnel turnover rate in 2010 was 7.7%, which was higher than in 2009. The only area to report a decrease during the year was North America.
The wide disparity between the figures reported by the various geographic areas reflects the different job markets and organizational structures concerned. For example, in Europe a large proportion of the departures was due to the expiration of fixed-term contracts (e.g., in Norway). In the Asia-Pacific Area, meanwhile, the departures were voluntary and mainly took place in China and Australia.

Consequently the strategies applied differ from one country to another and take into account local job markets, such as in China where talent retention is a key focus.

- **Identifying candidates for mobility and recruitment**

The Group offers its employees opportunities for global mobility. A mobility charter ensures equal treatment among all Group expatriates, whatever their country of origin. Furthermore, studies into social security and tax charges are systematically performed to optimize the cost of global mobility for both the Group and its employees.

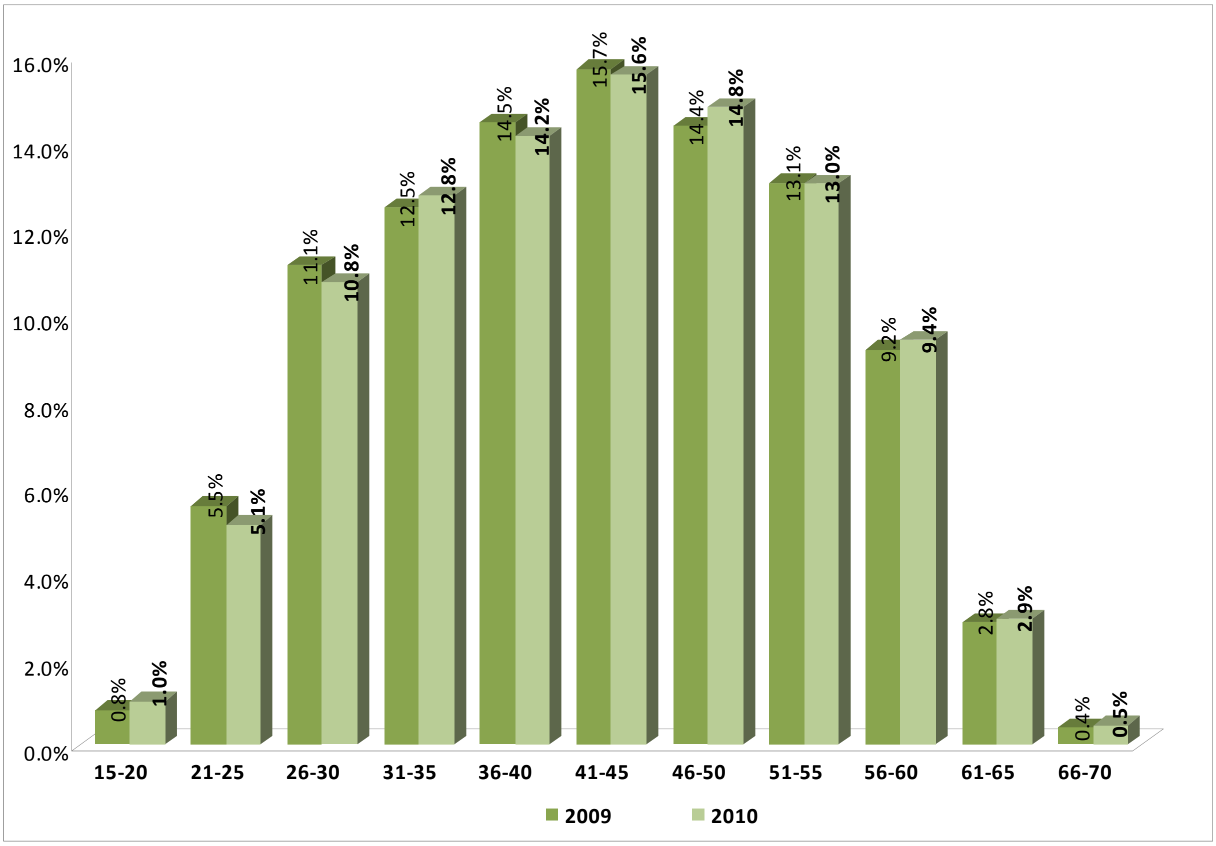
Nexans continues to support and promote global mobility as a way of transferring expertise, enhancing employees' personal and professional development, encouraging growth, and relaying the Group's corporate culture throughout the world.

Global mobility is an important means of retaining key talent and is being offered to an increasing number of employees from all countries.

New systems and tools were set up in 2009 to enable each and every employee to find out about the Group's job vacancies and to apply online for a different post or a job in another country. One example of these new tools is "Job Way", an online system through which job offers can be posted both within and outside the Group and whose use has allowed Nexans' employees interested in mobility to make more informed decisions about the available assignments. The Group Human Resources Department ensures that each individual case remains confidential until the candidate officially makes an application.

Nexans also has a Talent Sharing Committee that meets on a monthly basis to discuss positions available within the Group and candidates interested in international mobility.

- **Employee age pyramid**



Figures do not include the harness business

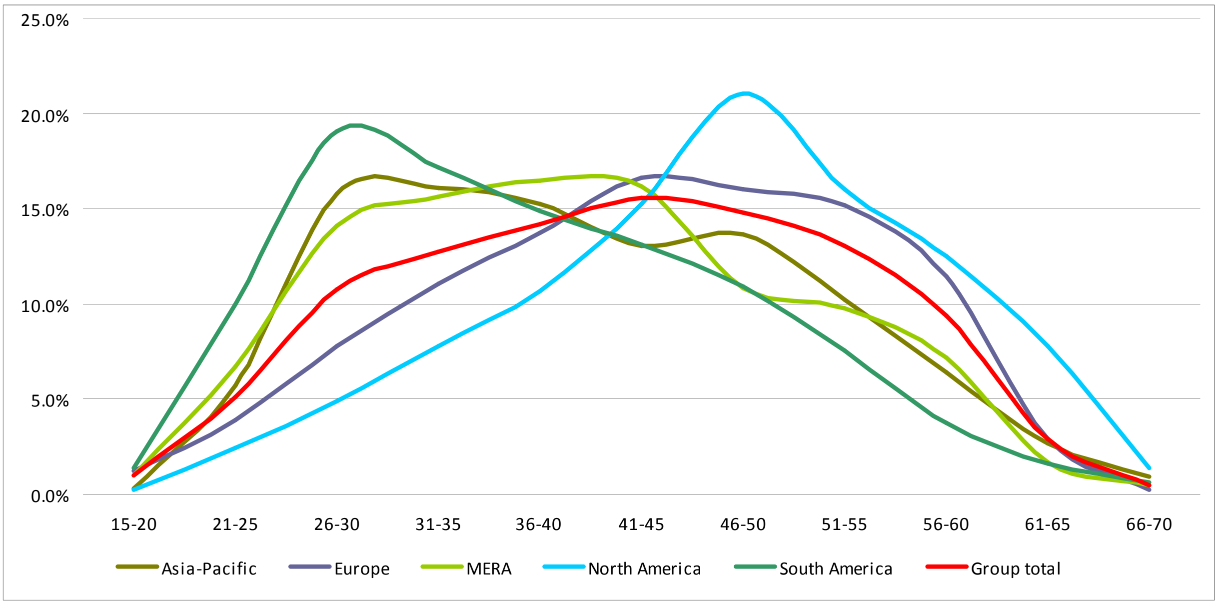
Average age of employees by geographic area

	2009	2010
Europe	43.6	43.6
Asia-Pacific	39.1	40.5
North America	46.7	46.9
MERA	39.9	40.0
South America	37.9	37.7
Group total	**42.1**	**42.3**

Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

The average age of Nexans' employees rose slightly in 2010 to 42.3 years from 42.1 years in 2009. The year-on-year increase was contained – particularly in Europe – as a result of the measures taken by the Group to manage generational changes as well as the restructuring plans implemented in 2010. The area with the highest increase in the average age of employees was Asia-Pacific, where the sale of LIOA in Vietnam contributed to the rise as that company's employees were younger than the Area's overall average.

Age pyramid by geographic area

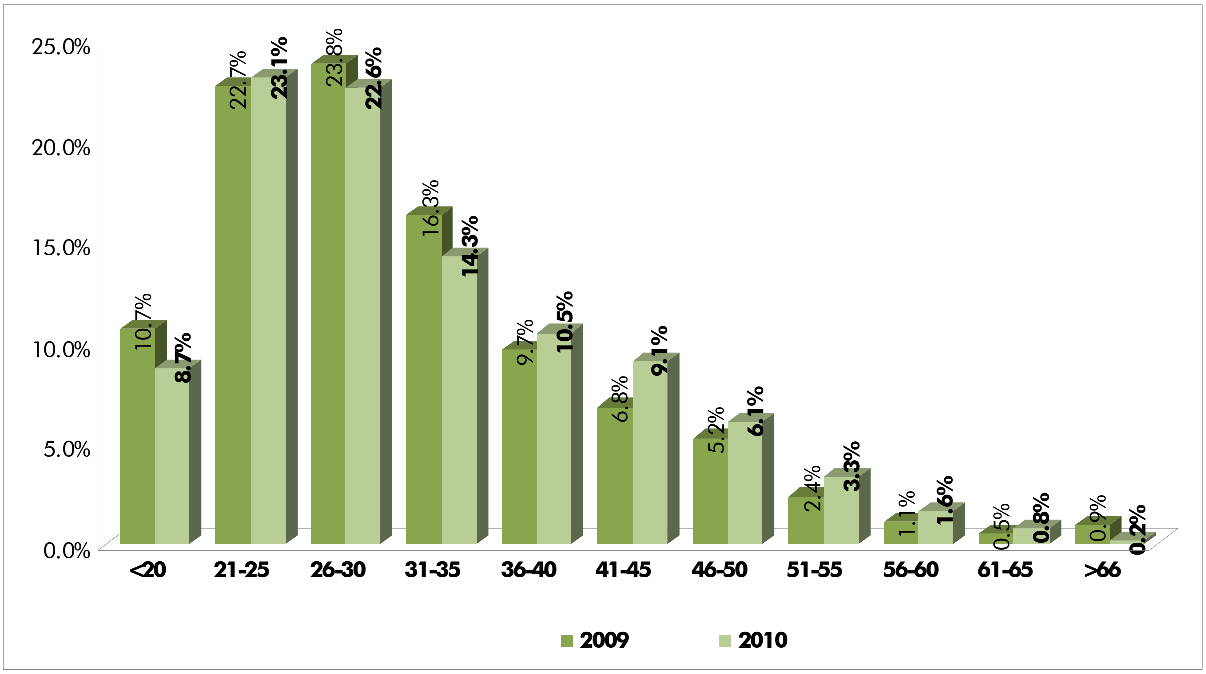


Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

The Group age pyramid highlights the contrast between the different geographic areas. The European and North American workforce is ageing due mainly to lower personnel turnover rates in certain categories as a result of the more difficult economic environment.

In light of the differing market contexts across Nexans' host countries, the Group factors in local considerations in order to draw up appropriate strategies for talent retention and targeted recruitment of young employees and/or developing the careers of existing employees with a view to promoting them to new positions as part of succession planning.

Age pyramid for new hires



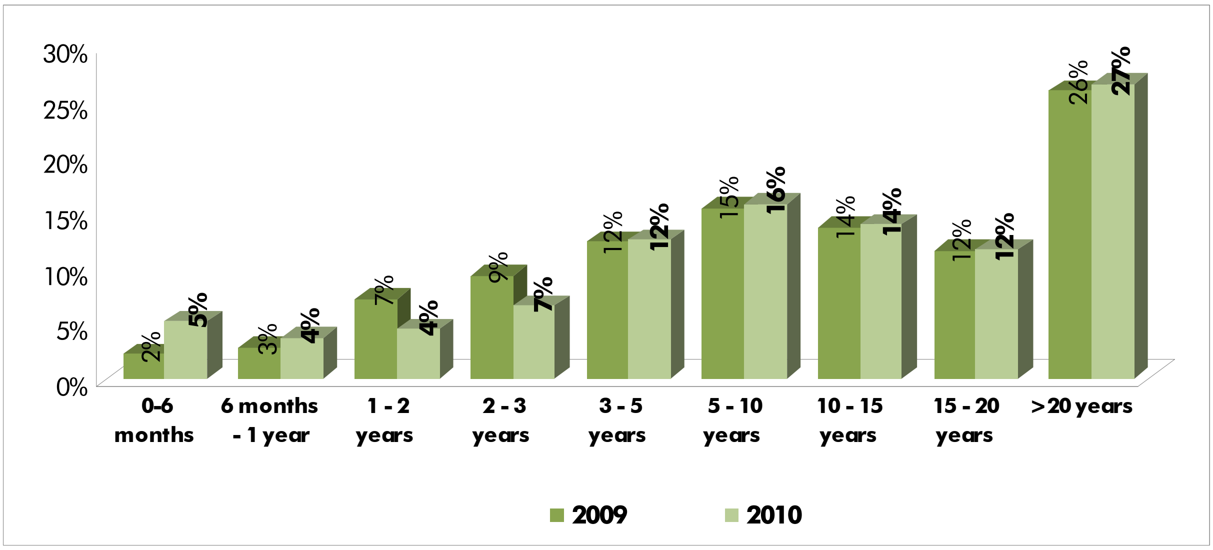
Figures do not include the harness business

Recruitment initiatives undertaken by the Group take into account the need to manage generational changes within the workforce.
In certain areas such as North America this has become a strategic priority.

At 32, the average age of new entrants in 2010 was relatively stable compared with 2009, and 54.4% of them were under 30 years of age.

The majority of these recruitments were for non-managerial positions (87% of the total), with just over half of the new hires (52%) employed under permanent contracts although the picture was mixed across the Group's geographic areas. For example, a significant percentage of new recruits are employed under permanent contracts in the MERA Area, North America and South America.

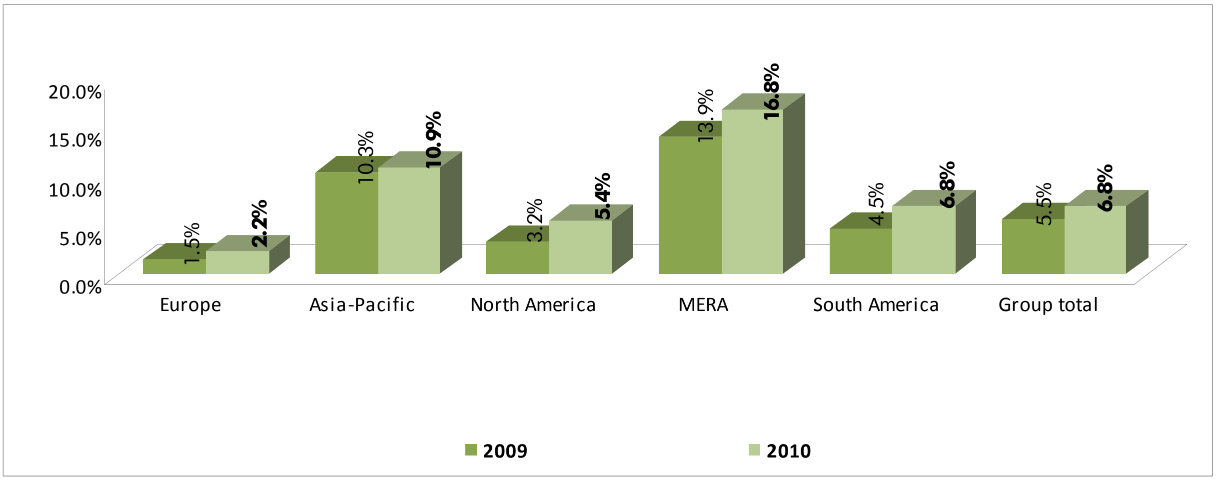
- **Length of service**



Figures do not include the harness business

In 2010, as for the previous three years, average length of service was approximately 13 years. It is especially high in North America and Europe (17.2 years in France, for example). Average length of service was relatively stable in all of the Group's geographic areas except for Asia-Pacific where it increased. This reflects a strong sense of belonging and the outcome of programs to foster loyalty among personnel.
This stability helps to retain know-how within the Group.

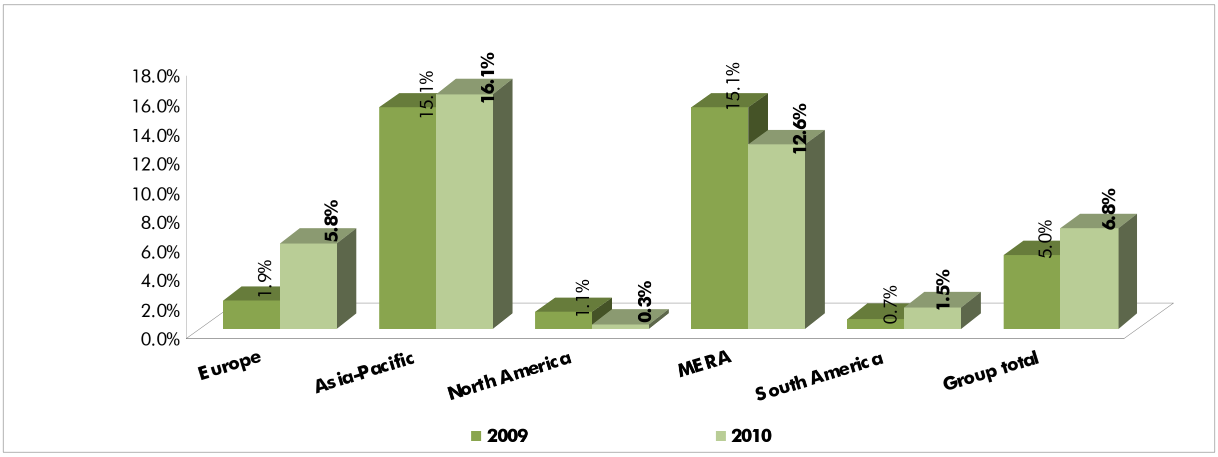
- **Overtime**



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)
% overtime = number of overtime hours/number of actual hours of work. The definition of overtime hours is that determined by the legislation of each country, within the framework of the legal number of working hours.

Overtime is used to adapt workforce requirements to production cycles. In 2010, as in 2009, the use of overtime helped the Group's plants to adapt to the flexibility required as a result of the difficult economic climate. Overtime represented 6.8% of total hours worked in 2010 (excluding the harness business), against 5.5% in 2009. A total of 65% of these overtime hours were worked in the MERA and Asia-Pacific Areas. The year-on-year increase in overtime hours reflects measures adopted by the Group to respond to an upturn in business at certain sites during the second half of 2010.

- **Percentage of temporary employees**



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)
Number of full-time equivalents for the last quarter holding a contract with a temporary work agency/total Nexans headcount at the year-end.

At end-2010, temporary personnel represented 6.8% of total headcount against 5% in 2009.

In Europe, the Group took on a higher number of temporary staff than in 2009 in order to meet one-off increases in workload. The proportion of temporary staff in Asia and the MERA Area was once again high in 2010, located in particul in China and Morocco.

The picture varies widely between the geographic areas due to differences in local recruitment policies (in China, for example).

The Group's use of temporary staff and overtime formed part of a prudent employment strategy adopted during the year in view of the unsettled economic backdrop, and enabled it to flexibly respond to changes in workload.

9.3.2 Restructuring

Within the context of its restructuring plans, the Group is particularly attentive to the quality of dialogue with employee representative bodies. Nexans puts measures in place to limit lay-offs as far as possible and to encourage redeployment in accordance with legislation in the countries concerned.

Nexans invests significant resources in helping all employees affected by a restructuring plan to find alternative solutions either inside or outside the Group and sponsors accompanying measures in concertation with employee representative bodies.

The restructuring plans launched in 2009 involving the loss of 1,800 jobs resulted in 942 departures in 2009 and 468 in 2010 with the remainder scheduled to occur in 2011. Most of these job losses related to the closure of plants in France, Romania, Germany and Canada, as well as to reductions in headcount in Europe, Egypt, Australia and North and South America.

During 2010, the Group also continued to implement the plans it announced in late 2009 to streamline operations at Nexans France and Nexans Copper France (with the closure of the

Chauny plant) and to reduce headcount at Nexans Network Solutions' Euromold Division in Belgium. These measures accounted for 242 departures out of the total 468 that were due to restructuring plans in 2010.

In 2010, Nexans also announced the closure of its sites at Latina in Italy and Lorena in Brazil which will involve around 450 people. 45 employees in Brazil left the Group during the year as a result of the site closure (included in the overall figure of 468 departures due to restructuring plans).

9.3.3 Working time

The work of personnel within the Group is organized within the framework of legal and contractual working hours and varies from one country to another. Working hours that are less than the contractual number of working hours at a facility are considered to be part-time.

The number of part-time job positions is as follows:

- **Working hours by geographic area/part-time work**

Number of part-time staff (employees whose contractual working time is less than the statutory number of working hours)

	2009	**2010**
Europe	388	387
Asia-Pacific	19	18
North America	0	1
MERA	0	0
South America	2	2
Group total	409	408

Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

Part-time working arrangements mainly concern Benelux, France, Germany, Switzerland, Norway, Sweden and Australia and represent around 2.2% of total Group headcount (on a par with 2009), excluding the harness business.

40% of part-time staff in Europe are based in Belgium, where a time credit scheme allows employees to either take a complete career break or partially reduce their working time.

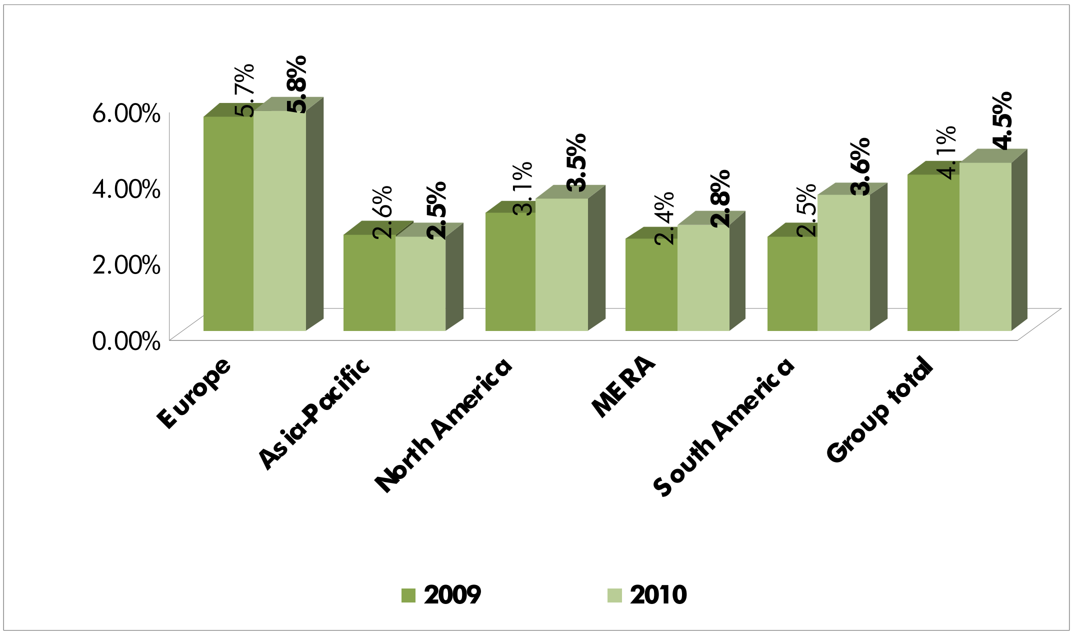
- **Fixed-term contracts (FTC)/Permanent contracts (PC)**

	2009		2010	
	PC	**FTC**	**PC**	**FTC**
Europe	98%	2%	96%	4%
Asia-Pacific	75%	25%	73%	27%
North America	100%	0%	100%	0%
MERA	97%	3%	98%	2%
South America	93%	7%	95%	5%
Group total	**94%**	**6%**	**94%**	**6%**

Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

The overall percentage of employees on fixed-term contracts remained stable year on year at 6%. The Europe and Asia-Pacific Areas reported a rise in 2010 however, reflecting additional flexibility required in Germany and Greece to meet higher workloads. Fixed-term contracts are most commonly used in the Asia-Pacific Area, especially China, due to local legislation.

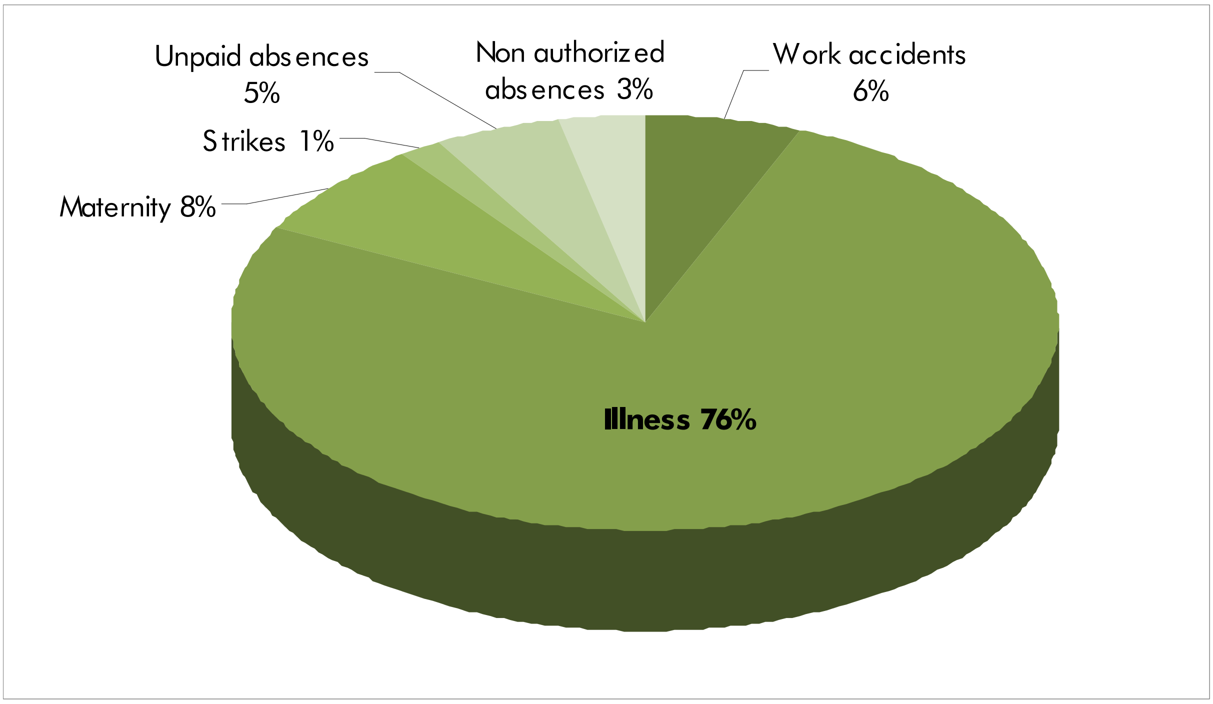
- **Absenteeism**



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)

The rate of absenteeism is defined as the number of hours of absence, divided by the theoretical number of hours worked. In 2010, the absenteeism rate edged up from 4.1% to 4.5%. Asia-Pacific was the only Area to report a decrease in absenteeism during the year.

The breakdown of reasons for absence is provided below.



Figures do not include the harness business

Absence due to illness, which is the main cause of absenteeism within Nexans, rose in 2010.

Absence due to work accidents fell once again during the year to 6%, versus 7% in 2009, thanks to workplace safety initiatives.

Absence due to strikes primarily related to industrial action concerning pension reforms in France, a restructuring plan in Belgium and austerity measures in Greece.

9.3.4 Compensation

The Group's compensation policy is aimed at further strengthening the commitment of its employees, helping build their skill sets and encouraging their individual and team performance.

Designed and rolled out on a global scale and based on objectives of competitiveness, fairness and transparency, this policy is fine-tuned at a local level by Nexans' various entities in line with their specific cultural, organizational and operational requirements.

When putting together compensation packages for its senior managers and key employees in its main host countries, Nexans draws extensively on the use of salary surveys in order to ensure that the packages are in line with market practices. Apart from certain measures that were taken to freeze salaries, the overall policy in 2010 was to first and foremost stay in line with market trends. Efforts were also made to ensure that on a local basis the effects of inflation were offset. Multi-year collective bargaining agreements on salaries were signed in several countries, including Australia and New Zealand.

Individual salary rises were granted based on the relevant budgets and job markets and taking into account assessments of employees' actual and potential performance as well as the skills they have acquired and demonstrated.

Short-term variable compensation (for managerial and specialist staff) is based on target amounts which may represent up to 50% of the employee's basic annual salary (depending on his or her level of responsibility). The amount of variable compensation actually paid is calculated by reference to the achievement of both individual and Group objectives.

Since 2007 the Group's long-term compensation policy for its senior managers has been structured around stock option grants and associated long-term incentive plans (LTIP). The aim of this approach is to build senior managers' loyalty and to encourage them to contribute to the Group's long-term performance.

Employee share ownership plan

Nexans is committed to encouraging employee share ownership with a view to strengthening the relationship of trust that exists between the Group and its people. In line with this aim, in 2010 the Group:

- Set up a stock option plan on March 9, 2010 for 240 key employees throughout the world in order to reward their contribution to the Group's performance and to involve them more closely in its financial results.

- Launched the Act 2010 plan in the first half of the year and carried out an employee share issue in August, following on from a number of previous employee share ownership plans set up by the Group. Covering 25 of the Group's host countries, the Act 2010 plan led to the issuance of more than 400,000 new shares based on a unique formula that offers employees both a capital guarantee on their personal contribution as well as a multiple of Nexans' potential share performance.

The take-up rate for this fourth employee share issue carried out by the Group was around 20%, which significantly increased Nexans' employee share ownership. Following the Act 2010 employee share issue, at December 31, 2010 the proportion of the Company's share capital owned by employees was 3.1%, of which 97.8% was held through employee mutual funds.

9.3.5 Labor relations

- **Open and constructive social dialogue**

Labor relations in the Group are based on respect and dialogue. In this spirit, employee representatives and company management meet regularly to exchange views, negotiate, and adopt agreements.

Nexans enjoys high quality labor relations thanks to a shared willingness to communicate, discuss and negotiate.

Exchanges with employee representative bodies at local level are frequent and constructive. Discussions generally focus on salaries, employability, the economic situation, work organization, health and safety, and changes in the working environment.

A particular focus is placed on improving working conditions and work-life quality, as well as raising awareness about safety issues and healthcare matters – such as alcohol and tobacco addiction – and psychosocial risks, including stress.

Local management has regular, fruitful meetings with employee representative bodies and most of the Group's sites have labor representatives.

In addition, measures are implemented to more closely involve employees in their business unit's performance, notably through regular meetings on financial performance, development projects and market trends.

Another contributor to achieving the Group’s aim of open and constructive dialogue is Nexans’ European Works Council which represents the Group's employees at European level and is presided by the Chairman and CEO. This body, which was created in 2003, meets twice a year. Its most recent meeting – which took place in November 2010 – was devoted to discussing the Group’s performance, development strategy and human resources policy.

Nexans has signed more than 60 agreements with employee representative bodies in 13 countries. The main agreements signed in 2010 were as follows:

- Pay agreements in South Korea, Chile, Greece, Spain, Norway and Brazil.
- An agreement relating to Job and Career Planning Management (GPEC), an addendum concerning career management for seniors, and the renewal of the discretionary profit-sharing agreement in France.
- A revised version of the multi-year firm-wide agreement in New Zealand and Australia.
- A site closure agreement in Italy.
- Unemployment benefit measures in Italy.
- Short-time working arrangements in the Benelux countries.
- Various agreements on working conditions, such as in Norway.

Numerous consultation meetings also took place during the year on a range of topics, including:

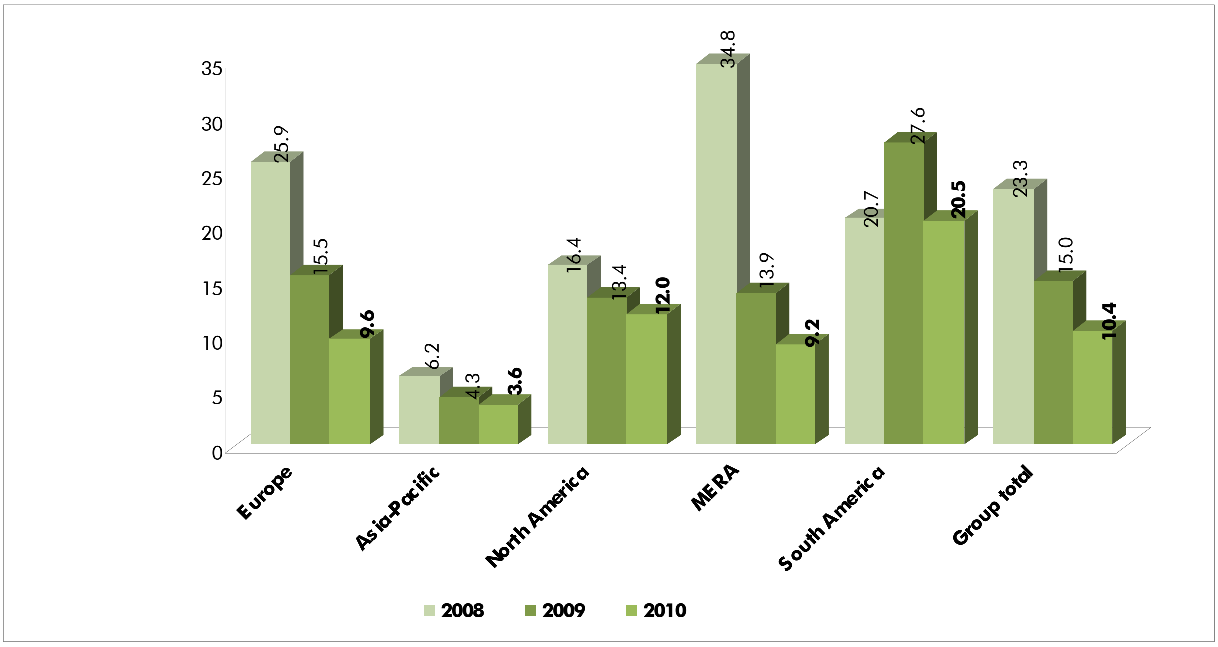
- In France, retraining people affected by restructuring plans, as well as gender diversity issues.
- Performance development projects, including “Nexans Excellence Way” and competency models.
- Salary freezes, which were discussed in depth in certain countries.

9.3.6 Health and safety

Nexans' occupational health and safety policy is organized around two main objectives: safeguarding health and improving the safety of employees in the workplace.

Training and initiatives undertaken in the area of work safety resulted in a sharp drop in the work accident frequency rate in 2010 (for accidents involving leave exceeding 24 hours).

- 2010 global work accident frequency rate



Figures do not include the harness business
(MERA: Middle East, Russia and Africa)
Global Work accident frequency rate = Total number of work accidents involving leave in excess of 24 hours/Total number of hours worked x 1,000,000.

Safety at work continues to be an absolute priority for the Group and is used as the main performance indicator for all plant managers.

Training programs have been deployed in all countries in order to continue to change behaviors with regard to risk.

The Group carries out the following preventive actions:
- pre-empting dangerous situations;
- improving workplace safety signs and displays;
- developing and disseminating a systematic analysis of the causes of accidents;
- acquiring safety reflexes and changing mindsets.

Measures taken in 2010 with the aim of a continued reduction of the number of accidents included:
- training health and safety representatives;
- organizing on-site health and safety days;
- providing video training;

- monitoring and analyzing "near-miss accidents";
- carrying out health and safety audits;
- displaying on site the number of accident-free days;
- information meetings;
- putting in place physical exercise activities.

In 2010, Nexans appointed a number of Environmental and Health and Safety Officers.

In addition, at certain sites, awareness-raising campaigns were organized by the sites' insurance companies.

As shown in the above graph, these initiatives have led to a significant decrease in the global frequency rate Group-wide, from 15 in 2009 to 10.4 in 2010.

In 2010, 35 sites did not record any work accidents involving sick leave in excess of 24 hours, compared with 36 sites in 2009. Tragically, however, there were two fatal accidents in 2010, in Vietnam and Argentina.

9.3.7 Training

Nexans University

In 2010, Nexans continued its training efforts through Nexans University, whose role is first and foremost to develop employee potential, disseminate best practices, and promote knowledge management through training or training-related activities.

In its third full year of existence, Nexans University offered a catalogue of 50 training courses (more than 100 sessions a year) and some 20 e-learning modules. Nexans University has enrolled over 5,000 employees and provides more than 30,000 hours of training a year. The training offering is gradually being enriched to offer employees the skills they require in a local context and to closely factor in the Group's strategic objectives including the rollout of competency models and development plans, a customer-centric approach, continuous improvement, operating excellence, and cross-business teamwork projects.
Nexans University has 12 academies covering all of the main functional or technical divisions as well as managerial and coaching skills. By focusing on "training the trainers" and deploying training using a cascade model, Nexans University has tutored 330 employees across the globe (in 10 languages) in the skills of facilitating and designing course. This approach also helps develop cross-business networks of experts throughout the Group.

The underlying concept of Nexans University is based on technical knowledge sharing networks that optimize the process of transferring know-how.

During 2010, Nexans University was particularly involved in providing technical training for staff at the new plant in Qatar.

Training programs

In 2010, the total number of hours devoted to training (in the workplace or outside the company) was 443,000, up 34% compared with 2009. As in 2009, the focus was on training employees in line with identified needs and enabling them to adapt to a global environment and a changing organization.

The year-on-year increase in the number of training hours is attributable to the development of the industrial excellence program and the strengthening of programs relating to safety and security.

The training courses carried out were devised in accordance with needs expressed during the annual interview process, developments identified within the scope of the strategic plans, and the related industrial and commercial programs.

Training is a key growth vector and the Group intends to continue its investment in this area in order to keep up with market developments, notably through the rollout of competency models and the resulting development plans.

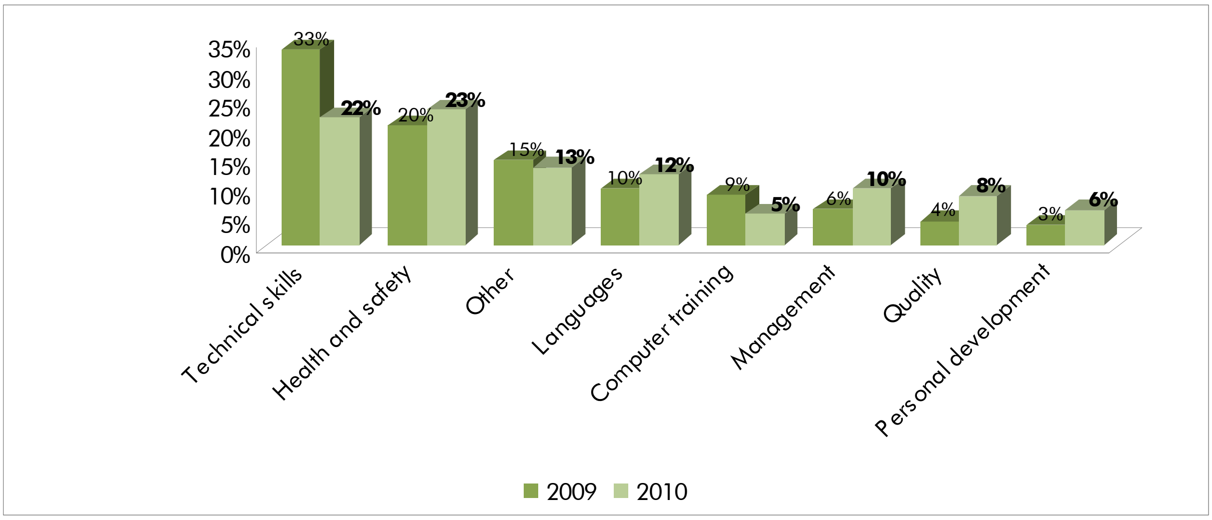
A number of training programs were launched or continue to be deployed in 2010, including:

- Nexans Excellence Way programs, which were started up in all of the Group's host countries, including sessions on the "5S", "autonomous teams", "Settle Quickly Eradicate Control", holding 5-minute team meetings and problem-solving;
- on-the-ground training for managers in order to back up the industrial excellence program;
- programs on maintenance, Inventory Reduction and Improved Services (IRIS), and reducing the consumption of raw materials;
- facilitation Skills and Design Skills programs, provided through Nexans University to help trainers create and deliver training courses;
- leadership training for potential Group managers;
- programs relating to safety and security issues;
- a program for training human resource / managers in the use and deployment of competency models;
- coaching and mentoring programs, such as in Australia and China;
- knowledge transfer training courses, such as in France;
- training in the various IT systems used within the Group;
- technical training courses devoted to communications, purchasing and sales;
- E-learning courses on legal matters.

Training in recently-acquired entities focuses mainly on language learning and the assimilation of Group procedures and best practices.

The theme-based breakdown of training time in the following graph highlights the priority accorded to technical skills and occupational health and safety.

Training time in 2010 by theme



Figures do not include the harness business

9.3.8 Career development

In 2010, the Group further extended the practice of organizing individual career development meetings with employees with a view to helping them build their skill sets by identifying their training needs and encouraging discussion about their career paths. The rollout of these meetings has been boosted by the implementation of industrial excellence approaches (Nexans Excellence Way) as well as the use of competency models.

In 2010, career development interviews were held for the first time with production staff and they now form part of the overall performance appraisal system. The underlying objective of the interview is to develop individuals' behavioral skills in order to further improve their performance and prepare their career path.

Nexans seeks to develop its pool of talent at all levels as a means of enhancing Group performance and nurturing future growth.
Three core trends have been identified in the strategic plan for the period 2009-2011:

- management of generational changes;
- globalization of markets and customers across all continents; and
- development of both upstream and downstream activities in the cable business (system integration, services, etc.)

The network of human resources departments is focusing on the following aspects:
- the emergence of new professional specializations;
- new performance criteria (such as Nexans Excellence Way) that need to be promoted and explained to staff; and
- individual profiles that can adopt a more cross-functional way of working within the Group.

In order to respond to these emerging requirements Nexans continued to formalize its career development processes in 2010 – with strong involvement from the Group's Executive Committee and the Management Committees in all of its host countries – around the following themes:

1. Drawing up competency models for each business, incorporating performance expectations by function and describing each targeted competency in a practical, operations-based way. This process is now complete for the purchasing, sales and

marketing, research and development, production, communications and human resources functions.
2. Training human resources and management in conducting appraisals with employees and preparing development plans.
3. Succession Planning and Individual Development (SPID), which is a process to identify potential successors to key positions within the Group as well as key talents. This approach – which is applied in all of the Group's countries and at Headquarters level – is used for a range of different target profiles, including Group potential, local potential, young talent and experts.
4. The identification of Group experts, with the creation of a knowledge transfer program at Nexans University.
5. The Careers Committee, which brings together members of the Executive Committee every month to address appointments and successions, as well as to identify talent and monitor and partner the development of the employees concerned. The Committee is currently placing particular emphasis on strengthening and developing talent in emerging countries.
6. The "Management Competency Model," which indicates what is expected from the Group's principal managers. Nexans evaluates their competencies in terms of operational excellence, take responsibility, "customer/market" focus, people leadership, and global team player in an international environment.
7. Leadership training, based on the "Management Competency Model", which currently comprises three targeted programs: "Introduction for New Leaders" (for new hires in their first 18 months within the Group); "Leading in a Global Nexans" (for high potential executives), and "Leading across Nexans" (for people who manage cross-business teams without a direct reporting relationship).

Nexans constantly tracks developments in all of its different businesses and strives to match employee competencies with market changes on an ongoing basis.

9.3.9 Group satisfaction survey performed among managers

A Group satisfaction survey was performed in 2010 as part of Nexans' continuous improvement drive. The objective of the survey was to assess managers' satisfaction and level of commitment to Nexans, as well as their understanding of Group strategy and cross-business programs (e.g., Nexans Excellence Way, Nexans University and the competency models). Interest in the survey was high among managers, as reflected in the 71% participation rate. The findings showed a strong level of loyalty and commitment to the Group, as well as a good understanding of and agreement with the competencies identified as key to the Group. They also highlighted a need to strengthen communication on Group strategy, Nexans University and the competency models, and to carry out annual individual interview with all employees. Action plans are currently being drawn up in response to the suggestions for improvement raised by the survey.

Other surveys were also carried out on a local basis during the year, such as in Sweden. The participation rate for this survey was also high, and the results were a marked improvement on the previous two surveys carried out in the country, reflecting the success of targeted action plans.

9.3.10 Disabled employees

The Group directly employed 345 disabled people throughout the world in 2010[1], which was slightly more than in 2009. The term disabled personnel is defined by the legislation of each country and legislation tends to be more proactive in Europe.

[1] This figure does not take into account countries where this information is not disclosed due to local regulations.

The entities concerned undertake to offer working conditions that are as conducive as possible to employing the disabled people in question.

9.3.11 Community activities

In most of the countries in which it is present, the Group supports and contributes financially to charitable associations, aid programs, voluntary work, and partnerships with schools.

The Group supported numerous initiatives in 2010, including:

- Numerous educational programs organized in Colombia for employees and their families as well as offers of legal assistance or psychological support.
- Local economic and industrial development projects in Germany, South Korea, Norway and Sweden, organized through employer federations, chambers of commerce and industry and cooperatives. Examples include the Group's participation in the expansion of the Rognan rail network in Norway, in association with the local authorities.
- Awareness-raising campaigns among young people in South Korea through the Group’s induction program in which participants are reminded of the needs of disadvantaged populations and encouraged to react appropriately.
- Participation in charitable works in Canada.
- Sponsoring programs in Lebanon, including sports activities and local clubs, as well as donations to associations that mainly provide support to the disabled.
- A rugby school sponsored by the Group in New Zealand, which helps to talent spot future professional players.
- Numerous programs in Australia, organized in partnership with local schools and colleges, encouraging young adults to take part in work-study schemes.
- University sponsoring in Greece and Switzerland (R&D programs, student prizes).
- A nutritional campaign launched in Peru that gives tips and advice to employees.
- Support of children's programs in Brazil, Norway and Peru.

Nexans also acts as a private sponsor of cultural projects such as the construction of the Louvre Museum in the city of Lens, which started in 2010. Nexans shares its expertise and donates power and communication cables for the museum’s building and park. Nexans also acts as a sponsor of the Château de Versailles and donated over 200 km of cables for the renovation of its electrical network

Aside from the implementation of Group policy and local legislation, many entities play a key role in their social environment or in education. For example, in Peru, a book on “values” was distributed and explained to all employees' children in 2010. In addition, various measures were organized in South Korea as in the past in order to strengthen the corporate culture, communications and the relationship of trust between members of the company.

The Group also carried out numerous environmental initiatives during the year, including setting targets for reducing energy consumption and promoting recycling through the use of waste sorting systems, such as in the Benelux countries. Also during the year, Australia and Brazil successfully set up environmental action plans aimed notably at reducing water consumption and greenhouse gas emissions.

Other examples of the Group’s environmental actions include the planting of a large number of trees at the Americana site in Brazil, and a financial donation given by Nexans’ Norwegian entity in support of the international environmental agency Bellona.

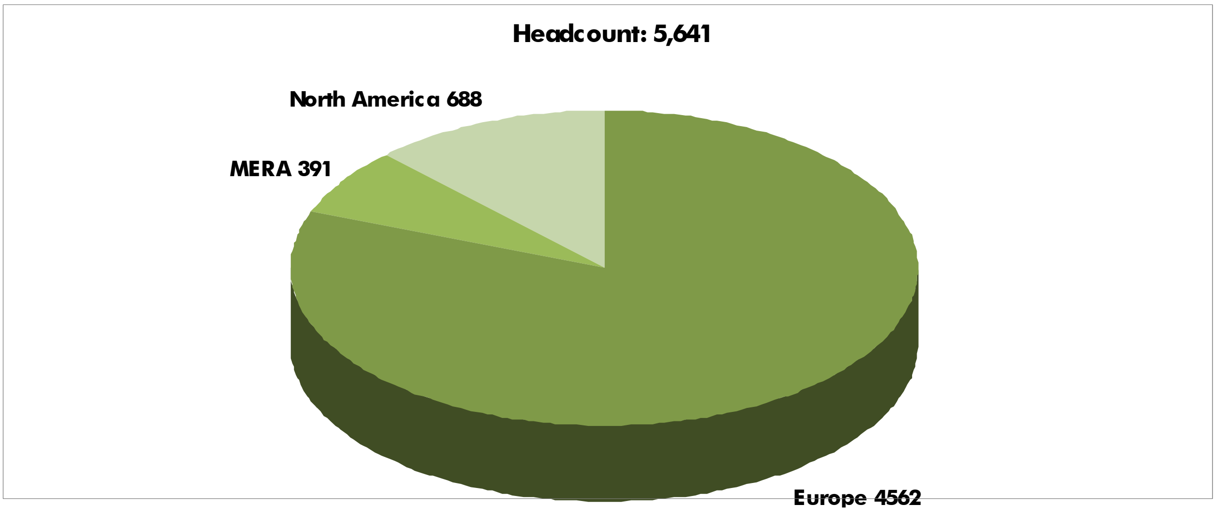
In addition, Nexans North America’s employees made a donation to the International Red Cross to help the victims of the earthquake that hit Haiti in January 2010.

9.3.12 The harness business

In view of the specific characteristics of the harness business, employees data for this business is presented separately.

Headcount for the harness business – which is based mainly in Europe – rose by a significant 30% in 2010, boosted by the recovery in the automobile sector. In North America there was a sharp upturn in demand from US truck makers, which led to an over-50% increase in headcount at the Mexico plant. In Europe, headcount rose in Romania and the Czech Republic in order to respond to the upturn in automakers' business as well as the performance of new contracts. In parallel, an upswing in business levels for industrial harnesses led to an increase in headcount in Slovakia.

A high proportion of employees in the harness business (38%) are on fixed-term contracts.



Headcount by geographic area (number of people holding a contract with a consolidated Group entity at the date indicated)
(MERA: Middle East, Russia and Africa)

In order to adjust to changes in workload and factor in productivity gains, headcount for the harness business fluctuated sharply during 2010. The majority of new hires took place in the first half of the year and a large proportion of natural departures was due to fixed-term contracts coming to an end.

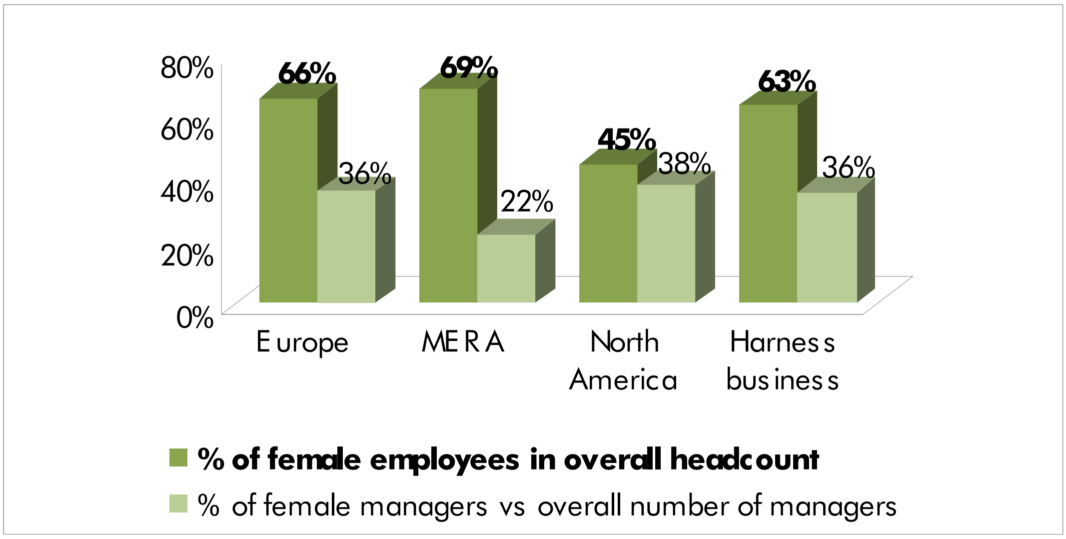
Overall, there was a marked net increase in headcount in 2010, reflecting a pronounced year-on-year improvement in activity.

	Europe	North America	MERA	Harness business
Natural departures	(1,496)	(634)	(161)	**(2,291)**
Restructuring	(22)	0	0	**(22)**
Recruitment	2,286	1,002	348	**3,636**
Changes in scope	0	0	0	**0**
Transfers	9	0	0	**9**
TOTAL	777	368	187	**1,332**

(MERA: Middle East, Russia and Africa)

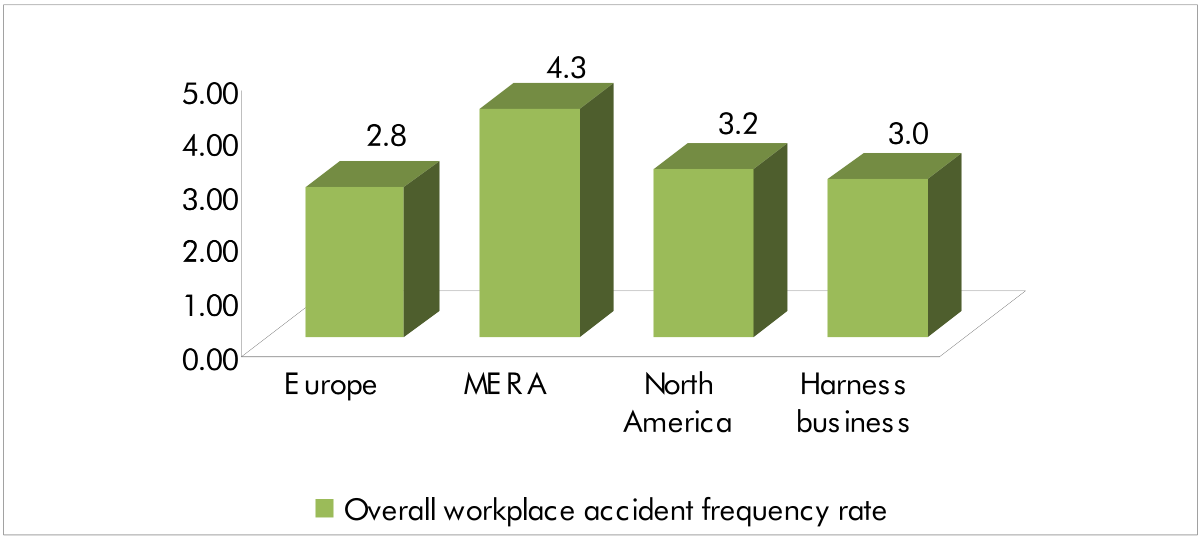
"Natural departures" include resignations, retirements, individual voluntary departures and terminations, death and the expiration of fixed-term contracts.
The "Restructuring" line concerns persons leaving the Group as part of a redundancy plan (both fixed-term and permanent positions).
"Recruitment" corresponds to persons recruited outside the Nexans Group on fixed-term or permanent contracts as well as persons employed by the Group who previously held temporary contracts.
"Changes in scope" include persons joining or leaving the Group due to the acquisition or disposal of a business or company (fixed-term and permanent positions).
"Transfers" include persons who have changed employer within the Group (fixed-term and permanent positions.

The majority of employees in the harness business are women, as illustrated in the graph below.

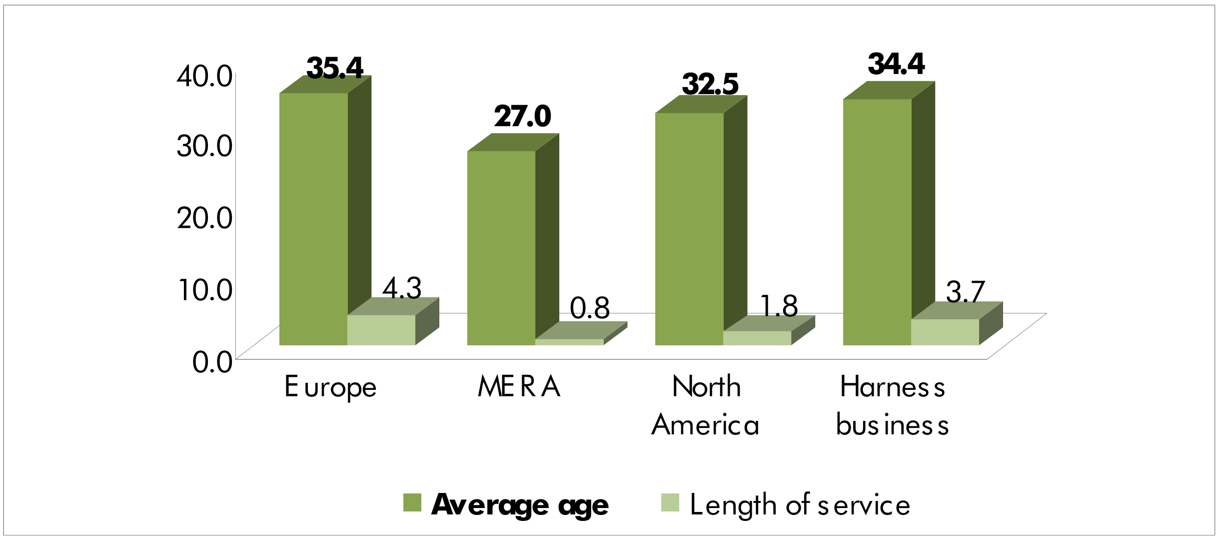


(MERA: Middle East, Russia and Africa)

The overall global work accident frequency rate in the harness business is less than 5:



(MERA: Middle East, Russia and Africa)
Overall global work accident frequency rate = Total number of work accidents involving lost time in excess of 24 hours/Total number of hours worked x 1,000,000.



At 34.4 years, the average age of employees in the harness business is relatively low. The overall average length of service is 3.7 years.

9.4 Environmental data

9.4.1. Nexans policy on environmental issues

The environment and the safety of employees and property are of primary importance to Nexans. The Group's policy is outlined in the "Industrial Risk Management" charter signed by the Chairman and CEO and circulated to all sites worldwide and available on the intranet. This charter covers continuous improvement in performance at production sites through audits and the assessment of risks relating to products and manufacturing processes.

Nexans' commitment to environmental protection is also reflected in its policy of training its employees in environmental best practices.

Environmental policy is the responsibility of the Group's Industrial Management and Logistics Department, which reports to the Management Committee. The Industrial Management Department supervises industrial strategy, investment budgets, and the management of major industrial projects. The Department also manages cross-functional projects, particularly product and process development, as well as the Group's plant and machinery. In each of these areas, it ensures that conservation and environmental protection requirements are fully complied with.

The environmental rules and targets set by the Industrial Management Department apply to Group operations worldwide.

The continuous performance improvement program for production sites is steered by the Environment and Products Committee, which comprises two members of the Management Committee as well as members from the Industrial Management and Logistics, Technical, Purchasing, Legal, Risk Management and Marketing Departments. This Committee meets twice a year.

- **Environmental management: measures taken to ensure compliance with applicable rules**

An internal environmental management system was set up when Nexans was formed and has been rolled out to all of the Group's sites. The objective of this system is to reduce pollution risks and control environmental costs (consumption of energy, water, raw materials and hazardous substances, as well as waste disposal and recycling).

In accordance with ISO 14001, this system is based on an annual review of all the Group's plants using a questionnaire covering 12 environmental issues, each rated according to a scoring grid. This questionnaire, which was posted on the intranet in 2008, also monitors the investments made by Nexans during the year to improve environmental performance. The scoring grid changes each year in line with regulatory developments and the areas that the Group wishes to improve. In 2010, as in 2009, the points reviewed included water recycling at plants (to limit consumption), waste recycling and reuse, identification of major environmental risks (accompanied by specific crisis management plans), and storage of hazardous liquids.

A Group Environmental Manual, commissioned by the Executive Committee, was drawn up in January 2005 (and updated in November 2008) and sent out to all production sites. It describes Nexans' environmental management approach, in particular the performance targets, procedures, crisis management plans and tools available at each site, and serves as a reference document for the plants' environmental management systems. It also describes the Group's organization and the role of country-level management in implementing the Group's environmental policy.

Once the questionnaires have been analyzed, recommendations are sent to the sites in the form of summaries and graphs so that problems can be solved through action plans tailored to improved environmental management at specific sites. Recommendations are monitored on an annual basis.

Since 2003, the Group has used an external specialist to audit issues covered by the questionnaire.

In 2010, 32 sites were audited and those that were found to be well-managed environmentally were awarded the EHP (*Environnement Hautement Protégé*, Highly Protected Environment) label. At end-2010, 67 sites - or 72% of those audited - had been awarded the EHP label.

The sites that did not receive the EHP label were provided with recommendations on how to achieve the required level, and they initiated corrective actions accordingly. These actions are included in the plants' three-year plans.

The environmental audit program, which is the same for all of the sites audited, is a means of checking data on the consumption of materials (water, solvents, energy, packaging, etc.), discharges into the air and water, soil protection, the condition of storage facilities, waste volumes and recycling methods, and the impact of the Group's activities in terms of noise.

In addition to this system, some of the Group's plants have launched a process to obtain ISO 14001 certification. At end-2010, a total of 55 Group sites were ISO 14001 certified.

9.4.2 Environmental consequences of the Group's operations and measures taken to limit their impact

The environmental impact of Nexans' core businesses can be summarized by sector, as follows:

- **Copper and aluminum metallurgy**

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

- **Power cables and copper telecom cables**

Conductor manufacturing (drawing and stranding) consumes electrical power for annealing and oily water for drawing lubrication. Wastewater is filtered, treated, and recycled.

Extrusion cable manufacturing requires large quantities of water for cooling. Most of this water is recycled, ensuring that consumption remains low. Air emissions are treated by filter extractors specific to each facility and subject to the emissions thresholds established by each country. Solvent consumption is very low considering the extremely large quantities of cables produced (and relates primarily to marking inks, for which special treatment and processing is provided by the Group: storage in small cabinets and fume hoods used for cleaning ink jets and wheels).

- **Waste recycling: a dedicated joint venture**

The Nexans Group is highly committed to waste recycling, through Recycable, a company in which it owns a 36% interest. Recycable recycled 14,123 tons of cable waste from Nexans plants in 2010. By carefully sorting factory waste and recycling cable waste, most of the Group's waste – including wood, paper, cardboard, ferrous metals, machine oil, batteries, and special waste – is re-used in some way.

- **Environmental indicators**

	2008	2009	2010
Number of sites monitored	93	95	92
Energy consumption	1,657,900 MWh	1,407,000 MWh	1,425,400 MWh
of which electricity	890,000 MWh	794,000 MWh	821,300 MWh
of which fuel oil	87,900 MWh	85,500 MWh	83,100 MWh
of which gas	680,000 MWh	516,100 MWh	504,400 MWh
Water consumption	4,760,000 m³	4,400,000 m³	3,000,000 m³
Solvent consumption	940 t	810 t	720 t
Copper consumption	650,000 t	546,000 t	510,000 t
Aluminum consumption	138,000 t	139,000 t	138,000 t
Number of sites equipped with water recycling systems (1)	74	76	86
Waste tonnage	103,800 t	91,910 t	97,280 t
of which special waste	6,730 t	6,360 t	6,580 t
Amount of recycled cable manufacturing waste (in tonnes) (2)	21,700 t	18,335 t	14,123 t
CO_2 emissions (3)	-	541,000 t CO_2 eq	445,000 t CO_2 eq
Number of EHP-certified sites	52	60	67
Number of ISO 14001– certified sites	38	56	54

(1) Sites where at least 75% of machines are equipped with a water recycling system.
(2) Tons of waste processed by Recycable.
(3) Direct and certain indirect emissions of CO_2 (from electricity and steam consumption, power line losses, use of fossil fuels, use of packaging, and land filling).
(-) not available.

These figures, which are estimated based on the data collected, pertain to the Group's scope of consolidation at December 31, 2010.

- **Environmental expenditure**

In 2010, environment-related expenditure amounted to 5.5 million euros (versus 7.1 million euros in 2009) and mainly concerned the following items: environmental taxes (e.g., water tax), maintenance (purchase of filters, for example), analyses, tests, royalties and licenses.

- **Environment-related investments and provisions for environmental risks**

Investments:
Environment-related investments in 2010 can be broken down as follows:

	Soil and water protection	Air protection and energy savings	Waste reduction and miscellaneous	Noise	Elimination of PCB transformers (in France)	**Total**
(in thousands of euros)	680	1,796	1,892	156	90	**4,614**

In 2009, environment-related investment totaled some 4.2 million euros.

Soil and water protection

The current deterioration of ground water and the management of water as a scarce resource worldwide constitute a key challenge in sustainable development. Nexans is involved in both thought processes and initiatives relating to this issue by enhancing supervision, and monitoring the presence of polluting liquids in both storage and operational areas, and by stepping up its efforts to recycle water.

Air protection and energy savings

Saving energy is a major preoccupation for the Group. Various investments have therefore been made in this area. For example, in the Group's plants air compressors have been replaced with modern equipment that consumes less energy and initiatives have been taken concerning the Group's products such as improving the power factor (i.e., reducing idle power) and improving electrical networks.

Provisions for risks

At December 31, 2010, provisions for environmental risks amounted to 6.5 million euros (see section 6.2.7 of this report for an overview of industrial and environmental risks).

Appendix 1

Parent company results for the last five years

	2010	2009	2008	2007	2006
1- Share capital at the end of the fiscal year					
a) Share capital (in thousands of euros)	28,604	28,013	27,936	25,678	25,265
b) Number of shares issued	28,604,391	28,012,928	27,936,953	25,678,355	25,264,955
II- Results of operations (**in thousands of euros**)					
a) Sales before taxes	12,882	14,498	18,262	13,263	13,061
b) Income before taxes, employee profit-sharing, depreciation amortization, and provisions	38,136	71,586	106,864	92,939	134,305
c) Income taxes	(672)	(256)	3,199	672	(249)
d) Employee profit-sharing due for the fiscal year	121	95	124	74	152
e) Income after tax and employee profit-sharing, depreciation, amortization, and provisions	28,684	61,743	94,461	110,031	88,095
f) Dividends		28,101	55,942	50,744*	31,648
III- Income per share (in euros)					
a) Income after tax and employee profit-sharing, but before depreciation, amortization, and provisions	1.33	2.56	3.71	3.59	5.32
b) Income after tax and employee profit-sharing, depreciation, amortization, and provisions	1.00	2.20	3.38	4.28	3.49
c) Dividend per share		1.00	2.00	2.00	1.20
IV- Personnel					
a) Average headcount for employees during the fiscal year (number of employees)	6	6	6	6	6
b) Total fiscal year payroll (in thousands of euros)	3,101	4,924	4,719	3,351	3,556
c) Total amount paid for employee benefits during the fiscal year (in thousands of euros)	1,023	1,641	1,573	1,117	1,185

* This amount does not include a complementary dividend of 10,650 € relating to 2006 paid on 02/22/2008.

Appendix 2

Summary of authorizations to increase the Company's share capital and their use during fiscal 2010

<table>
<tr><th>Resolutions approved at the Shareholders' Meeting of May 25, 2010*</th><th>Limit for each resolution**</th><th>Sub-limits applicable to several resolutions**</th><th>Limits applicable to several resolutions**</th><th>Use during fiscal 2010</th></tr>
<tr><td>Issue of ordinary shares with pre-emptive subscription rights (R10) with a greenshoe option if oversubscribed (R14)</td><td>€14,000,000</td><td>-</td><td rowspan="6">€14,000,000</td><td>/</td></tr>
<tr><td>Issue of debt securities carrying rights to shares (convertible bonds, equity notes, bonds with stock warrants, OCEANE bonds etc.) without pre-emptive subscription rights, through a public offering (R11) or a private placement (R12) with a greenshoe option if oversubscribed (R14)</td><td>Shares = €4,000,000 (< 15% of the share capital)
Debt securities = €300,000,000</td><td rowspan="3">€4,000,000 (< 15% of the share capital)
-</td><td>/</td></tr>
<tr><td>Issue of shares and/or securities carrying rights to shares in the event of a public exchange offer initiated by the Company either for its own shares or the shares of another company, without pre-emptive subscription rights (R13), with a greenshoe option if oversubscribed (R14)</td><td>€4,000,000 (< 15% of the share capital)</td><td>/</td></tr>
<tr><td>Issue of shares reserved for a category of beneficiaries in connection with a share capital increase reserved to employees (R18)</td><td>€100,000</td><td>Issue of 97,437 new shares to Société Générale as part of the Act 2010 employee share ownership plan</td></tr>
<tr><td>Issue of shares in payment for securities transferred to the Company (R15)</td><td>5% of the share capital</td><td>-</td><td>/</td></tr>
<tr><td>Issue of shares to be paid up by capitalizing reserves, income or additional paid-in capital (R16)</td><td colspan="2">€10,000,000</td><td>/</td></tr>
<tr><td>Issue of shares and/or securities carrying rights to shares, to members of an employee savings plan (R17)</td><td colspan="2">€400,000</td><td>-</td><td>Issue of 385,030 new shares to Group employees as part of the Act 2010 employee share ownership plan</td></tr>
<tr><td></td><td colspan="2"></td><td>Overall limit of
€24,800,000</td><td></td></tr>
</table>

* The abbreviation "R…" stands for the number of the resolution submitted for approval the Annual Shareholders' Meeting of May 25, 2010.
** The maximum par value of the capital increases which could take place corresponds to the maximum number of shares that could be issued as the par value of one Company share is equal to 1 euro.

NB : Use in early 2010 of an authorization granted at the May 26, 2009 Annual Shareholders' Meeting: on March 9, 2010, the Board set up a stock option plan (plan no. 9) providing for the grant of options exercisable for a total of 395,490 options to 216 beneficiaries (see section 7.4 of the 2010 management report).